(Convenience Translation into English from the Original Previously Issued in Portuguese)

Smartfit Escola de Ginástica e Dança S.A. and Subsidiaries

Individual and Consolidated
Financial Statements
for the Year Ended
December 31, 2019 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

RESULTADOS 2019

smart fit

São Paulo, March 31, 2020 - Smart Fit, the leader in the fitness sector in Latin America, announces the results for the fourth quarter of 2019 (4Q19) and the year 2019. All comparisons are related to the same period of 2018 (4Q18 and 2018), except where otherwise indicated.

To allow better comparison with the previous period, the results for 4Q19 and 2019 are presented without the effect of IFRS 16/CPC 06 (R02) throughout the document. The effects of adopting IFRS 16/CPC 06 (R02) are detailed beginning on page 14.

2019 HIGHLIGHTS

- Clubs: 826 clubs (+30.9%), with the opening of 195 units in the last 12 months and 85 units in 4Q19. Presence in 11 countries, with 40.9% of clubs in international markets.
- Members[a]: 2,670 thousand members (+32.2%), of which 2,084 thousand (+29.7%) in the company-owned units. World's 5th largest network of clubs by number of members [b]
- Revenue: R$ 1,983.9 million, up 71.0% compared to 2018
- Adjusted EBITDA[c]: R$ 551.3 million (+95.2%), with a margin of 27.8%(+3.4 pp)
- Adjusted operating cash generation[d] of R$ 483.2 million in 2019 (+104%)

2019 highlights (R$ million)	**4Q19**	**4Q18**	**Variation**	**2019**	**2018**	**Variation**
Clubs	826	631	+30.9%			
Members (end of the period) [b]	2,670	2019	+32.2%			
Net Revenue	578.6	379.1	+52.6%	1,983.9	1,160.0	+71.0%
Adjusted EBITDA [c]	145.4	77.3	+88.0%	551.3	282.4	+95.2%
Adjusted EBITDA Margin [c]	25.1%	20.4%	+4.7 pp	27.8%	24.3%	+3.4 pp
Adjusted operating cash generation [d]	207.3	82.6	+151%	483.2	237.4	+104%

(a) Includes club members only; excludes recurring microgym members; (b)) In accordance with IHRSA's 2019 global ranking; (c) for 2019, excludes the R$ 234.4 million in expenses related to the long-term incentive plan (stock options) and the effects of IFRS 16/CPC06 (R2); for 2018, excludes the gain of R$ 407.0 million due to the revaluation of the interest in the Mexico and Colombia operations. See table on page 10 for the breakdown of EBITDA. (d) "Adjusted operating cash generation" is the net cash generated by operating activities, plus interest paid on borrowings, and (only for 2019) the adjustment for the payment of property leases. See table on page 11 for the breakdown of Adjusted operating cash generation.

MESSAGE FROM MANAGEMENT

Smart Fit had another year of strong financial and operational growth in 2019, sustaining its position as the undisputed leader in the fitness market in Latin America. During the year, we achieved a combination of large increase in revenue with higher profitability, and high growth of the number of clubs, with the expansion of locations and segments of the fitness market where we operate, and continuous innovation in services offered to our members.

The Company opened 195 gyms in 2019, the fourth consecutive year with an increase in the number of openings, with a network growth of 30.9%. Smart Fit continues with its clustering strategy, which aims to strengthen the consolidation of a network with wide capillarity in a given region, while concurrently entering new regions to increase market penetration and the potential for new units given the creation of new clusters. At the end of 2019, Smart Fit was present in 246 cities in 11 countries, starting operations in 50 cities and in 4 new countries (Argentina, Guatemala, Paraguay and Panama), the highlights being Buenos Aires (with 16 million inhabitants in the metropolitan area) and São Luiz (MA) and Piúra (Peru) each with more than 500 thousand inhabitants. Smart continued to increase capillarity in the main cities where the brand already had a presence, the highlights being 17 new clubs in São Paulo, 10 in Lima, 7 in Mexico City, and 5 in Santiago; and accelerated growth in cities where it started operating in the last 3 years, the highlights being 7 new clubs in Monterrey (Mexico) and 6 in Salvador.

