
GP Investments, Ltd.
Consolidated financial statements at
December 31, 2019
and independent auditor's report



Independent auditor's report on the consolidated financial statements

To the Board of Directors and Shareholders
GP Investments, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of GP Investments, Ltd. ("Company") and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2019 and the consolidated statements of income, comprehensive income, changes in shareholders' 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of GP Investments, Ltd. and its subsidiaries as at December 31, 2019, and their consolidated financial performance and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

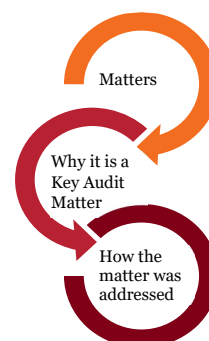
Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian 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 sufficient and appropriate to provide a basis for our audit opinion.

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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have planned and performed our audit for the year ended December 31, 2019 considering that the Company operations have not changed significantly in comparison to the previous year. In this context, the Key Audit Matters, as well as our audit approach, have remained substantially in line with those of the previous year.





GP Investments, Ltd.

Why it is a Key Audit Matter

How the matter was addressed in the audit

Measurement of financial instruments at fair value Level III (Notes 2(f), 7(a) and 8)

As described in Note 7(a), the Company had US\$ 565,609 thousand at December 31, 2019 invested in financial instruments as shares and quotas of privately- held companies, classified as Level III, with operations in different industries and locations. Of this amount, a substantial part its related to investments abroad, in Spice Private Equity Ltd. ("Spice"). These shares and quotas of privately held companies, with no stock exchange quoted prices, which are, as a result, valued at fair value estimated by Management, in accordance with the Company's assumptions and internal pricing models, that are based mainly on multiples of results (EBITDA), discounted cash flow, and/or recent price acquisitions transactions.

We are still considering that the measurement of these financial instruments is significant to our audit because of (i) the relevance of the balances of these Level III financial instruments; (ii) the subjectivity inherent to the determination of the fair value executed by Management; (iii) the possible effects, in the Company's results, of occasional changes in the pricing models or assumptions used by Management.

We updated our understanding of the relevant internal controls related to the measurement of fair value of these Level III financial instruments.

With the support of our specialists, we had meetings with those in the Management responsible for the preparation and approval of calculation of valuation of shares and quotas, in order to establish, based on our experience and judgment, whether the Company's measurement work is consistent with the valuation techniques usually applied in the market and whether they are consistency with prior year data, except when changes were necessary, according to Management's judgment, to better measure and disclose the current fair value of financial instruments.

We also tested the valuation methodology as well as the assumptions used by Management through the following: (i) understanding of the methodology used in the assessment; (ii) comparison of assumptions observable in the market, when applicable; (iii) performing independent valuation on a test basis; (iv) comparison with the information and fair value obtained by the Company; (v) comparison of the prior-year projections with the effective actual results as well as the current projected results; and (vi) comparison of the spreadsheets used for the share and quotas valuation with the accounting records and with the disclosures made in the notes to the financial statements.

In addition, in relation to the measurement of the fair value of investments held in Spice, we communicated and send instructions to the independent auditor of this investment. Accordingly, we have reviewed the reports received from this auditor in relation to the sufficiency of the audit procedures carried out and the conclusions reached on the measurement of the fair value of this investment classified as Level III.



GP Investments, Ltd.

Why it is a Key Audit Matter

How the matter was addressed in the audit

Our main audit procedures listed above, among others, provided an appropriate and sufficient audit evidence and, therefore, we consider that the criteria and assumptions that Management used to measure the fair value of Level III shares and quotas are reasonable in the context of the financial statements.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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 consolidated 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 financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with 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 consolidated 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 internal control of the Company and its subsidiaries.



GP Investments, Ltd.


- 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 ability of the Company 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 consolidated 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 consolidated financial statements, including the disclosures, and whether these consolidated 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

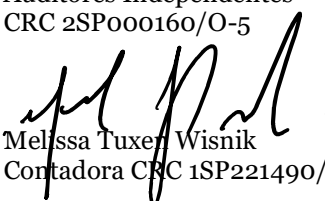
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine that matter that was of most significance in the audit of the consolidated financial statements of the current year and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Barueri, March 30, 2020


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Melissa Tuxen Wisnik
Contadora CRC 1SP221490/O-0

GP Investments, Ltd.
Consolidated financial statements
at December 31, 2019

GP Investments, Ltd.

Consolidated balance sheet In thousands of US dollars

Assets	Note	December 31, 2019	December 31, 2018	Liabilities and shareholders' equity	Note	December 31, 2019	December 31, 2018
Current assets				Current liabilities			
Cash and cash equivalents	3	66,488	101,097	Accounts payable		4,695	5,807
Financial investments	4	100,981	64,644	Taxes payable		1,832	2,005
Management and performance fees	6 (a)	27,918	617	Payroll accruals, bonuses and related charges	6 (e)	38,461	7,393
Deferred costs and prepaid expenses		820	1,299	Accrued interest on perpetual notes		1,396	2,622
Other		<u>17,173</u>	<u>13,446</u>	Other		<u>2,412</u>	<u>2,121</u>
		<u>213,380</u>	<u>181,103</u>			<u>48,796</u>	<u>19,948</u>
Non-current assets				Non-current liabilities			
Investments				Perpetual notes	10	69,941	130,622
Equity portfolio	7(a)	565,609	537,379	Provision for contingencies	11	<u>29,978</u>	<u>39,134</u>
Financial investments at fair value through profit and loss	7(b)	8,524	9,238			<u>99,919</u>	<u>169,756</u>
Receivables from related parties	6 (d)	15,204	22,835	Shareholders' equity	15		
Funds held in escrow	5	9,364	21,413	Share capital		274	274
Receivables from employees and shareholders	6 (c)	8,519	10,745	Share premium		597,639	597,360
Furniture and equipment		740	750	Accumulated deficit		(208,559)	(282,880)
Other		<u>3,812</u>	<u>13,203</u>	Accumulated other comprehensive loss		(23,802)	(23,200)
		<u>611,772</u>	<u>615,563</u>	BDRs acquired by wholly-owned subsidiary (treasury shares)		(988)	(322)
Total assets		<u><u>825,152</u></u>	<u><u>796,666</u></u>	Non-controlling interest		<u>311,873</u>	<u>315,730</u>
						<u>676,437</u>	<u>606,962</u>
				Total liabilities and shareholders' equity		<u><u>825,152</u></u>	<u><u>796,666</u></u>

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

GP Investments, Ltd.

Consolidated Statement of Income

Year ended December 31

In thousands of US dollars, unless otherwise indicated

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Revenues			
Appreciation (depreciation) in fair value of investments	7(a)	192.144	(118.600)
Reversal of unrealized fair value on disposal of investments	7(a)	(31.581)	86.198
Realized gain (loss) - private equity, net		(541)	(93.088)
Management fees		9.770	10.895
Dividends		10.441	4.369
Performance fees		705	789
Other		752	2.616
Total revenue		<u>181.690</u>	<u>(106.821)</u>
Expenses			
General and administrative	17	(25.783)	(23.602)
Contingencies		(6.341)	(7.607)
Bonuses and carried on realized gain		(5.284)	(4.971)
Total expenses		<u>(37.408)</u>	<u>(36.180)</u>
Financial income		6.609	8.752
Financial expenses		(12.314)	(22.855)
Realized/unrealized gain (loss) on derivative instruments			(5)
Financial income (expenses), net		<u>(5.705)</u>	<u>(14.108)</u>
Net income (loss) before taxes		<u>138.577</u>	<u>(157.109)</u>
Income taxes	9	(925)	(1.420)
Net Income (loss) for the year		<u>137.652</u>	<u>(158.529)</u>
Attributable to			
Shareholders of GP Investments, Ltd.		74.321	(79.580)
Non-controlling interest		63.331	(78.949)
		<u>137.652</u>	<u>(158.529)</u>
Weighted average number of shares - basic	15(b)	<u>109.745.820</u>	<u>109.567.858</u>
Profit (loss) per share attributable to shareholders of GP Investments, Ltd. - basic		<u>0,68</u>	<u>(0,73)</u>
Weighted average number of shares - diluted	15(b)	<u>109.745.820</u>	<u>114.168.094</u>
Profit (loss) per share attributable to shareholders of GP Investments Ltd. - basic / diluted		<u>0,68</u>	<u>(0,70)</u>

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

GP Investments, Ltd.

Consolidated statement of comprehensive income

Years ended December 31

In thousands of US dollars, unless otherwise indicated

	<u>2019</u>	<u>2018</u>
Net income (loss) for the year	<u>137,652</u>	<u>(158,529)</u>
Other comprehensive loss		
Foreign currency translation adjustment	(624)	(3,161)
Unrealized gain (loss) on financial investments at fair value through other comprehensive income		<u>(4,804)</u>
Other comprehensive loss, net of tax	<u>(624)</u>	<u>(7,965)</u>
Comprehensive income (loss)	<u>137,028</u>	<u>(166,494)</u>
Attributable to		
Shareholders of GP Investments, Ltd.	73,719	(87,258)
Non-controlling interest	<u>63,309</u>	<u>(79,236)</u>
Comprehensive income (loss)	<u>137,028</u>	<u>(166,494)</u>

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

GP Investments, Ltd.

Consolidated statement of changes in shareholders' equity in thousands of US dollars, unless otherwise indicated

	Note	Share capital	Share premium	Accumulated deficit	Accumulated other comprehensive income (loss)	BDRs acquired by wholly owned subsidiary (treasury shares)	Non-controlling interest	Total
At December 31, 2017		274	596.316	(203.300)	(15.514)		360.457	738.233
Capital increase	15(a)		120					120
Capital contribution by Limited Partners	15(d) (i)						13.812	13.812
Distribution to Limited Partners	15(d) (ii)						(28.570)	(28.570)
Capital contribution by Minorities BRZ							431	431
Non-controlling interest FoodFirst							46.814	46.814
Acquisition of treasury shares	15(c)					(322)		(322)
Changes in non-controlling interest							2.014	2.014
Share based compensation recognized during the year	16 (ii)		966					966
Loss on dilution of participation of non-controlling			(42)		(4.650)			(4.692)
Loss for the year				(79.580)			(78.949)	(158.529)
Cumulative translation adjustment							(125)	(125)
Unrealized losses on financial investments at fair value through profit and loss					(3.036)		(154)	(3.190)
At December 31, 2018		274	597.360	(282.880)	(23.200)	(322)	315.730	606.962
Capital contribution by Limited Partners	15(d) (i)						49.651	49.651
Distribution to Limited Partners	15(d) (ii)						(111.806)	(111.806)
Capital contribution in non-controlling FoodFirst Global Restaurants - Spice							3.673	3.673
Capital increase	15(a)	-						-
Acquisition treasury shares	15(c)					(666)		(666)
Changes in non-controlling interest							(2.578)	(2.578)
Share based compensation recognized during the year	16 (ii)		261					261
Income for the year				74.321			63.331	137.652
Gain on dilution of participation of non-controlling			18					18
Distribution to non-controlling Spice							(6.106)	(6.106)
Cumulative translation adjustment					(602)		(22)	(624)
At December 31, 2019		274	597.639	(208.559)	(23.802)	(988)	311.873	676.437

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

GP Investments, Ltd.

Consolidated statement of cash flows

In thousands of US dollars, unless otherwise indicated

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities			
Net Income (loss) for the year		<u>137.652</u>	<u>(158.529)</u>
Reconciliation of the net income to net cash flows from operating activities			
Depreciation (appreciation) in fair value of the investments	7 (a)	(192.144)	118.600
Reversal of unrealized fair value on disposal of investments	7 (a)	31.581	(86.198)
Gain (loss) on dilution of participation of non-controlling		18	(42)
Realized loss (gain), net		541	93.088
Unrealized (gain) loss on financial investments at fair value through profit and loss		-	(1.935)
Unrealized gain (loss) on derivative instruments		-	13
Accrued interest on escrow accounts		-	3.569
Stock based compensation		316	966
Accrued interests		(434)	-
Accrued interests on perpetual notes		(369)	(1.103)
Accrued interests on financial assets at fair value through other comprehensive income		573	-
Amortization of deferred costs and prepaid expenses		479	132
Accrued interests on loans receivables		92	68
Hypo Carry		(26.771)	-
Provision for contingencies		(9.156)	6.162
Depreciation of fixed assets		196	240
Other		(11)	(370)
		<u>(57.437)</u>	<u>(25.339)</u>
Loans receivables from related parties		9.734	603
Management and performance fees		(530)	717
Receivable from employees and shareholders		2.226	2.315
Accounts payable		(1.112)	1.795
Taxes payable		(173)	(354)
Receivables related to derivative instruments		-	19
Payroll, performance bonuses and related charges		31.068	(1.958)

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

GP Investments, Ltd.

Consolidated statement of cash flows

In thousands of US dollars, unless otherwise indicated

Other assets		1.428	121
Other liabilities		(930)	(6.020)
Other liabilities - long term		-	(12.356)
Net cash provided (used) in operating activities		(15.726)	(40.457)
Cash flows from investing activities			
Proceeds from sale of financial investments		20.334	20.997
Acquisition of financial investments		(1.571)	(69.471)
Transfer to SPVs for payment of expenses	7 (a)	(709)	(428)
Sale (acquisition) of real estate investments		10.070	-
Financial investments and trading securities, net		(187)	5.639
Acquisition of Rimini		(22)	
Proceeds from sale of investment in 99 Taxis		-	7.400
Proceeds from sale of private equity investments - Magnesita		145.567	
(Acquisition) sale of investments owned through Spice		(14.869)	4.450
Proceeds from sale of investment in BHG		-	32.408
Acquisition of investment through Spice - FoodFirst Global Restaurants, Inc		-	(95.500)
Proceeds from other private equity investments		-	145
Proceeds from release of escrow		12.381	-
Cash Reserves		(55.100)	-
Acquisition of investment through Spice - The Craftory		-	(2.166)
Acquisition of other investments		-	(6.176)
Sale (acquisition) of furniture, properties and equipment		(185)	(109)
Sale (acquisition) of other invested assets		(9.760)	-
Sale (acquisition) of financial assets at fair value through other comprehensive income		(10)	-
Sale (acquisition) of financial assets at fair value through profit and loss		-	(2.124)
Net cash provided by (used in) investing activities		105.939	(104.935)
Cash flows from financing activities			
Acquisition of treasury shares		(666)	-
Acquisition of treasury shares by non-controlling Spice		-	13.449

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

GP Investments, Ltd.

Consolidated statement of cash flows

In thousands of US dollars, unless otherwise indicated

Capital contribution by limited partners	15(d) (ii)	49.651	
Capital contribution by limited partners - Real Estate	15(d) (ii)	-	363
Capital increase		-	245
Capital subscription of minorities of BRZ Investimentos S.A.		-	431
Stock options exercised		-	-
Distribution to limited partners	15(d) (ii)	(102.148)	(27.438)
Distribution to limited partners - Real Estate	15(d) (ii)	(9.658)	(1.132)
Distribution to other non-controlling		(2.106)	-
Perpetual notes, debt issuance costs		-	(26.676)
Amortization of perpetual notes		(60.312)	-
Non-controlling interest FoodFirst - Spice		3.673	46.814
Repurchase of shares from non-controlling - BRZ		-	(322)
Capital subscription		(55)	-
Net cash provided by financing activities		<u>(121.621)</u>	<u>5.734</u>
Effects of exchange rate changes on cash and equivalents		<u>(3.201)</u>	<u>(211)</u>
Net increase (decrease) in cash and cash equivalents		(34.609)	(139.869)
Cash and cash equivalents at beginning of the period		<u>101.097</u>	<u>240.966</u>
Cash and cash equivalents at end of the year		<u><u>66.488</u></u>	<u><u>101.097</u></u>
Supplemental information			
Interest paid		12.125	14.750
Income taxes and social contributions paid		677	893

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

GP Investments, Ltd.

Notes to the consolidated financial statements as of December 31, 2019 In thousands of US dollars, unless otherwise indicated

1 Business

GP Investments, Ltd. ("Company" or "GP") is a company domiciled in the Islands of Bermuda ("Bermuda") and its operations comprise private equity and real estate business, including the management of Limited Partnerships, which are conducted through its subsidiaries GP North America, GP UK Corporate, GP Cash Management, GPAM and GPIC.

The Company's shares are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market, and are also listed and traded in the form of Brazilian Depositary Receipts (BDR) on the Brazilian Stock Exchange (B3).

On January 18, 2010, the Company filed with the Brazilian Securities Commission ("CVM") a request for the registration of a restricted sponsored Regulation S and Rule 144A Global Depositary Receipt Program (GDRs), pursuant to a resolution approved by the Company's Board of Directors during a meeting held on January 14, 2010. On January 29, 2010, the CVM approved the request. Deutsche Bank Trust Company Americas acts as the depositary bank for the GDR Program responsible for the issuance of the GDRs. The BDR, which are traded on the B3 backs the GDRs in the ratio of one GDR to two BDR. Itaú Unibanco S.A. acts as custodian for the Company's BDR in Brazil. The establishment of the GDR program does not involve the issuance of new BDR or shares, or a public offering of existing BDR or shares.

The Company conducts its private equity business primarily in the Brazilian market, through GPIC, either directly or through private equity and real estate funds managed by the Company.

GP's strategy is to acquire control of the voting capital or joint control through shareholders' agreements, in selective companies with growth potential that can achieve leading positions in their respective industries.

GP's subsidiaries GP Investimentos Ltda e GP North America are the local advisor of the Company with respect to the acquisition, management and disposition of investments, in accordance with certain advisory agreements between GP and the funds' General Partners, GP Investments III, Ltd. ("GP III"), GP Investments IV, Ltd. ("GP IV"), GP Investments V, Ltd. ("GP V") and GP Investments VI, Ltd ("GP VI").

(a) Private Equity Funds

GP's investments in private equity funds GP Capital Partners III, LP ("GPCP III"), GP Capital Partners IV, LP ("GPCP IV"), GP Capital Partners V, LP ("GPCP V") and GP Capital Partners VI, LP ("GPCP VI") are made through its subsidiary GPIC.

On June 19, 2006, GPCP III closed with US\$ 250,000 of committed capital, of which US\$ 117,150 committed by GP, as one of the Limited Partners of GPCP III, and US\$ 132,850 by the other Limited Partners of GPCP III. At August 2007, the committed amount has been fully invested (Note 12). The activities of GPCP III expired on June 7, 2015. GP III's Advisory Committee approved the extension of the Partnership terms for additional two-year period (June 7, 2017). In 2018, GP III's Advisory Committee approved the extension of the Partnership terms for additional 7 months period (July, 2019). GPCP III commenced its winding up on June 8th, 2019. GP III is the General Partner responsible for investment and divestiture decisions of GPCP III.

On July 6, 2007, the Company announced the formation of GPCP IV with US\$ 1,025,000 of committed capital, of which US\$ 400,000 committed by GP, as one of the Limited Partners of GPCP IV, and US\$ 625,000 by the other Limited Partners of GPCP IV. On October 22, 2007, the Company announced that the committed capital of GPCP IV had been increased to

GP Investments, Ltd.

Notes to the consolidated financial statements as of December 31, 2019 **In thousands of US dollars, unless otherwise indicated**

US\$ 1,300,000, of which US\$ 400,000 committed by GP and US\$ 900,000 by the other Limited Partners of GPCP IV. At August 2010, the committed amount had been fully invested (Note 12). The activities of GPCP IV would terminate on July 1, 2017, but could be extended at the discretion of GP IV's Advisory Committee. GP IV's Advisory Committee approved the extension of the Partnership terms for additional one-year period (July, 2019). GPCP IV commenced its winding up on July 1st, 2019. GP IV is the General Partner responsible for investment and divestiture decisions of GPCP IV.

GPCP V concluded its final closing in April 2010 reaching a total committed capital of US\$ 1,052,425, being US\$ 500,010 from GP as one of the Limited Partners of GPCP V, and US\$ 552,415 from the other Limited Partners, which includes the amount committed by investors in the first closing on August 21, 2008. The commitment period of GPCP V, which comprises the period of investment, was completed on July 31, 2013 (Note 12). GP V's Advisory Committee approved the extension of the Partnership terms for additional one-year period (July, 2020). GP V is the General Partner responsible for investment and divestiture decisions of GPCP V.

GPCP VI is a limited partnership established in Delaware through the Limited Partnership Agreement dated April 6, 2017. GP Investments VI, Ltd. is the General Partner responsible for GPCP VI investment and divestment decisions.

(b) Real Estate Funds

GP's investments in real estate funds GP Real Estate A, LP ("GPRE A"), GP Real Estate B, LP ("GPRE B") and GP Real Estate C, LP ("GPRE C") are made through its subsidiary GPIC. GP Real Estate I, Ltd ("GPRE I") is the General Partner responsible for investment and divestiture decisions of all the real estate funds (GPRE A, GPRE B and GPRE C).

GPRE A is a limited partnership established in the Cayman Islands through the Limited Partnership Agreement dated December 22, 2010.

GPRE B is a limited partnership established in the Cayman Islands through the Limited Partnership Agreement dated April 19, 2011.

GPRE C is a limited partnership established in the Cayman Islands through the Limited Partnership Agreement dated April 19, 2011.

The Company concentrates its real estate business primarily in the Brazilian market, through GPRE I, either directly or through real estate funds that the Company manages such as GP Real Estate A, B, and C, LP. During 2012, GP Investments started raising a dedicated fund for the real estate business, with the strategy of investing directly in projects in the residential, office and retail segments. Supported by a talented fully dedicated team, the fund was closed with total commitments of US\$ 250 million and has already executed twenty investments in different cities and segments. Segmented information is being provided in (Note 18).

(c) Direct Investments

GP has direct investments in Spice Private Equity, Ltd. ("Spice"), BRZ Tavira Participações Ltda. ("BRZ Investimentos") and Rimini Street, Inc. ("Rimini Street" or "Rimini").

The current products offered by BRZ include fixed income funds, equity funds and hedge funds, all of which focus on different risk profiles and investor bases. Spice Private Equity Ltd. is a subsidiary of GP regulated by Swiss laws, which focus is investing in emerging markets.

On December 31, 2019, the Company has 100% direct investment of GPAM, GPIC, GP Cash, GP

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North America and GP UK. Additionally, on December 31, 2019, GP was also the owner of 89.9% of BRZ Investimentos, 58.5% of Spice Private Equity Ltd. and 3% of Rimini Street Inc (December 31, 2018 – 89.9%, 58.5% and 3%, respectively).

Spice Private Equity, Ltd.

On May 21, 2013, the Company announced the investment of approximately US\$ 33 million to acquire 26,7% of APEN, Ltd. ("Apen"), a Switzerland-based listed Private Equity company, aligned with the Company's business objective which is analyze investment opportunities in the international market, which may also include Brazil. In December, 2013, the Company invested approximately US\$ 6 million to buy an additional 5% stake, thus increasing its total stake to 31.7% in Apen. As a result, the Company formed through direct or indirect investments the following wholly-owned subsidiaries GP Lux, GP Swiss, GP Advisors Bermuda and GP Advisors. On February 26, 2015, Apen announced the change of its name to Spice Private Equity, Ltd.

On May 5, 2016, GP Investments announced to the market that it had signed a definitive and binding agreement with Fortress and Newbury to acquire their stakes in Spice. On June 28, 2016, the remaining conditions precedent of the Transaction were fulfilled at Spice's Annual General Meeting, where the amendment of the investment objective of the Company and the appointment of new members for the Board of Directors, as per proposed by GP Swiss, were approved. As a result, GP Swiss became the controlling shareholder of Spice holding 58.5% of its total and voting shares. The acquisition was fully funded through GP's proprietary capital for a total price of US\$50.5 million, representing US\$35.25 per share. The acquisition of Spice Private Equity resulted in a gain of US\$ 41 million being the excess of the net asset value of Spice of US\$ 130 million over the total disbursed by GP Investments of US\$ 89 million for all Spice shares.

Rimini Street, Inc.