Smart Fit continued to innovate its services to maintain its superior value proposition to the market and an offer aligned with the interests of its members. We launched initiatives to improve the member's digital journey, the highlight being a new version of the Smart Coach, which includes functionality for personalizing the training prepared by the trainer who serves the member at the club, increasing the perception of an individualized experience. We introduced Smart Nutri, an application for nutritional monitoring, with recommendation of meals, food diary and chat with specialists. To accelerate its pace of digital innovation, the Company created squads, multi-disciplinary teams with autonomy to develop their solutions, focused on the main moments of the members' journey. Continuous innovation contributes to Smart Fit sustaining a high level of member satisfaction, with the Net Promoter Score indicator maintaining the value of 62 (59% above the average of clubs in the United States).

The Company launched new studios inspired by the trends of international fitness, with different environments: Jab House, a high intensity workout that adds boxing and functional, and Tonus Gym, a bodybuilding workout performed interactively in pairs. Total pass, the corporate fitness benefits solution, had significant growth in 2019, with the structuring of a team focused on this business, and the opening of operations in Mexico, Colombia and Chile. With innovations in existing and new brands, the Company strengthens its position as a fitness platform in Latin America, consolidating its leadership in all relevant countries and segments of the market.

In 2019 Smart Fit carried out transactions that strengthened its shareholder base, governance and capital structure to support its growth in the short and long term. In equity, in 4Q19 a transaction was closed with BPE FIT Holding S.A. ("BPE Fit"), a company controlled by funds managed by Pátria Investimentos. The transaction included a contribution of R$ 1,160 million to the Company; the acquisition by BPE Fit of the shares of Pátria III Funds and part of the other shareholders; and the acquisition of a minority interest by Canada Pension Plan Investment Board. Smart Fit's control continued to be held by the same control block, that is, the Corona Family and funds managed by Pátria, maintaining the shared control governance. In debt, in May 2019 the Company carried out an issuance of debenture in the amount of R$ 1,300 million, with maturity up to 2026. Smart Fit ended the year with R$ 1,351 million in cash, and a net debt/EBITDA ratio of [1] 1.65x .

We continue to develop new initiatives to keep reinforcing the Smart Fit brand's image as a fitness innovator and leader. With the growth of its media investment in line with revenue growth, in 2019 Smart Fit began to carry out television campaigns in Brazil. The first insertions were in cable channels, integrated with digital performance measurement tools, and payment to the channels by performance, using a unprecedented compensation model similar to that of digital media in the offline market. The pilots brought good return, as they reached different audiences from digital media, and were extended to open channels in early 2020.

The Company prepared an information technology master plan, defining the projects needed in the next 3 years to support its growth. The main initiative was the selection of Oracle Cloud ERP as a platform to support financial processes in all countries where it operates. The adoption of a single system will increase productivity, by standardizing procedures, and will enable a deeper understanding of the business, by facilitating the inclusion of financial data from

[1] The ratio was calculated using the definition of net debt and EBITDA of the Company's debentures. EBITDA for this measurement includes the effects of IFRS 16 and has no adjustments.

all businesses and locations in the business intelligence platform. The implementation started in July 2019, the first modules will start operating in 2020, with completion in 2021.

The 2019 initiatives reinforced the Company's position to continue its accelerated growth trajectory, excellence in member service and constant innovation in the Latin American fitness market. These initiatives also reinforced the Company's preparation to face the global crisis caused by COVID-19 in the short term, with a collaborative team, a culture of quick adaptation to changes, and a solid financial position.

PRESENTATION OF RESULTS

The Company has its own clubs in Brazil, Mexico, Colombia, Chile, Peru, Argentina and Paraguay (which also include franchised operations in Brazil and Mexico) and franchised operations in the Dominican Republic, Ecuador, Guatemala and Panama. During 2018, the Company acquired control of operations in Chile (1Q18), Colombia (2Q18) and Mexico (4Q18), and their results were consolidated from the date of acquisition. The consolidation in the Statement of Profit and Loss for each period is detailed below:

Operation	Recognition in the Statement of Profit and Loss for the period								Recognition in the Balance Sheet for the period	
	1Q18	**2Q18**	**3Q18**	**4Q18**	**1Q19**	**2Q19**	**3Q19**	**4Q19**	**4Q18**	**4Q19**
Brazil, Peru, Argentina and Paraguay	Consolidated	→		Consolidated	Consolidated	→		Consolidated	Consolidated	Consolidated
Chile	Royalties for use of the brand [a]	Consolidated[c]	→	Consolidated[c]	Consolidated	→		Consolidated	Consolidated[c]	Consolidated
Colombia	Share of profit (loss) [b]	Share of profit (loss) [b]	Consolidated[c]	Consolidated[c]	Consolidated	→		Consolidated	Consolidated[c]	Consolidated
Mexico	Share of profit (loss) [b]	→	Share of profit (loss) [b]	Consolidated[c]	Consolidated	→		Consolidated	Consolidated[c]	Consolidated
Ecuador, Guatemala, Panama and Dominican Republic [d]	Royalties for use of the brand	→		Royalties for use of the brand	Royalties for use of the brand	→		Royalties for use of the brand	n/a	n/a

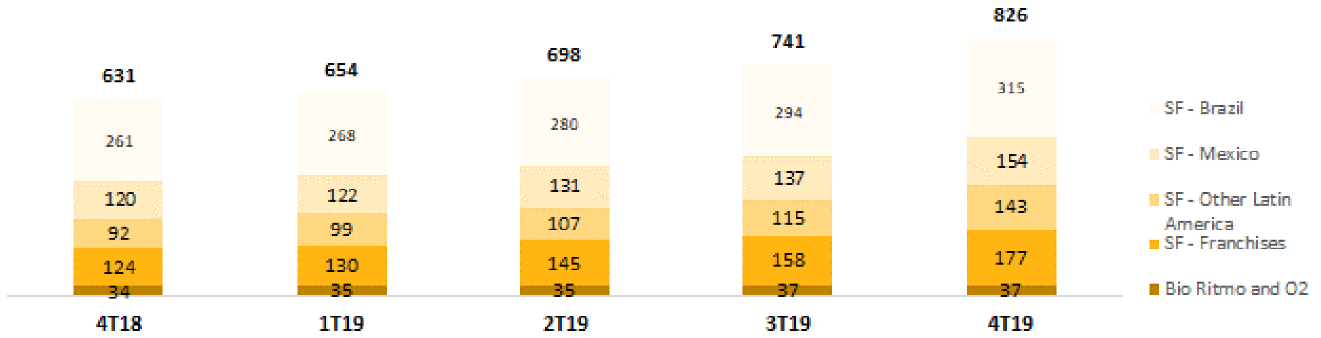
(a) Operation in the period was franchised; (b) Operation in the period was a joint venture with local partners of each country; (c) Consolidation of Chile as from March/18, Colombia as from June/18 and Mexico as from Nov/18; (d) Franchised operations up to 12/31/2019. In January 2020, the operation in Panama became a company-owned operation, with shared control with local partners.

For a better understanding of its business, the Company presents in this report:

- Operational information: combined data of the entire network, including the international franchises and franchises in Brazil.
- Financial information: consolidated data of the controlled operations. For net revenue and EBITDA, we present a segment analysis that includes the operations in Mexico and Colombia throughout 2018, considered on the basis of 100% of their results, including the period prior to the acquisition.

OPERATIONAL HIGHLIGHTS:

Number of Clubs



Units	End of the Period					Growth			Variation 3Q19 vs.	
	4Q18	1Q19	2Q19	3Q19	4Q19	4Q19 vs. 4Q18	4Q19 vs. 3Q19	4Q18 vs. 4Q17	4Q19 vs. 4Q18	4Q19 vs. 3Q19
Clubs	**631**	**654**	**698**	**741**	**826**	**195**	**85**	**155**	**+30.9%**	**+11.5%**
By Type										
Company Owned	503	520	549	578	644	141	66	129	+28.0%	+11.4%
Franchises	128	134	149	163	182	54	19	26	+42.2%	+11.7%
By Brand										
Smart Fit	597	619	663	704	789	192	85	151	+32.2%	+12.1%
Company Owned	473	489	518	546	612	139	66	125	+29.4%	+12.1%
Brazil	261	268	280	294	315	54	21	43	+20.7%	+7.1%
Mexico	120	122	131	137	154	34	17	28	+28.3%	+12.4%
Other Latin America	92	99	107	115	143	51	28	54	+55.4%	24.3%
Franchises	124	130	145	158	177	53	19	26	+42.7%	+12.0%
Brazil	108	111	118	126	140	32	14	30	+29.6%	+11.1%
Mexico	1	2	4	5	8	7	3	1	+700%	+60.0%
Other Latin America	15	17	23	27	29	14	2	(5)	+93%	+7.4%
Bio Ritmo and O2	34	35	35	37	37	3	-	4	+8.8%	-
Company Owned	30	31	31	32	32	2	-	4	+6.7%	-
Franchises	4	4	4	5	5	1	-	-	+25.0%	-
By region										
Brazil	399	410	429	453	488	89	35	73	+22.3%	+7.7%
Mexico	121	124	135	142	162	41	20	29	+33.9%	+14.1%
Other Latin America	111	120	134	146	176	65	30	53	+58.6%	+20.5%
Micro gyms	**6**	**6**	**6**	**7**	**8**	**2**	**1**	**5**	**+33.3%**	**+14.3%**
Brazil	4	4	4	5	6	2	1	3	+50.0%	+20.0%
Other Latin America	2	2	2	2	2	-	-	2	-	-