On October 11, 2017, GP Investments Acquisition Corp. ("GPIAC"), in connection with the subject matter informed in the Material Fact Notice disclosed on May 16th, 2017, announced the closing of the definitive merger agreement with Rimini Street, Inc.. The combined company retained the Rimini Street, Inc. name, its common stock is listed on the NASDAQ exchange and is traded as "RMNI".

2 Summary of significant accounting policies

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures in the financial statements. Actual results could differ from those estimates. Such estimates include, but are not limited, to the valuation of the investments made by GPCP III, GPCP IV, GPCP V, GPCP VI and GPPE.

(b) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries GPIC, GP Cash, GP North America, GP UK and GPAM. The consolidated financial statements also include BRZ Investimentos S.A. and Spice Private Equity Ltd.

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GP is the general partner of certain other partnerships, but does not hold an equity interest in those partnerships. These partnerships are considered by the Company to be Variable Interest Entities (VIEs), which are not required to be consolidated pursuant to ASC 810-10 - "Consolidation of Variable Interest Entities, an interpretation of ARB n° 51" ("FIN 46R"), as GP is not considered to be the primary beneficiary of the partnerships. VIE is a term used by the United States Financial Accounting Standards Board in FIN 46 to refer to an entity in which the investor holds a controlling interest that is not based on the majority of voting rights.

In February 2010, the FASB deferred the adoption of Accounting Standards Update (ASU) 2009-17, which amends ASC 810 - "Consolidation". The deferral allows asset managers that have no obligation to fund potentially significant losses of an investment entity to continue to apply the previous accounting guidance to investment entities that have the attributes of entities subject to ASC 946 - "Financial Services - Investment Companies Topic". The Company concluded that all of its private equity funds qualified for such deferral.

All intercompany accounts and transactions are eliminated on consolidation.

(i) Shareholders of GP Investments, Ltd.

As of December 31, 2019, GP, directly and indirectly owns 50% of GPCP III, 31.61% of GPCP IV, 40.10% of GPCP V, 3.17% of GPCP VI, 36.01% of GPRE A, 29.04% of GPRE B and 66.22% of GPRE C (December 31, 2018 – 50% of GPCP III, 31.61% of GPCP IV, 40.10% of GPCP V, 3.17% of GPCP VI, 36.01% of GPRE A, 29.04% of GPRE B and 66.22% of GPRE C). Pursuant to Accounting Standards Codification (ASC) 810-20 - "Determining Whether a General Partner as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights", issued by the Financial Accounting Standards Board (FASB), the Company had determined that the Limited Partners of GPCP III, GPCP IV, GPCP V, GPCP VI, GPRE A, GPRE B and GPRE C had no other substantive participating rights and no dissolution rights on the Limited Partnerships. As a result, the Company consolidates the accounts of GPCP III, GPCP IV, GPCP V, GPCP VI, GPRE A, GPRE B and GPRE C through their General Partners GP III, GP IV, GP V, GP VI and GPRE I, respectively.

(ii) Non-controlling shareholders

As of December 31, 2019, the other Limited Partners owned 46.73% of GPCP III, 68.39% of GPCP IV, 58.71% of GPCP V, 96.83% of GPCP VI, 68.49% of GPRE A, 70.41% of GPRE B and 32.51% of GPRE C. (December 31, 2018 – 50% of GPCP III, 68.39% of GPCP IV, 59.90% of GPCP V, 96.83% of GPCP VI, 63.99% of GPRE A, 70.96% of GPRE B and 33.78% of GPRE C), which are classified as non-controlling interest. In accordance with ASC 946 - "Financial Services - Investment Companies Topic", GPCP III, GPCP IV, GPCP V, GPCP VI, GPRE A, GPRE B and GPRE C were deemed to be investment companies; and accordingly, have been required to report their investments at fair value, and do not consolidate their portfolio investments. As per ASC 946, an investment company is a separate legal entity whose business purpose and activity comprise all of the following: (i) investing in multiple substantive investments; (ii) investing for current income, capital appreciation, or both, (iii) investing with investment plans that include exit strategies; also investment companies do not either: (a) acquire or hold investments for strategic operating purposes or (b) obtain benefits (other than current income, capital appreciation, or both) from investees that are unavailable to non-investor entities that are not related parties to the investee.

During the year ended December 31, 2019, the other Limited Partners of GPCP III, GPCP IV, GPCP V, GPCP VI and GPRE excluding the Company, were charged management and performance fees to GP III, GP IV, GP V, GP VI and GPRE I US\$ 215, US\$ 743, US\$ 3,489, US\$ 5,445 and US\$ 800 respectively (for the year ended December 31, 2018 - US\$ 564, US\$ 3,713,

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US\$ 3,805, US\$ 6,110 and US\$ 980 respectively).

(c) Basis of translation of foreign subsidiaries and controlled companies

The US dollar is the functional and the reporting currency of the Company, since the Company operates the majority of its business in US dollars. The Brazilian entities use the real as their functional currency. The financial statements of foreign subsidiaries and controlled companies are re-measured in accordance with ASC 830 - "Foreign Currency Translation".

Accordingly, all assets and liabilities of the subsidiaries and controlled companies, which do not use the US dollar as their functional currency, are translated into US dollars at balance sheet exchange rates, and statements of operations and of cash flow accounts at the average rates of exchange in effect during the periods. The related translation adjustments are recorded directly to the cumulative translation adjustment account in accumulated other comprehensive income (loss) in shareholders' equity.

(d) Recognition of asset management, performance and other fees

Management fees are generally received annually or quarterly and recognized as income over the period in which the related services are performed. Management fees are determined over the committed capital up until the end of the commitment period, and after such period, over the cost basis to the partnership of all investments and temporary holdings. Such management fees are recorded on an accrual basis as services are performed and recognized monthly.

Performance fees are evaluated including in the transaction price some or all of an amount of variable consideration estimated in accordance with ASC 606, Revenue from Contracts with Customers, ASC 606-10-32-11 through 32-14 only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved

(e) Cash and cash equivalents

Cash and cash equivalents are stated at fair value. The Company considers all of its highly liquid and temporary cash investments, including money market funds, having a ready market and an original maturity of 90 days or less, to be cash equivalents.

(f) Investments - Fair value

(i) Private equity, direct and real estate investments

Private equity investments consist primarily of investments made by the funds GPCP III, GPCP IV, GPCP V and GPCP VI. Real Estate investments consist primarily of investments made by the funds GPRE A, GPRE B and GPRE C. Direct investments consist of Spice, BRZ Investimentos and Rimini Street. The investments are recorded at their estimated fair values with unrealized and realized gains or losses resulting from changes in fair value reflected as a component of the statement of operations, as per guidance of ASC 946 - "Financial Services - Investment Companies Topic".

(ii) Fair value measurements ASC 820

For US GAAP purposes, the investments are recorded at their estimated fair values, with unrealized and realized gains or losses resulting from changes in fair value reflected as a component of "Appreciation (depreciation) of fair value of investment" in the statement of operations of the Company.

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ASC 820 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 requires, among other things, valuation techniques used to measure fair value to maximize the use of observable inputs and minimize the use of unobservable inputs, when determining fair value. Financial investments and investments are classified in, and their fair values are based on, one of the following categories:

- Level I - quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level II - other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly, such as: quoted prices for similar assets or liabilities in active or not active markets, and other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates). Determined adjustments to these inputs can be adopted, based, for instance, on the volume and level of activity in the markets the inputs are observed.
- Level III - unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available and reflect the Partnership's assumptions about the assumptions that market participants would use in pricing the asset or liability. Unobservable inputs shall be developed based on the best information available in the circumstances and are highly dependent on the General Partners' judgment.

(g) Financial instruments

Securities are classified as financial investments (trading securities) if they are bought and held principally for the purpose of resale in the near term and are stated at fair value.

Derivative instruments are classified under trading category and recorded at fair market value calculated based on market observable inputs. Mark-to-market variance is recognized in "Financial income" and expenses. The main objective of the derivative is to protect the currency volatility related to a non-functional currency loan.

Realized and unrealized gains and losses are recognized in revenues when such securities are held for trading as part of GP's private equity business and in financial income when securities are held for trading as part of its treasury operations.

(h) Furniture and equipment

Furniture and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives.

(i) Current and non-current liabilities

These are stated at known or estimated amounts including accrued charges, when applicable.

The liability for future compensation for employee vacations is fully accrued as earned. General and administrative expenses include compensation expense paid to certain of the Company's executives who render services to the Company and who are also ultimate shareholders of the Company. Such amounts are paid to the individuals in their capacity as executives rather than as

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shareholders of the Company.

The calculation of the provision for variable compensation (bonuses) is based on metrics determined by the Nomination and Compensation Committee of the Company.

(j) Comprehensive income (loss)

Comprehensive income is presented in a separate statement and consists of net income (loss), unrealized gains and losses from translation adjustments of foreign subsidiaries and controlled companies presented in separate sections.

(k) Earnings per share

The Company computes the basic earnings (losses) per share by dividing the net income (loss) by the weighted-average number of shares outstanding during the period. The Company computes the diluted earnings (losses) per share by dividing the net income (loss) by the weighted-average number of shares outstanding, inclusive of the impacts of the options granted under ASC 718-10 - "Share-Based Payment", unless doing so would result in an anti-dilutive effect (Note 15(b)).

(l) Income taxes

The Company has applied ASC 740-10 - "Accounting for Income Taxes" for all periods presented.

Bahamas, Bermuda and Cayman Islands do not currently levy any income, corporation or capital gains taxes. Accordingly, no provision for income taxes is included in the consolidated financial statements with respect to the Company, GPIC and GP Cash.

GP III, GP IV, GP V and GPRE I, and GPAM are entities registered in the Cayman Islands and GP VI is registered in Delaware, which do not currently levy any income. GP Investimentos Ltda. and BRZ Investimentos, as Brazilian entities, are subject to Brazilian income tax. Brazilian income taxes consist of federal income and social contribution taxes.

Taxes on income in Brazil comprise Federal Income Tax (25%) and Social Contribution (9%), as recorded in the statutory accounting records, for entities on the taxable profit regime, for which the composite statutory rate is 34%. Deferred taxes are provided on all temporary tax differences. As permitted by tax legislation, certain subsidiaries and controlled companies, the annual billings of which were lower than specified amount, opted for the presumed profit regime. For these companies, the income tax and social contribution basis is calculated at the rate of 32% on gross revenues, plus financial income, upon which the income tax and social contribution rates, 25% and 9% respectively, are applied.

Brazilian deferred tax assets arising from net operating losses have no expiration dates, though offset is restricted to 30% of annual income before tax. Deferred tax assets in respect of tax losses are not recorded as there is insufficient evidence as to their probable recovery through offset.

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(m)

(i) Bonuses and Stock option to employees

As approved by the Nomination and Compensation Committee of the Company, the employees, associates and executives of the Company maybe eligible to receive Bonus based on each individual's performance as determined annually by the senior management of the Company. The Bonus is composed by different pools which mainly includes: (i) 50% of the performance fee received by Funds GPCP IV, GPCP V, GPCP VI, GPRE and any new Funds, (ii) 10% of capital gain of Direct Investments, (iii) 20% of the capital gain between the Fair Market Value as of December 31, 2017 and the net cash proceeds from the sale of GPCP IV and GPCP V's investments. At each balance sheet date, the Company, if applicable, record the balance in the Current Liabilities as "Payroll accruals, bonuses and related charges

(ii) Stock options

The Company have adopted ASC 718-10 - "Share-Based Payment", which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated financial statements based on their fair value of the equity instruments issued.

In the case of GP, the compensation cost for an award of share-based employee compensation is classified as equity and is recognized over the requisite service period, with a corresponding credit to equity accounts. The requisite service period is the period during which an employee is required to provide service in exchange for an award, which is the vesting period.

The Company stock-based-compensation awards include graded-vesting features. Graded vesting is defined as an award that vests in stages over the award's contractual term as compared to cliff-vesting, which is an award that vests as of a specific date. ASC 718-10 provides two attribution methods for awards that have graded-vesting features and service conditions only: (i) the graded-vesting method (a company recognizes compensation cost over the requisite service period for each separately vesting tranche of the award as though the award were, in substance, multiple awards) and (ii) the straight-line method (a company recognizes compensation cost on a straight-line basis over the total requisite service period for the entire award). Under ASC 718-10, a company may elect to use either attribution method for an award with graded-vesting features and service conditions only.

On April 25, 2011, the Board of Directors approved and adopted, with the concurrence of the Nomination and Compensation Committee, a subordinated Stock Purchase Option Program ("2011 Program") to the 2006 Stock Purchase Option Program and the form of agreements to be entered into between the Company and each beneficiary (Note 16).

On March 14, 2016, the Board of Directors approved the partial cancellation of the 2006, 2009 and 2011 Stock Purchase Option Programs, previously agreed between the Company and beneficiaries. In 2016, the Board of Directors approved and adopted, with the concurrence of the Nomination and Compensation Committee, the Stock Purchase Option Program ("2016 Program") and the form of agreements to be entered into between the Company and each beneficiary (Note 16).

(n) Presentation of interest earning assets and interest-bearing liabilities

Interest earning assets and interest-bearing liabilities are presented in the consolidated balance sheet at the principal amount outstanding, plus accrued interest and contractual indexation charges and foreign exchange variations.

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Notes to the consolidated financial statements as of December 31, 2019 In thousands of US dollars, unless otherwise indicated

(o) Amounts deducted from shareholders' equity

ASC 505 - "Classifying Notes Received for Capital Stock" requires that, when a company receives a Note, rather than cash, as a contribution to its equity, the company should report the note receivable as a reduction of shareholders' equity. In accordance with this ASC, the changes in the receivables from shareholders resulting from capital transactions have been presented as a reduction to shareholders' equity.

(p) Presentation of non-controlling interest

According to ASC 810-10, which clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as a separate element of equity in the consolidated financial statements. A parent's ownership interest in a subsidiary may change while the parent retains its controlling financial interest in the subsidiary, due to (i) purchases of additional ownership interests in its subsidiary, (ii) selling of its ownership interests in its subsidiary, (iii) the subsidiary reacquires some of its ownership interests, or (iv) the subsidiary issues additional ownership interests.

Changes in GP's ownership interest while GP retains its controlling financial interest in its subsidiary is accounted for as equity transactions. Therefore, no gain or loss is recognized in consolidated net income or comprehensive income. The carrying amount of the non-controlling interest is adjusted to reflect the change in its ownership interest in the subsidiary. Any difference between the fair value and the non-controlling interest amount registered is recognized in equity attributable to the parent company.

(q) Segment information

The Company has adopted ASC 280 - "Segment Reporting". The Company operates mainly in two segments: the private equity business (including the management of Limited Partnerships) and the real estate business.

(r) New accounting policies

(i) ASU 2014-09 - Revenue from contracts with costumers (Topic 606)

According to the FASB, the core principle of this Topic is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity shall consider the terms of the contract and all relevant facts and circumstances when applying this standard.

This standard specifies the accounting for an individual contract with a customer. However, as a practical expedient, an entity may apply this guidance to a portfolio of contracts (or performance obligations) with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. When accounting for a portfolio, an entity shall use estimates and assumptions that reflect the size and composition of the portfolio.

In this context, the Company assessed the effects of the ASU 2014-09 – Revenue from contracts with costumers and concluded that GP, due to its current business model, does not generate any

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Notes to the consolidated financial statements as of December 31, 2019 In thousands of US dollars, unless otherwise indicated

kind of revenue within the scope of the hereof standard.

(ii) ASU 2016-02 – Leases (Topic 842)

According to the FASB, the core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, Elements of Financial Statements, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases.

The Company measured the effects of this standard and concluded there are no relevant impact on its Consolidated Financial Statements.

3 Cash and cash equivalents

<u>Denomination</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
US dollars (USD) (i)	63,451	97,829
Brazilian reais (BRL) (ii)	2,473	1,932
Swiss francs (CHF) (iii)	410	489
Sterling pounds (GBP) (iv)	153	846
Euro (EUR) (v)	1	1
	<u>66,488</u>	<u>101,097</u>

- (i) The cash denominated in US dollars is concentrated in readily available bank accounts (US\$ 63,451) (December 31, 2018 - US\$ 97,829).
- (ii) The cash denominated in Brazilian reais is deposited in bank accounts (US\$ 2,743) (December 31, 2018 - US\$ 1,932).
- (iii) The cash denominated in Swiss francs is deposited in bank accounts (US\$ 410) (December 31, 2018 – US\$ 489).
- (iv) The cash denominated in Pounds sterling is deposited in bank accounts (US\$ 153) (December 31, 2018 – US\$ 846).
- (v) The cash denominated in Euro is deposited in bank accounts (US\$ 1) (December 31, 2018 – US\$ 1)

4 Financial investments

<u>Financial investments - at fair value through profit and loss</u>	<u>Currency</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
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Notes to the consolidated financial statements as of December 31, 2019 In thousands of US dollars, unless otherwise indicated

Corporate bonds (i)	US\$	29,501	29,807
Investment in funds (ii)	R\$	568	1,458
Investment in funds (iii)	US\$	15,812	33,379
Cash reserves (iv)	US\$	55,100	
		<u>100,981</u>	<u>64,644</u>

(i) These investments are highly-liquid and are recorded based on quoted market values and traded in international market.

(ii) Investments in funds denominated in reais are related to investments held by BRZ Investimentos.

(iii) Investment in funds denominated in dollar.

(iv) Cash reserves relates to the amount retained at the GPCP IV Fund level for potential liabilities that may arise during the liquidation process of the Fund GPCP IV.

5 Funds held in escrow

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Sascar sale (i)	<u>9,364</u>	<u>21,413</u>
	<u>9,364</u>	<u>21,413</u>

(i) Sascar sale

In June 2014, GPCP V announced the sale of Sascar to Michelin Group for the total Enterprise Value of R\$ 1.6 billion, translating into FMV of approximate US\$ 221 million for GPCP V. The deal comprised 100% of Sascar's shares, GPCP V will receive R\$ 543.9 million, having already received R\$ 474.8 million up to December 2014. In addition, R\$ 69.1 million (equivalent of US\$ 28.2 million) shall be maintained in escrow and received in the following five years. In 27 May 2019, GPCP V received 9,761,353.94 in a partial release of the Escrow account. The escrow amount is adjusted monthly and in December 31, 2019 was equivalent to US\$ 9,364 (December 31, 2018 – US\$ 21,413).

6 Receivables from (payable to) related parties

(a) Management and performance fees receivable

As of December 31, 2019, the Company had US\$ 27,918 (December 31, 2018 - US\$ 617) of management and performance fees receivable from the asset management funds.

(b) Accrued performance bonuses

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The provision for performance bonuses on realized gain recorded in "Payroll accruals, bonuses and related charges" is defined according to the metrics determined by the Nomination and Compensation Committee. As of December 31, 2019, accrued performance bonuses payable to employees and related parties was US\$ 5,284 (December 31, 2018 – US\$ 4,970).

(c) Receivables from employees and shareholders

As of December 31, 2019, the Company has receivables from employees, managers and shareholders (key persons) of US\$ 8,519 (December 31, 2018 - US\$ 10,745). These loans are remunerated based on interest rates of federal public securities and interest rates obtained by the Company on its financial investments. These loans were granted since 2007 as retaining and alignment of interest mechanism of the Key Persons and, in general, for a 10-years period, including possible extensions, from the disbursement date.

(d) Receivables from related parties

As of December 31, 2019, the Company held receivables from related parties totaling US\$ 15,204 (December 31, 2018 - US\$ 22,835). These receivables are related to GPIAC and to organizational restructuring within the San Antonio International, Ltd. group of companies as disclosed in Note 7(a) and are broken down as follows:

<u>Receivables</u>	<u>Annual interest rate - %</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Loan to SAI related entities	CDI	-	269
	3	0	4,478
	19 + Libor	0	5,737
Receivables from LBR		2,844	2,854
Receivables from GPIAC		<u>12,360</u>	<u>12,351</u>
		<u>15,204</u>	<u>22,835</u>

(e) Carried interest-performance-based bonuses

In February 2012, the Nomination and Compensation Committee approved in relation to performance-based bonuses, an increase to the percentage allocation applicable to the carried interest of GPCP III up to 50%.

The amount of bonus to be paid by in relation to GPCP IV, GPCP V, GPCP VI, GPRE and any new Funds is 50% of performance fee paid by third-party limited partners and 25% of the performance fee paid by the Company itself as limited partner.

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In December 2019, GP V in its capacity as General Partner of GPCP V, assigned a portion of its right to receive the carried interest owed and distributable by GPCP V, in consideration for services rendered to GPCP V on the amount of US\$ 4.409.

In December 2019, GP VI in its capacity as General Partner of GPCP VI, assigned a portion of its right to receive the carried interest owed and distributable by GPCP VI, in consideration for services rendered to GPCP VI on the amount of US\$ 24.439.

As of December 31, 2019, the bonuses and carried interest related to the unrealized fair market value in the amount of US\$ 33,640 (December 31, 2018 US\$ 2,745) are recorded in "Payroll accruals, bonuses and related charges". The change in accrual for the period ending December 31, 2019 totaled US\$ 4,124 (December 31, 2018 – US\$ 241) is included in "Bonuses and carried on unrealized gain" (Note 17).

GP Investments, Ltd.

Notes to the consolidated financial statements as of December 31, 2019

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7 Investments

(a) Equity portfolio

At December 31, the Company equity portfolio consists primarily of investments made by the funds GPCP III, GPCP IV, GPCP V, GPRE and by the subsidiary GPIC.

	Note	Total direct and indirect - %	December 31, 2019		December 31, 2018		Net change in unrealized gain (loss) on investment for the year ended in December 31		
			Cost	General partner's valuation	Cost	General partner's valuation	2019	2018	
Investments of the private equity funds at fair value									
Level I									
RHI Magnesita	(i)	-	-	-	5,9	159.580	143.879	15.701	(6.434)
Centauro (*)	(vii)	16,9	141.149	309.500	23,2	141.088	96.750	212.689	(16.394)
BR Properties	(ii)	2,2	26.644	32.483	2,2	26.622	19.135	13.326	(9.839)
			167.793	341.983		327.290	259.764	241.716	(32.667)
Level III									
BHG	(iii)								68.191
Lácteos Brasil (LBR)	(iv)	38,9	260.878		38,9	260.538		(340)	(27)
San Antonio	(v)	58,1	354.401		58,1	354.401		-	-
Allis	(vi)	75,1	56.482	-	75,1	56.320		(162)	(30)
EBAM	(viii)	76,9	82.941	-	76,9	82.873	16.762	(16.830)	(19.323)
Beleza Natural	(ix)	32,6	30.652	-	32,6	30.596	10.329	(10.385)	(11.592)
			785.354	-		784.728	27.091	(27.717)	37.219

In April, 2019, Centauro launched its IPO (Initial Public Offer), becoming a listed company at B3 (Brasil, Bolsa, Balcão). After the IPO, GP's stake on the company was diluted to 16.9%. In September, 2019, GP's investment in Centauro is shown as a Level I class Company. (*)

GP Investments, Ltd.