(a) The region "Other Latin America" includes for Company Owned operations, Argentina, Chile, Colombia, Paraguay and Peru, and for Franchises, Ecuador, Guatemala, Panama and Dominican Republic.

Members

Members ('000)	**End of the Period**					**Var.**
	4Q18	**1Q19**	**2Q19**	**3Q19**	**4Q19**	**4Q19 vs. 4Q18**
Clubs	**2019**	**2,168**	**2,306**	**2,520**	**2,670**	**+32.2%**
By Type						
Company Owned	1,607	1,722	1,820	1,979	2,084	+29.7%
Franchises	412	446	485	541	586	+42.1%
By Brand						
Smart Fit	**1,960**	**2,107**	**2,246**	**2,460**	**2,608**	**+33.1%**
Company Owned	1,554	1,668	1,767	1,925	2,030	+30.6%
Brazil	893	937	951	1,031	1,120	+25.5%
Mexico	376	393	448	476	467	+24.2%
Other Latin America	285	337	367	418	442	+55.3%
Franchises	406	440	479	534	579	+42.4%
Bio Ritmo and O2	**59**	**60**	**60**	**60**	**61**	**+3.3%**
By region						
Brazil	1,300	1,363	1,392	1,503	1,628	+25.2%
Mexico	378	399	460	491	490	+29.7%
Other Latin America	341	406	454	526	552	+61.6%
Micro gyms	**n/a**	**n/a**	**n/a**	**n/a**	**2**	**n/a**

(a) The recurring member base of micro gyms will be reported as from 4Q19. In previous periods, micro gyms sold mainly individual classes, and the recurring member base was not representative of the operations ; (b) The region "Other Latin America" includes for Company Owned operations, Argentina, Chile, Colombia and Peru, and for Franchises, Ecuador, Guatemala, Panama and Dominican Republic.

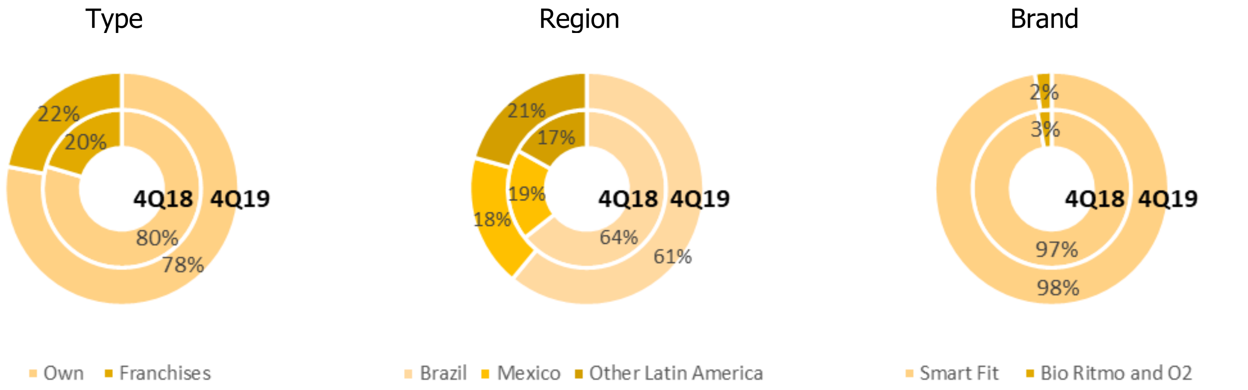
In 2019, the Company again posted accelerated growth, with a 30.9% increase in the club network and a 32.2% increase in the member base compared to 2018.