Notes to the consolidated financial statements as of December 31, 2019

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	Note	Total direct and indirect - %	December 31, 2019		Total direct and indirect - %	December 31, 2018		Net change in unrealized gain (loss) on investment for the year ended in December 31	
			Cost	General partner's valuation		Cost	General partner's valuation	2019	2018
Investment held directly by the Company									
Rimini Street	(x)	1.9	12,000	4,656	1.9	12,000	6,180	(1,524)	(3,312)
GP Investments Acquisition Corp. - Level III	(xi)	1.1	6,088	817	1.1	6,088	2,304	(1,487)	(1,642)
Spice – Level III	(xi)	58.5			58.5				
Direct Co-Investments			188,491	149,268		158,287	152,667	(33,603)	(7,578)
Global EM Funds Portfolio			8,219	13,611		11,524	14,369	2,547	(5,543)
Latin American Portfolio			620	595		5,359	14,303	(8,969)	442
Asia-Pacific Funds Portfolio			3,033	347		3,033	498	(151)	(3,242)
Escrow release								(14,591)	
Other investments			17,097	33,901		16,268	15,169	18,896	(5,492)
			1,188,694	545,178		1,342,665	492,345	175,117	(21,815)
Real estate investments	(xii)		60,193	20,431		70,242	45,034	(14,554)	(10,587)
Total			1,248,887	565,609		1,412,907	537,379	160,563	(32,402)

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- (i) RHI Magnesita is global integrated provider of refractory solutions, supplying its products and services to the steelmaking, cement and glass industries. Created from the merger of RHI and Magnesita, the new company holds 35 raw material and production plants and more than 70 sales offices around the world; its product portfolio comprises more than 120,000 individual refractory products. It also operates two main research and development centers in Leoben, Austria and Contagem, Brazil. The new refractory company brings together complementary businesses, both in terms of products and geographical footprint. Magnesita has a presence in South America and the US compared to RHI's presence in Europe and Asia. On October 27th 2017, the combined company started trading on the London Stock Exchange (LSE), where has been admitted to trading in the premium segment of the main market. The start of trading on the exchange marked the completion of the merger process between RHI and Magnesita. Before the merger GPCP III held 2,017,573 shares (4.0% stake) in Magnesita; GPCP IV held 9,166,316 shares (18.3% stake). Following the merger, which was paid by RHI to the controlling shareholders of Magnesita as a mix of cash and RHI shares, GPCP III holds 484,613 shares in the combined company (1.0% stake), GPCP IV holds 2,201,713 shares (4.6% stake) and Magma Fund II, LP holds 162,431 shares in the combined company (0.3% stake). After the tag along offer to the remaining Magnesita minority shareholders, which represent 50% of its total market cap, GPCP III's stake was expected to be 0.97%, while GPCP IV's stake 4.42%, as 5 million additional shares will be issued. GPCP III received EUR 8.0 million (approximately US\$ 6.9 million) for the cash portion of the transaction, while GPCP IV received EUR 36.5 (approximately US\$ 31.3 million). As of January, 2019, GP's participation in RHI Magnesita is currently 5.9%. In July 9, 2019, the Company announced that funds managed by GP had sold 50% of their respective stakes in RHI Magnesita. The transaction was set at GBP 46.00 per depositary interest, amounting to approximately US\$ 122 million. Regarding only the funds consolidated in GP, the amount received was US\$ 81.5 million. After the transaction, GP's stake in the Company is close to 2.9 percent. In November 19, 2019, the Company announced that funds managed by GP had sold the remaining 50% of their respective stakes in RHI Magnesita. The transaction was set at GBP 37.50 per depositary interest, amounting to approximately US\$ 90 million.
- (ii) On December 2015, GP acquired 12.19% of BR Properties in a public auction at a price of R\$8.27 per share, incurring in a total investment of approximately US\$ 80 million. The total amount, which was initially funded by GP's proprietary cash, was part of the company's plan to raise a co-investment fund aiming to launch a tender offer to acquire at least 50% and up to 75% of BR Properties (including the initial stake acquired). By December 31, 2015, GP had found a co-investor which was committed to pay back GP US\$ 60 million and lead the investment needs assuming the entire portion of the remaining capital that would be necessary to complete the tender offer. In January 2016, the committed amount of US\$ 60 million was received by GP and its interest in BR Properties was reduced to 2.2%. In May 2016, GPCP VI concluded a voluntary tender offer of approximately US\$ 550 million in which acquired an additional 57.81% stake in the Company (totaling a 70% controlling stake). In July 2017, BR Properties concluded a US\$ 290 million Follow-on Offer (100% primary) and GPCP VI subscribed its pro-rata share within the Priority Offering (76,520,912 Shares totaling US\$ 203 million). As such, following the settlement of the transaction, GPCP VI holds 285,280,815 common shares of the Company, representing 70% of its capital stock. In November 2019, a follow-on was executed by the Company, and the stake held by GPCP VI are still the 285,280,815, representing 58.04% of its capital stock.
- (iii) On December 19, 2007, GPCP IV entered into an agreement with LA Hotels S.A. ("LA Hotels"), a Brazilian corporation formed for the purpose of acquiring and managing hotels in Brazil and other Latin American countries. The transaction closed in 2008, for an amount of US\$ 36.7 million. In June and August of 2008, GPCP IV increased its investment in LA Hotels by US\$ 30.7 million and US\$ 14.9 million respectively. On October 22, 2008, GPCP IV made a subscription US\$ 10.8 million in Invest TurBrasil – Desenvolvimento Imobiliário Turístico S.A. ("Invest Tur"), a Brazilian real estate development company which operates in the tourism industry. This acquisition was the first step to merge LA Hotels with Invest Tur. In February 2009, shareholders approved the merger of LA Hotels and Invest Tur. On January 23, 2009, GPCP IV made an additional capital contribution of US\$ 34.4 million in Invest Tur. On January 12, 2010, Invest Tur, announced a stock split and changed its name to BHG S.A. - Brazil Hospitality Group ("BHG"). BHG has been formed with the purpose of acquiring and managing hotels and companies whose assets comprise hotels in Brazil and

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other Latin American countries. On February 4, 2011, the Board of BHG approved a capital stock increase of R\$ 85 million (US\$ 50.8 million), by issuing 4,594,594 new common shares at issue price of R\$ 18.50 per share, which was based on the average closing price of BHG share over the past ten trading sessions on the B3. On February 2 and 3, 2011, the Partnership, through its subsidiary LA Hotels LLC, signed the assignment of the right to subscribe new shares in the capital increase for third parties' investors. Due to this capital increase and the assignment rights, the GP's participation in BHG was diluted from 45.5% to 40.4%. In March 2012, BHG completed an acquisition in which new shares were issued to secure part of the payment; as a result, the GP's participation in BHG was further diluted from 40.4% to 39.0%. On March 7, 2013, BHG announced a primary offering of common shares. The offer was designed to raise funds to support the company's continued growth and increase the liquidity of its shares on the B3 stock market. On April 18, 2013, BHG successfully completed its follow-on offering at a share price of R\$ 17.50, issuing 20,313,744 new common shares and totaling gross proceeds of R\$ 355 million. After the follow-on GP's participation in BHG was diluted from 39.0% to 26.4%. On August 8, 2014 GP launched a tender offer to acquire all the common shares held by the other shareholders of BHG, for the purpose of delisting the company as a publicly-held company and, on March 27, 2015, CVM approved the offer. The auction occurred in April 30, 2015, the unit shares were acquired for a unit price of R\$ 19, totaling R\$ 807.8 million. On June 8, 2015 the Shareholder's Meeting of BHG approved the squeeze out of the remaining minority shareholder and on July 13, 2015 CVM approved the cancellation of BHG's registry as a public company. On March 2, 2017, GP Investments informed the market that BHG and Accor executed an agreement that regulated, among other items, the acquisition by Accor of the management contracts of 26 hotels in several regions of Brazil, whose management was performed by BHG. The total price is R\$ 200 million (approximately US\$ 63.4 million). On November 21, 2017, L.A. Fundo de Investimento em Participações, BHG and Hotelaria Accor Brasil S.A., concluded the Share Purchase Agreement. On September 21, 2018 the funds GPCP IV and GPCP4 – Fundo de Investimento em Participações Multiestratégia signed an agreement with the purpose of selling their stake in BHG to GTIS Partners ("GTIS"), a global investment company focused on real estate investments and the largest shareholder in BHG. The transaction was concluded on November 21, 2018 and implicitly valuing GPCP IV's stake at R\$136 million (equivalent to US\$32.4 million). On December, 2019, GP has no participation on the investment.

- (iv) In April 2008, GPCP IV signed an agreement to acquire Laticínios Morrinhos Ind. Com. Ltda. ("Leitbom"), a Brazilian dairy company, for a base-price equivalent to US\$ 188 million. In August 2008, GPCP IV increased its investment in Leitbom by US\$ 27.1 million and, on December 11, 2008, by a further US\$ 38.0 million through its investment vehicle GP Dairy I. On July 8, 2010, Monticiano Participações S.A. ("Monticiano"), an investment vehicle held by GP Dairy I, announced a capital increase through the consortium formed by the facilities of Leitbom, Gloria and Ibituruna, both subsidiaries of LAEP Investments Ltd. These three dairy producers shared industrial facilities and worked together to maximize the potential of all their brands. As a result of this transaction, GPCP IV's indirect interest in Leitbom was diluted from 95.8% to 38.3%. GP Dairy I is an investment vehicle held by GPCP IV. In December 2010, Monticiano, the holding company of Leitbom, announced the merger of its subsidiary with Laticínios Bom Gosto Ltda. to create Lácteos Brasil S.A. ("LBR"). Binding documents were signed on December 22, 2010 and the transaction closed on January 4, 2011. This investment is classified as a Level III investment. LBR and the whole Brazilian dairy industry faced difficult years and, in February 2013, as an attempt to protect its operations and carry out a debt restructuring process, LBR had no alternative but to file judicial recovery. Despite having a successful year in 2013 (when LBR managed to optimize operations, restructure a significant part of its liabilities with the approval of the judicial recovery plan in October, and turnaround financial results), LBR's ability to generate cash flow from operations continued to suffer from an archaic tax system in which LBR pays duties when acquiring raw materials and is exempted when selling most of its finished goods, hence accumulating tax credits. Without the due reimbursement of such credits by the Government, and the drying up of traditional sources of funding, LBR was forced to turn to expensive lines of credit which burdened LBR's free cash flow. In continuation of the judicial recovery process, LBR implemented a court approved judicial asset sale process in 2014. The judicial asset sale process was successful and LBR creditors' General Assembly unanimously approved the sale of all the 14 production units on August 21, 2014. The combined bid totaled R\$531 million, which has been used to amortize debt. Winning bidders include Lactalis (one of the world's largest dairy producer) as well as local players. All the manufacturing

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employees from the operations sold, together with a large part of the overhead personnel, were transferred to the buyers. Given the risks associated with the investment, we are maintaining LBR's FMV marked at zero.

- (v) In August 2007, GPCP IV acquired a participation in the Latin American Land Drilling and E&P Services businesses ("San Antonio International Ltd." or "San Antonio"), comprising companies incorporated in various Latin American jurisdictions, engaged in onshore oil and gas services, from Pride International Inc. for US\$ 136.5 million. San Antonio provided a wide range of services to complete, maintain and enhance production from oil and gas wells, including pressure pumping, integrated, directional drilling and other well services. In 2008, GPCP IV made additional capital contributions of US\$ 38.1 million and GPCP V an additional capital contribution of US\$ 103 million. On August 27, 2010 San Antonio and its subsidiaries entered into agreements with their lenders for the restructuring of US\$ 626 million in debt. This debt restructuring contemplated a reduction of interest rates, an extension of maturities, conversion of senior debt of San Antonio and its subsidiaries into redeemable convertible preferred shares, and a recapitalization of San Antonio. Certain existing lenders converted US\$ 109 million of outstanding debt into redeemable preferred equity of San Antonio and its subsidiaries. GP Investments' indirect stake in San Antonio increased to 22.67%. On April 7, 2012, an Investment Agreement was signed between BNDES Participações S.A. - BNDESPAR ("BNDESPAR"), Fundação Petrobras de Seguridade Social - Petros ("Petros"), GP Investments, San Antonio Internacional, Ltd. ("SAI"), Lupatech S.A. (B3: LUPA3) ("Lupatech"), Oil Services Holdco Ltd. ("Oil Services"), Oil Field Services Holdco LLC ("Oil Field Services"), Teremesha Empreendimentos e Participações S.A. ("Holding San Antonio Brasil"), San Antonio Internacional do Brasil Serviços de Petróleo Ltda. ("San Antonio Brasil"), Sotep Sociedade Técnica de Perfuração S.A. ("Sotep"), Lochness Participações S.A. ("Lochness") and Lupapar Negócios e Empreendimentos Ltda. ("Lupapar"), officializing the following transactions: (a) the execution, by Oil Field Services, one of SAI's subsidiaries, of a cash investment, in the amount of R\$ 50 million, in Lupatech; (b) the election of new members to Lupatech's Board of Directors; and (c) incorporation, by Lupatech, of Holding San Antonio Brasil, granting Lupatech, directly or indirectly, complete stake in San Antonio Brasil Partnership, thereby increasing significantly its scope in services for the oil and gas industry ("Incorporation"). Lupatech's Board of Directors have approved the incorporation and on August 8, 2012, Lupatech's shareholder meeting officially approved the merger. As part of the Lupatech reorganization mentioned above, GPIC also issued financing in the form of a loan in the amount of R\$ 11.7 million to UNAP International, a SAI related entity. On July 7, 2014, SAOG Creditors started taking actions to execute the collateral of SAOG's debt, which is comprised of 100% of SAOG shares held by Armadillo (an intermediary holding company controlled by San Antonio International). SAOG's debt is in default due to capital restrictions that limits the Company's ability to transfer money out of Argentina using the official exchange rate (during 2013, 89% of SAI's EBITDA was generated in Argentina). On September 2014, Lupatech concluded a Restructuring Process through which approximately R\$ 1.1 billion of its debt was converted into common shares at a price of R\$0.25 per share. As a result, the stake held by Oil Field Services was diluted to less than 1% of the Lupatech's shares. In light of the above mentioned restructuring process, 85% of GPPE's outstanding loan against UNAP was converted into common shares at R\$0.25 per share while the remaining 15% was reprofiled. As of September 30, 2015, SAOG shares were still in the possession of the collateral agent of SAOG's Credit Facility. Even though Armadillo is still entitled to the equity surplus of SAOG shares, it is not currently exercising control over SAOG. Private equity funds managed by GP Investments continue to hold a controlling stake in San Antonio Internacional's common equity (the holding company that owns 100% of Armadillo shares), but the current scenario generates risks regarding its indirect stake in the operational entities. San Antonio is classified as a Level III investment and, due to current circumstances and risk associated with the investment, San Antonio's valuation was marked down to zero.
- (vi) In November 2007, GPCP IV acquired an interest for US\$ 55.8 million in Allis Participações S.A. ("Allis"), a Brazilian corporation, which owned Soma Gestão de Serviços e Desenvolvimento de Recursos Humanos S.A., Soma Staffing Trabalho Temporário S.A., Top Service Serviços e Sistemas Ltda. and People Domus Assessoria em Recursos Humanos Ltda. During the month of June 2012, a deal was signed to sell Top Service Serviços e Sistemas

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Ltda. and the transaction closed in August 2012. These companies provide human resource services, including temporary staffing, outsourcing, executive search and training services. Today, Allis evolved to be provider of field marketing solutions through a portfolio that includes field talent, field delivery and field intelligence products. Allis is classified as a Level III investment and, due to current circumstances and risks associated with the investment, Allis's valuation was marked down to zero. GP's participation in Allis is currently 75.1%.

- (vii) On November 8, 2012, GP announced the investment of R\$ 450 million (about US\$ 225 million) to acquire 36.5% of SBF Group, the holding company that owns 100% of the sporting goods retailer Centauro or "SBF". The investment was made both through GPCP V with a total capital commitment of US\$ 150 million, and through co-investors, who invested the remaining portion. This investment was classified as a Level III investment and its fair market value was based on Discounted Cash Flow method. GP's participation in Centauro was currently 23.2%. In April 16, 2019 Centauro launched its IPO, becoming a public listed company at B3. Since June 30, 2019 Centauro investment is shown as a Level I class Company. As of December 31, 2019, GP's participation is 16.9%.
- (viii) On February 13, 2012, GP Investments initiated a transaction which was concluded on July 2, 2012, with R\$ 64 million (approximately US\$ 33 million) investment in Empresa Brasileira de Agregados Minerais ("EBAM"), a leading mineral aggregates company in Brazil. 78% of the total invested capital consisted of primary resources to support EBAM's future growth and development. On March 28, 2013, GPCP V undertook a capital increase amounting to R\$ 100 million (approximately US\$ 50 million) in EBAM, in addition to the initial investment of R\$ 64 million (approximately US\$ 33 million) made in February 2012. As a result, GPCP V's indirect stake in EBAM increased from 62% to 77.1%. EBAM was founded in 2008 by Amazônia Participações Ltda., a company formed by a group of experienced geologists and mining engineers who have successfully developed mineral exploration projects around the country. In 2012 and already under GPCP V control, EBAM merged with a crushed rock operation owned by VPI, which has deep industry knowledge of mineral aggregates and paving and an extensive network of industry contacts. EBAM thus emerged from the merger as a solid platform for growth through minerals production projects and selective acquisitions in a fragmented industry. EBAM represented a unique opportunity for GPCP V to enter an important and fast-growing sector in Brazil, one that must continue to develop in order to support the country's increasing infrastructure needs. Robust trends supporting construction, paving and infrastructure investments should continue to drive demand for aggregates in Brazil over the coming years. The investment was made through GPCP V. This investment is classified as a Level III investment which fair market value was determined using the Discounted Cash Flow method. GP's participation in EBAM is currently 76.9%. Due to current circumstances and risk associated with the investment, EBAM's valuation was marked down to zero.
- (ix) In August 2013, GPCP V acquired an interest for US\$ 30.6 million in Cor Brasil S.A. ("Beleza Natural"), a Brazilian beauty institute chain focusing on Class C consumers in Brazil. Founded in 1993, the Company has developed innovative and exclusive products and services for curly hair. The investment made was intended to fund Beleza Natural's aggressive store opening plan that aims at consolidating the company as the national reference in its segment as well as expanding its operations internationally. This investment is classified as a Level III investment which fair market value was determined using the Discounted Cash Flow method. GP's participation in Beleza Natural is currently 32.6%. Due to current circumstances and risk associated with the investment, Beleza's valuation was marked down to zero.
- (x) On May 2017, GP Investments Acquisition Corp ("GPIAC") announced it has entered into a definitive merger agreement with Rimini Street, Inc ("Rimini Street"). The company has been redefining enterprise software support services since 2005 with an innovative, award-winning program that enables licensees of IBM, Microsoft, Oracle, SAP and other enterprise software vendors to save up to 90 percent on total support costs. Clients can remain on their current software release without any required upgrades for a minimum of 15 years. Over 1,330 global Fortune 500, midmarket, public sector and other organizations from a broad range of industries currently rely on Rimini Street as their trusted, third-party support provider. On October 2017, GPIAC announced the closing of the definitive merger agreement

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with Rimini Street, Inc. and its common stock began trading on the NASDAQ exchange as “RMNI”. The transaction raised \$50 million for Rimini Street and the proceeds were used to provide additional liquidity to the balance sheet, reduce total debt and pay transaction expenses. GP Investments Ltd invested \$12 million directly in the transaction and, through Spice Private Equity (“Spice”), an investment company listed on the SIX Swiss Exchange, indirectly controlled and managed by GP, invested \$24 million, totaling an investment of \$36 million. As a result, GP and Spice have stakes of 3.0% and 6.0%, respectively, in Rimini Street, already including the sponsor shares from GPIAC, as per the terms and conditions agreed upon its IPO in 2015. GP benefits itself from significant governance of the combined company, working closely with Rimini Street’s management team and with two representatives of GP joining the board of directors.

- (xi) On May 21, 2013, the Company announced the investment of approximately US\$ 33 million to acquire 26.7% of APEN, Ltd., a Switzerland-based listed Private Equity company, aligned with the Company's business objective which is analyze investment opportunities in the international market, which may also include Brazil. In December 2013, the Company invested approximately US\$ 6 million to buy an additional 5% stake, thus increasing its total stake to 31.7% in APEN, Ltd. As a result, the Company formed through direct or indirect investments the following wholly owned subsidiaries GP Lux, GP Swiss, GP Advisors Bermuda and GP Advisors. On February 26, 2015, APEN announced the change of its name to Spice Private Equity, Ltd. Finally, on June 28, 2016, GP Investments announced the closing of the acquisition of an additional stake in Spice, making GP the controlling shareholder of the company with 58.5% of its total and voting shares. The acquisition was followed by another change in the company’s investment strategy and the divestment of part of the portfolio, announced on December 31, 2016. The Portfolio sold was composed of all primary fund investments and two co-investments. The total reduction of outstanding commitment was of USD 15.3 million, leaving the company with only mature funds and direct investments. The Portfolio was sold for a cash consideration of USD 31.1 million, above its cost generating a gain of approximately 6.0% during the holding period of such portfolio. During 2017, Spice acquired Leon and Rimini investments on the amounts of US\$ 31.6 and US\$ 24.0 respectively. During 2018, Spice acquired FoodFirst Global Restaurant for a total enterprise value of approximately US\$ 100 million and committed to invest up to US\$ 60 million in The Craftory, Ltd. During 2019, Spice made additional investments in the companies: FoodFirst, The Craftory and Leon, with values of USD 12.9, 9.5 and 7.7 million, respectively.
- (xii) As of December 31, 2019, the investments held by the Partnership include both residential, commercial (retail and office) building sites currently in the initial phases of development as well as existing structures purchased for retrofitting and structures designed to serve as industrial warehouses.

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The changes in the investment account were as follows:

	December 31, 2019	December 31, 2018
At the beginning of the year	537.379	599.550
Appreciation (depreciation) in fair value of investments	192.144	(118.600)
Reversal of unrealized fair value on disposal of investments	(31.581)	86.198
Transfer to SPVs for payment of expenses	709	428
Real Estate capital reduction	(10.049)	
Escrow release	13.598	-
Return of capital - Spice portfolio	(8.044)	(4.450)
RHI Magnesita - divestment cost	(159.580)	-
Change of investments - other investments	829	6.176
BHG - total div estment cost	-	(129.589)
Proceeds from sales	-	(32.408)
Disposal of investments	-	(97.181)
Spice portfolio - investments in Leon Restaurants	7.715	-
Spice portfolio - investments in The Craftory	9.587	2.166
Spice portfolio - investment in FoodFirst Global Restaurants, Inc.	12.901	95.500
	<hr/>	<hr/>
At the end of the period	<u>565.608</u>	<u>537.379</u>

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(b) Financial investments at fair value through profit and loss

				2019			2018		
Investments in funds	Note	Currency	Domicile	Fair value as of December 31,	Cost	Unrealized gain (loss)	Fair value as of December, 31	Cost	Unrealized gain (loss)
Level III									
Logística Brasil	(i)	R\$	Brazil	4.166	949	(288)	4.492	987	(1.531)
Empreendedor Brasil	(ii)	R\$	Brazil	953	331	(24)	1.016	370	(250)
Monte Verde	(iii)	R\$	Brazil						110
GP Aetatis II	(iv)	R\$	Brazil						85
Brasil Agronegócio FIP	(v)	R\$	Brazil	1.680	2.098	(124)	1.874	2.167	149
Brasil Sustentabilidade FIP	(vi)	R\$	Brazil	782	795	18	796	827	(157)
Brasil Portos e Ativos Logísticos FIP	(vii)	R\$	Brazil	826	1.399	(57)	929	1.445	(112)
Terras Brasil	(viii)	R\$	Brazil	117	248	(5)	131	257	72
Total				8.524	5.821	(480)	9.238	6.053	(1.634)

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- (i) Logística Brasil is a closed fund with a ten year term commencing on the date on which the initial closing takes place; the term may be extended by three years or if the fund exceed the expire date and if it still wants to demonstrate the assets in your portfolio, following what was agreed on the LPA. The purpose of the fund is to realize gains over and above the IPCA plus 9.5% per year. The initial investment was made on August 16, 2006. BRZ Ltda. is responsible for the management of the fund.
- (ii) Empreendedor Brasil (directly invested by BRZ Investimentos) - is a closed fund with a seven year term. The first three years correspond to the investment years and the following four years to the divestment period with exclusive focus of investment in emerging small companies with net assets of less than US\$ 172 and annual revenue of less than US\$ 86 with significant potential growth. The initial investment was made in 2006. The fund's committee in July, 2019, decided to extend the liquidation of the fund to July, 2020. BRZ Ltda. is responsible for the management of the fund.
- (iii) Fundo Monte Verde is a closed fund whose purpose is to optimize gains through investments in real estate. Oliveira Trust is responsible for the management of the fund. During 2018, the Company completed the divestment in the fund.
- (iv) GP Aetatis II is a closed fund with a five year term, commencing on the first capital subscription that occurred in 2003. The term of the fund was extended. Oliveira Trust is responsible for the management of the fund. During 2018, the Company completed the divestment in the fund.
- (v) Brasil Agronegócio FIP is a closed fund whose purpose is to invest in agricultural business ventures. BRZ Ltda. is responsible for the management of the fund.
- (vi) Brasil Sustentabilidade FIP is a closed fund whose purpose is to optimize gains through acquiring securities of Brazilian companies aimed at fighting global warming which activities be associated with environment projects to reduction of greenhouse gases. BRZ Ltda. is responsible for the management of the fund.
- (vii) Brasil Portos e Ativos Logísticos FIP is a closed fund whose purpose is to invest in port assets, retro-areas, handling, storage and transportation of cargo as well as other assets and concessions in these sectors. BRZ Ltda. is responsible for the management of the fund.
- (viii) Terras Brasil FIP is a fund whose purpose is to invest directly and exclusively in Agrifirma Brazil SA, a Brazilian company dedicated to investing in farmland in Brazil. Banco do Brasil is responsible for the management of the fund.