We reached a total of 826 clubs (+ 30.9% vs. 2018), with acceleration of openings for 195 units in 2019 (vs. 155 in 2018), the fourth consecutive year with an increase in openings, and 85 openings in 4Q19, driven by the growth in the number of clusters in which the Company operates, and by the capital contribution received in 4Q19, which allowed an increase in investment in new clubs. The member base reached 2.7 million, an increase of 650 thousand members (+ 32.2%) compared to 4Q18, driven by the growth in the number of clubs, and by strong initiatives to attract new members in Brazil to increase the market share in 4Q19.

The company owned clubs reached 644 units, a growth of 28.0%, with the opening of 141 units in the last 12 months and 66 in 4Q19. The member base of the company owned clubs reached 2.1 million, an increase of 29.7%. The franchises reached 182 units and 586 thousand members, representing 21.9% of the group's total members, with a growth of 42.2% and 41.1% respectively over 4Q18. In line with our strategy of being present in all relevant markets in Latin America, in 2019 we opened the first clubs in Argentina and Paraguay, as company owned operations, and Guatemala and Panama, as franchises.

We had significant growth in all regions, due to Smart Fit's strong value proposition, and the consistent execution of the expansion of the club network. In Brazil, the operation added 328 thousand members, reaching a total of 1.6 million members (+ 25.2%) and 488 units (+ 22.3%). Mexico grew its member base by 112 thousand, reaching 490 thousand members (+29.7%) and 162 clubs (+ 33.9%), with an increase in the number of clubs higher than that of members, chiefly due to the large number of openings in the 4Q19 (20 units), which are still in the initial stage of maturation. The "Other Latin America" region continued with the largest growth of the network, totaling 552 thousand members (+ 61.6%) and 176 units (+ 58.6%), impacted by the greater maturity of the operations in Chile and Peru, which opened 13 units each (+ 65.0% and +86.7% respectively) in the period, and the accelerated entry into Guatemala and Panama (through franchises), which opened 10 units since the start of operation in 2019. International operations (Mexico and Other Latin America) continued to grow their share in the consolidated, accounting for 40.9% of the clubs (+ 4.2pp) and 39.0% of the member base (+ 3.4pp vs. 4Q18).

Distribution of members - 4Q19 vs. 4Q18
(total members: 2,670 thousand and 2,019 thousand)



	4Q18	4Q19
Company Owned	1,607	2,084
Franchises	412	586

	4Q18	4Q19
Brazil	1,300	1,628
Mexico	378	490
Other Latin America	341	552

	4Q18	4Q19
Smart Fit	1,960	2,608
Bio Ritmo and O2	59	61

As a result of the strong and continuous growth, Smartfit became in 2019 the 3rd largest network of clubs in the world in terms of company owned units (+2 positions compared to 2018) and the 5th largest one in terms of number of members (+3 positions compared to 2018), becoming the largest network based outside the United States, according to IHRSA's (International Health, Racquet and Sportsclub Association, the fitness industry's class entity) 2019 global ranking.