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8 Fair value measurements

	December 31, 2019			
	Total	Level I	Level II	Level III
Investments in equity portfolio at fair value through profit and loss	511,277	346,639		164,638
Real estate investments	20,431			20,431
Other investments	<u>33,901</u>			<u>33,901</u>
Total equity portfolio	<u>565,609</u>	<u>346,639</u>		<u>218,970</u>
Investments in funds - financial assets at fair value through profit and loss	8,524			8,524
Financial investments at fair value through profit and loss	<u>100,981</u>	<u>100,981</u>		
Total assets at fair value	<u>675,114</u>	<u>447,620</u>		<u>227,494</u>

	December 31, 2018			
	Total	Level I	Level II	Level III
Investments in equity portfolio at fair value through profit and loss	477,176	169,194		307,982
Real estate investments	45,034			45,034
Other investments	<u>15,169</u>			<u>15,169</u>
Total equity portfolio	<u>537,379</u>	<u>169,194</u>		<u>368,185</u>
Investments in funds - financial assets at fair value through profit and loss	9,238			9,238
Financial investments at fair value through profit and loss	<u>64,644</u>	<u>64,644</u>		
Total assets at fair value	<u>611,261</u>	<u>233,838</u>		<u>377,423</u>

The changes in the investments equity portfolio and in funds - financial investments (at fair value through profit and loss), measured at fair value, for which the Company has used Level III inputs to determine fair value of the year ended December 31, 2019 are as follows:

Balance as of January 1st, 2019	377,423
Unrealized loss	(79,629)
Reversal of unrealized fair value on disposal of investments	13,598
Listing of Centauro - Transfer from Level III to Level I	(96,750)
Transfer to SPVs for payment of expenses	628
Real Estate - capita reduction	(10,049)
Return of capital - Spice portfolio	(8,044)
Spice portfolio - investment in Leon Restaurants	7,715
Spice portfolio - investment in The Craftory	9,587

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Spice portfolio - investment in FoodFirst Global Restaurants, Inc.	12.901
Changes of investments - other investments	829
Changes of financial investments – at fair value through profit and loss	(714)
Balance as of December 31, 2019	<u>227.494</u>

As of December 31, 2019 the investments in San Antonio, LBR, Allis, Real Estate, EBAM, Beleza Natural, Spice were classified as Level III. In the cases of these unlisted entities, fair values were based on unobservable inputs, calculated, among others, using discounted cash flow methodology, the income approach (i.e. multiples of EBTIDA) or last recent price acquisitions agreed with non-related party investors, as per guidance of ASC 820-10.

As of December 31, 2019, the Company classified the following investments as Level I: RHI Magnesita, Centauro, Rimini Street Inc and BR Properties. For those investments, fair values were based on quoted prices observable on the B3 (BR Properties and Centauro), London Stock Exchange (RHI Magnesita) and NASDAQ (Rimini Street Inc).

9 Income taxes

As of December 31, 2019, the Company and its subsidiaries have Brazilian tax losses available for offset against future taxable income of US\$ 1,177 for income tax and US\$ 423 for social contribution (December 31, 2018 US\$ 2,176 and US\$ 729). The tax effect of net operating losses carry forwards totaled US\$ 1.601 as of December 31, 2019 (December 31, 2018 - US\$ 2,905). A full valuation allowance has been provided by the Company. Income tax and social contribution amounts for the year ended December 31, 2019 and 2018, presented in the statements of operations are reconciled to their nominal rates as follow:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Net income (loss) for the period before income taxes	138,577	(157,109)
Net income (loss) generated by subsidiaries domiciled in the Bahamas, Bermuda and Cayman Islands (non-taxable income/nondeductible expenses)	<u>(133,147)</u>	<u>165,539</u>
Taxable income attributable to the Brazilian subsidiaries of GP Investments, Ltd. before income taxes	<u>5,430</u>	<u>8,430</u>
Brazilian income tax and social contribution benefit expense at nominal rates - 34%	<u>(1,846)</u>	<u>(2,866)</u>
Adjustments to obtain the effective rates		
Net effect of the presumed profit tax regime in Brazil	<u>921</u>	<u>1,446</u>
Income tax and social contribution expense	<u>(925)</u>	<u>(1,420)</u>

10 Perpetual notes

<u>Currency</u>	<u>Annual interest rate - %</u>	<u>December 31, 2019</u>	<u>December, 31 2018</u>
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Perpetual notes	US dollars	10	<u>69,941</u>	<u>130,622</u>
			<u>69,941</u>	<u>130,622</u>

On January 23, 2007, the Company issued US\$ 150,000 perpetual notes with no fixed final maturity date, non-callable for five years and with an interest rate of 10% per year, payable quarterly, beginning on April 23, 2007. On October 5, 2007, GP issued an additional amount of US\$ 40,000 of perpetual notes with the same characteristics as the January 2007 issue. The October perpetual notes were issued at a premium of US\$ 850, which is being amortized over the remaining minimum estimated lives of the perpetual notes.

On October 26, 2009, GP obtained the consent from a majority of its bondholders to amend the following terms of the indenture governing its 10% perpetual notes: (a) provide for optional redemption of the notes by GP Investments in part, on the terms currently contained in the indenture with respect to optional redemption of the notes as a whole; and (b) eliminate the "Debt service reserve" account.

During the three-month period ended March 31, 2016, the Company acquired an additional part of perpetual notes, in an amount of US\$ 86,000, aiming at giving liquidity to the investors.

During the 2017, the Company paid an additional part of perpetual notes, in an amount of US\$ 8,661.

The fair value of the perpetual notes as of December 31, 2019, based on market and interest rates for similar perpetual notes, was estimated at US\$ 69,941 (December 31, 2018 - US\$ 130,622) based on observable inputs from market data and the accrued interest related to the perpetual notes is presented in the "Accrued interest" account and the corresponding amount as of December 31, 2019 is US\$ 1,396 (December 31, 2018 - US\$ 2,622).

On January 23, 2019, GP announced that it has concluded a US\$ 25 million partial call of the Perpetual Notes ("Notes"). After the partial call, the outstanding amount of the Notes is US\$ 115 million.

On October 23, 2019, GP announced that it has concluded a US\$ 40 million partial call of the Perpetual Notes ("Notes"). After the partial call, the outstanding amount of the Notes is US\$ 75 million. The amount of US\$ 70 million is net of 5 million held by the company in December, 2019.

11 Provision for contingencies

The Company's subsidiaries are party of certain legal proceedings arising in the normal course of business, and the Company, when applicable, has made provisions or recorded losses on the sale of its investments, whenever management believes that such losses are probable and can be reasonably estimated.

Lawsuits, claims and proceedings have been or may be initiated against GP and its subsidiaries. Although the amounts claimed in a given time may be substantial, if the ultimate liability cannot be reasonably determined due to the considerable uncertainties that exist, it is possible that revenues and expenses or liquidity, in a particular period, could be materially affected by such contingencies. However, based on available facts, management and its external legal advisors believe that the disposition of matters that are currently available demonstrates that the ongoing processes will not have a material adverse effect on the financial position of the Company.

During 2019, the Company incurred in US\$ 6,341 of contingency expense related to judicial processes (December 31, 2018 – US\$ 7,607).

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As of December 31, 2019, the provision for contingencies amounts to US\$ 29,978 (December 31, 2018 – US\$ 39,134) but management believes that additional disclosure related to these provisions might negatively impact the settlement of such cases.

Based on current facts and taking into consideration the opinion of the Company's legal advisors, management believes that the existing provisions are sufficient to cover any losses related to current process.

(i) Possible Losses, not recorded in the balance sheet

As of December 31, 2019, the Company had civil and labor litigations involving risks of losses classified by management as possible, amounting to US\$ 76,838 and US\$ 2,6 , respectively (December 31, 2018 – US\$ 102,899 of civil litigations and US\$ 26 of labor litigations), which is based on the evaluation of the legal advisors, for which no provision for estimated losses were recognized.

12 Commitments

As of December 31, 2019, the Company has fulfilled its outstanding commitment to fund GPCP III and GPCP IV. As of December 31, 2019, the Company had an amount of US\$ 4,175, US\$ 4,657, US\$ 3,816 and US\$ 223,462 in outstanding commitments to GP Real Estate A, LP, GP Real Estate B, LP, GP Real Estate C, LP and GPCP V respectively (December 31, 2018 - US\$ 9,364, US\$ 10,618, US\$ 8,441 and US\$ 223,606, respectively). Unfunded committed capital from the limited partners is not shown on the balance sheet, as the GP has no unconditional right to receive cash as long as it has not identified an investment to invest in.

13 Fair value of financial instruments

ASC 825-10 - "Disclosures about Fair Value of Financial Instruments" requires disclosure of the estimated fair values of financial instruments. The fair value of a financial instrument is the amount at which an instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Quoted market prices, if available, are utilized as estimates of the fair value of financial instruments.

The market values of financial instruments are close to their book values and were substantially represented by financial investments, loans and financings.

(a) Cash and cash equivalents

Cash and cash equivalents approximate their fair values. Cash equivalents include: interest - earning deposits with banks and money market.

(b) Financial investments

Trading securities and financial investments are reported in the consolidated balance sheets at fair value, estimated principally based on quoted market prices, when available, or quoted market prices for similar instruments.

(c) Loans and financings and perpetual notes

Except for the information presented in Note 10 regarding perpetual notes, the carrying amounts of the loans and financings approximate fair value as determined by discounting estimated cash flows, using interest rates approximating the current origination rates for similar loans.

(d) Derivative instruments

Derivatives are reported in the consolidated balance sheets at fair value, estimated principally based on quoted market prices, when available, or on counterparty valuation when it is an over the counter instrument. As of December 31, 2019 and 2018, GP has no investments in derivative

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instruments.

(e) Sensitivity analysis

Exposure to currency risk arises from assets in currencies other than the Company's functional (US Dollar). The main exposure corresponds to GP's investment portfolio, which currently holds assets in US Dollar, Brazilian Real and British Pound.

As of December 31, 2019, GP Cash Management Ltd held no exposures to short-term investments priced in currencies other than the Company's functional.

14 Risks and risk management

The main risks related to financial instruments are: credit risk, market risk, liquidity risk and currency risk. Management of these risks is a process that involves different levels of the Company and covers several policies and strategies. Other than the investments in shares and the interests in GPCP III, GPCP IV, GPCP V and GPCP VI, on December 31, 2019, there was no significant concentration of credit, market, liquidity or currency risks related to banks and financial investment funds.

(a) Credit risk

Credit risk is the risk arising from the possibility of loss resulting from the non-receipt from counterparties or creditors of the amounts they have contracted with the Company to pay. The Company mitigates credit risks related to banks and financial investment funds, by investing in short-term securities with highly-rated financial institutions and funds managed by investment managers.

(b) Market risk

Market risk is linked to the possibility of loss due to rate fluctuations relating to unhedged terms, currencies and indices in the Company's portfolio. The Company acquires interests in non-public entities; the sale of these entities may require a lead time and the values realized may be unfavorable in relation to the valuation. The Company has a diversified portfolio of investments and, as a consequence, the revenues may be affected by unfavorable performance.

(c) Liquidity risk

Liquidity risk management is designed to control risk relating to mismatched settlement terms of the Company's rights and obligations. Knowledge and monitoring of this risk are crucial to enable the Company to settle transactions in a timely and secure manner. Liquidity risk management involves a set of controls, principally relating to the establishment of technical limits, and the positions assumed are constantly evaluated.

(d) Currency risk

As a portion of the underlying fair value basis of the portfolio private equity assets is denominated in reais, the Company is exposed to foreign exchange risks.

15 Shareholders' equity

(a) Capital

On April 30, 2010 the Board of Directors unanimously approved a share bonus issue ("Stock Dividend") on the basis of 0.040324850:1 new Class A shares (including shares in the form of BDRs) and Class B shares. Each holder of a Class A share (or BDRs) or Class B share received 0.040324850 additional share as bonus shares for each Class A share (or BDR) ("Class A Bonus Issue Shares") or Class B share owned ("Class B Bonus Issue Shares"). A total of 4,953,674 Class

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Profit (loss) per share – basic	<u>0.68</u>	<u>(0.73)</u>
Profit (loss) per share – diluted	<u>0.68</u>	<u>(0.70)</u>

Consistent with guidance provided by ASC 260-10 - "Earnings per Share", an entity would allocate losses to the preferred shares in periods of losses if, based on the contractual terms of the participating security, the preferred shares had not only the right to participate in the earnings of the issuer, but also a contractual obligation to share the losses.

(c) Treasury shares

On August 14, 2011, the Board approved the acquisition of treasury shares of up to 12,218,078 of the Company's Class A Shares which constitute approximately 10% of the Company's issued and outstanding Class A shares, including shares in the form of Brazilian Depositary Shares evidenced by Brazilian Depositary Receipts (BDRs) (the "Treasury Shares Acquisition"). The acquisition period for the Treasury Shares Acquisition started on August 13, 2011 and ends on August 13, 2012 (the "Acquisition Period"). The acquisition price for the Treasury Shares Acquisition will be the market price quoted on the date of each transaction on Luxembourg Stock Exchange (in respect the Class A Shares) and B3 (in respect of the BDRs).

On August 5, 2013, the Board approved the acquisition of treasury shares of up to 11,234,659 of the Company's Class A shares which constitute approximately 10% of the Company's free float, including shares in the form of BDRs. The acquisition period for the treasury shares acquisition started on August 15, 2013 and ended August 15, 2014 and a new period started on October 27, 2014 and end on October 27, 2015.

Whenever purchased shares (treasury shares) are cancelled the Company is automatically entitled to re-purchase up to 10% of the new Company's free float.

On December 31, 2017 the Company held no treasury shares.

During 2019, GP, through its wholly-owned subsidiaries GPCM and GP Cash Management, has acquired a total of 648,668 treasury shares representing US\$ 666 (December 31, 2018 – US\$ 322).

(d) Non-controlling interest

(i) Capital contribution from Limited Partners

Capital contribution from Limited Partners refers to the committed amount from limited Partners in accordance with the terms of the private equity and real estate investment funds agreement for investment purposes. During 2019, the capital contribution from Limited Partners amounted to US\$ 49,651 (December 31, 2018 – US\$ 13,812).

(ii) Distribution to Limited Partners

Distribution to Limited Partners refers to the portion of divestments in equity portfolio due to the Limited Partners from private equity and real estate funds. During 2019, the distribution of cash proceeds amounted to US\$ 113,912 (December 31, 2018 – US\$ 28,570).

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16 Stock options

(a) GP

Stock option program

On March 14, 2016, the Board of Directors approved the partial cancellation of the 2006, 2009 and 2011 Stock Purchase Option Programs, previously agreed between the Company and beneficiaries. On this day, the Board also approved a new stock option program for the award of 13,000,000 Class A Shares (the "2016 Program").

As of December 31, 2019, the existing Stock Option Programs are:

(i) 2011 Program

On April 25, 2011, the Board of Directors approved and adopted, with the concurrence of the Nomination and Compensation Committee, a subordinated Stock Purchase Option Program ("2011 Program") to the 2006 Stock Purchase Option Program and the form of agreements to be entered into between the Company and each beneficiary. An aggregate of 10,282,186 options of the Company's Class A shares may be granted under the Program. As of February 17, 2012, the Board of Directors approved the cancellation of 4,915,433 Company Class A options from the 2006 Program and also increased the amount of options to be awarded under the 2011 Program by the same amount, increasing the total options to be awarded under the 2011 Program from 10,282,186 to 15,197,619. As of September 15, 2014, the Board of Directors approved the cancellation of 890,794 Company Class A options from the 2006 Program and also increased the amount of options to be awarded under the 2011 Program by the same amount, increasing the total options to be awarded under the 2011 Program from 15,197,619 to 16,088,413.

The options granted will expire after ten years, with a vesting period of five years of 20% per year. The Program allows for the issuance of shares through newly issued shares. As of December 31, 2015, from the total of 16,088,413 options approved by the Company, 15,775,733 options were granted, but not exercised by the holders. On August 2015, 276,240 were granted. On March 14, 2016, the Board approved the partial cancellation of 15,022,404 shares. As of December 31, 2019, 440,009 options were granted, but not exercised by the holders.

The information related to the number of options outstanding to employees is as follows:

	Number of options outstanding to employees	Exercise price - US dollars	Option fair market value
At December 31, 2017	1,029,569		
Options forfeited	(589,56)	Various	0,43
At December 31, 2018	440,009		
At December 31, 2019	440,009		

Percentage

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	Exercise price	Dividends yield	Expected average annual volatility (i)	Risk free rate (ii)	Fair market value - US dollars
Options granted					
February 2012	2.54	5.0	45.01	2.02	0.92
September 2012	2.14	5.0	47.19	1.57	0.56
January 2013	2.54	5.0	46.48	1.70	0.73
September 2013	1.63	5.0	44.79	2.73	0.59
April 2014	1.89	5.0	38.11	2.70	0.36
September 2014	2.18	5.0	38.43	2.59	0.47
August 2015	1.83	5.0	38.96	2.23	0.43

Pursuant to the Black-Scholes options pricing method, the fair value of the options granted under the 2011 Program was measured at the grant date. For calculation purposes, the following assumptions were used

(i) The expected stock price volatility assumption was determined using the volatility of the Company's Class A shares.

(ii) The interest rate is based on the US Treasury Bills rate for a period similar to the expected term of the options.

There was no intrinsic value of the total options of the 2011 program as of December 31, 2019 due to the fair market value of US\$ 1.64 be lower than the strike price of the options.

For the year ended December 31, 2019, an expense of US\$ 10 (December 31, 2018 - US\$ 25) was recorded in respect to the 2011 Program and is presented in "General and administrative expense".

(ii) 2016 Program

In 2016, the Board of Directors approved and adopted, with the concurrence of the Nomination and Compensation Committee, the Stock Purchase Option Program ("2016 Program") and the form of agreements to be entered into between the Company and each beneficiary. An aggregate of 13,000,000 shares of the Company's Class A shares may be granted under the Program. On May 16, 2016 12,200,000 options were granted and will expire after ten years, with a vesting period of five years based on an exercise price of US\$ 1.9767. On May 31, 2017, 600,000 shares were exercised by the beneficiaries. During the year ended December 31, 2018, 3,600,000 options were forfeited by employees that left the Company. As of December 31, 2019, 8,000,000 options were granted, but not exercised by the holders.

The information related to the number of options outstanding to employees is as follows:

	Total number of options outstanding	Exercise price - US dollars
At December 31, 2017	11,600,000	Various
Options forfeited	(3,600,000)	
At December 31, 2018	8,000,000	Various

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At December 31, 2019

8,000,000

Pursuant to the Black-Scholes options pricing method, the fair value of the options granted under the 2016 Program was measured at the grant date. For calculation purposes, the following assumptions were used:

	<u>Exercise price</u>	<u>Dividends yield</u>	<u>Expected average annual volatility (i)</u>	<u>Risk free rate (ii)</u>	<u>Fair market value - US dollars</u>
Options granted May 2016	1.98	5.0	40.31	1.85	0.44

(i) The expected stock price volatility assumption was determined using the volatility of the Company's Class A shares.

(ii) The interest rate is based on the US Treasury Bills rate for a period similar to the expected term of the options.

There was no intrinsic value of the total options of the 2016 program as of December 31, 2019 due to the fair market value of US\$ 1.64 be lower than the strike price of the options.

For the year ended December 31, 2019, an expense of US\$ 305 was recorded in respect to the 2016 Program (December 31, 2018 - US\$ 941) and is presented in "General and administrative expenses".

17 Expenses

	<u>2019</u>	<u>2018</u>
Salaries	(9,411)	(10,623)
Contingencies	(6,341)	(7,607)
Tax expense	(510)	(789)
Bonuses and carried on realized gain	(5,284)	(4,971)
Bonuses and carried on unrealized gain	(4,124)	241
Projects	(1,672)	(951)
Stock options	(313)	(933)
Audit and consulting	(2,900)	(3,934)
Rental expenses	(1,226)	(1,264)
Travel expenses	(557)	(777)
Office	(574)	(655)
Other	(4,497)	(3,917)
Total expenses	<u>(37,408)</u>	<u>(36,180)</u>

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18 Segment information

The Company's operations are managed through two operating segments: the private equity business and the real estate business, which represent the segment information available and used by executive management to assess performance and to allocate resources. These segments were established based on the nature of investment activities in each fund, including the specific type of investment made, the frequency of trading, and the level of control over the investment. The financial results for the segments are as follows:

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	2019			2018		
	Real estate	Private equity	Total	Real estate	Private equity	Total
Appreciation (depreciation) in fair value of investments	14,554	177,590	192,144	(10,587)	(108,013)	(118,600)
Reversal of unrealized fair value on disposition		(31,581)	(31,581)		86,198	86,198
Realized gain (loss), net		(541)	(541)		(93,088)	(93,088)
Management fees	(808)	10,578	9,770		10,895	10,895
Dividends		10,441	10,441	1,980	2,389	4,369
Performance fees		705	705		789	789
Advisory fees					1	2,616
Other		752	752			-
Total revenue	13,746	167,239	181,690	(8,607)	(100,829)	(106,821)
General and administrative	260	(26,043)	(25,783)	(1,235)	(22,367)	(23,602)
Contingencies		(6,341)	(6,341)		(7,607)	(7,607)
Bonuses and carried on realized gain		(5,284)	(5,284)		(4,971)	(4,971)
Total expenses	260	(37,668)	(37,408)	(1,235)	(34,945)	(36,180)
Financial income		6,609	6,609		8,752	8,752
Financial expense	7	(12,321)	(12,314)	(6)	(22,849)	(22,855)
Unrealized gain (loss) on derivative instruments, net					8	8
Realized gain (loss) on derivative instruments, net			-		(13)	(13)
Financial income (expenses), net	7	(5,712)	(5,705)	(6)	(14,101)	(14,107)
Income tax		(925)	(925)		(1,420)	(1,420)
Net income (loss)	14,013	122,934	137,652	(9,848)	(151,295)	(158,529)

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The most relevant balance sheet items by segment are as follows:

	December 31, 2019			December 31, 2018		
	Real estate	Private equity	Total	Real estate	Private equity	Total
Investments at fair value	20,431	545,178	565,609	45,034	492,345	537,379
Total assets	20,431	804,721	825,152	45,034	751,632	796,666

19 Subsequent events

The Coronavirus outbreak was declared a pandemic by the World Health Organization on March 11th 2020, and it is currently affecting countries worldwide. The economic consequences and uncertainties resulting from the Coronavirus itself or from actions taken by governments and the private sector to respond to the outbreak may have a significant impact on the fair market value of the Company's investments. The retail sector, particularly the restaurant segment, is expected to be heavily affected, and the Company – through its affiliate Spice Private Equity, Ltd - has significant exposure in the space.

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