MAIN FINANCIAL INDICATORS

STATEMENT OF PROFIT AND LOSS

Main financial indicators (R$ million)	**4Q19 [g]**	**4Q18**	**Variation**	**2019 [g]**	**2018**	**Variation**
Gross Revenue	625.3	413.6	+51.2%	2,148.4	1,290.3	+66.5%
Net Revenue	578.6	379.1	+52.6%	1,983.9	1,160.0	+71.0%
Cash cost of services [a]	(288.6)	(200.4)	+44.0%	(1,033.3)	(628.1)	+64.5%
Cash gross profit [a]	289.9	178.7	+62.3%	950.6	532.0	+78.7%
Cost of opening new units	(11.6)	(6.8)	+71.2%	(30.8)	(27.1)	+13.5%
Cash gross profit before cost of opening new units [a]	301.6	185.5	+62.6%	981.4	559.0	+75.5%
Gross margin before opening of new units	*52.1%*	*48.9%*	*+3.2 pp*	*49.5%*	*48.2%*	*+1.3 pp*
SG&A	(377.2)	(103.9)	+263%	(631.9)	(261.6)	+142%
% Net Revenue	*65.2%*	*27.4%*	*+37.8 pp*	*31.9%*	*22.6%*	*+9.3 pp*
Selling expenses [b]	(38.4)	(20.4)	+88.3%	(136.5)	(72.9)	+87.2%
% Net Revenue	*6.6%*	*5.4%*	*+1.3 pp*	*6.9%*	*6.3%*	*+0.6 pp*
General and administrative expenses [c]	(308.9)	(49.1)	+530%	(450.4)	(144.6)	+211%
% Net Revenue	*53.4%*	*12.9%*	*+40.4 pp*	*22.7%*	*12.5%*	*+10.2 pp*
Expenses on the opening of new units	(6.9)	(6.4)	+7.2%	(16.9)	(8.6)	+97.8%
Other operating income (expenses) [d]	(23.1)	(28.1)	-17.8%	(28.2)	(35.6)	-20.7%
Investment revaluation - Colombia [e]		237.1			407.0	
Share of profit (loss) of investees	(1.8)	2.6	n/a	(1.8)	12.1	n/a
EBITDA	(89.0)	314.4	n/a	316.9	689.4	-54.0%
Adjusted EBITDA [f]	145.4	77.3	+88.0%	551.3	282.4	+95.2%
Adjusted EBITDA Margin	*25.1%*	*20.4%*	*+4.7 pp*	*27.8%*	*24.3%*	*+3.4 pp*
Adjusted EBITDA before expenses on the opening of new units	163.9	90.5	+81.0%	599.0	318.1	+88.3%
Adjusted EBITDA Margin before expenses on the opening of new units	*28.3%*	*23.9%*	*+4.4 pp*	*30.2%*	*27.4%*	*+2.8 pp*
Depreciation and amortization	94.6	62.1	+52.5%	308.5	184.2	+67.5%
Profit for the period	(243.2)	216.4	n/a	(247.0)	357.0	n/a

(a) "Cash cost of services" and "Cash gross profit" exclude depreciation. "Cash gross profit before cost of opening of new units" excludes depreciation and cost of opening of new units; See section "Gross Profit" for the calculation of these measurements; (b) 'Selling expenses" exclude expenses on the opening of new units; (c) "General and administrative expenses" exclude depreciation; (d) " Other operating income (expenses)" exclude gains from Mexico and Colombia investment revaluation; (e) "Investment revaluation - Mexico and Colombia" is the gain on the revaluation of the existing 50% interest in Mexico and Colombia, due to the acquisition of control of these operations, made in accordance with accounting standards; (f) "Adjusted EBITDA" excludes expenses with a long-term incentive plan (stock options) in 2019, and gains from Mexico and Colombia investment revaluation in 2018. See section "EBITDA Composition" for the calculation of this measurement; (g) excludes effects of IFRS 16 in relation to club leases.

GROSS AND NET REVENUE

Revenue composition

Net Revenue (R$ million)	**4Q19**	**4Q18**	**Variation**	**2019**	**2018**	**Variation**
Gross Revenue	**625.3**	**413.6**	**+51.2%**	**2,148.4**	**1,290.3**	**+66.5%**
Monthly fees	496.5	354.4	+40.1%	1,831.9	1,124.9	+62.8%
Annual fees	53.0	33.1	+60.3%	164.2	94.6	+73.7%
Memberships	16.9	11.8	+43.5%	51.3	25.7	+99.2%
Others	58.9	14.4	+310%	101.1	45.1	+124%
Taxes and deductions	(46.8)	(34.5)	+35.4%	(164.5)	(130.3)	+26.2%
Net Revenue	**578.6**	**379.1**	**+52.6%**	**1,983.9**	**1,160.0**	**+71.0%**

Net revenue in 4Q19 was R$ 578.6 million, a growth of 52.6%, impacted by (i) the acquisition of control of operations in Mexico (impact of 18.2% vs. 4Q18); (ii) the revenue growth of 28.2% in operations in Brazil, Colombia, Chile and Peru, which were controlled by the Company in the two periods, associated with the increase of 26.4% in the member base in company owned units in these countries; and (iii) the non-recurring revenue of R$ 38.5 million from the sale of a property (impact of 10.2% vs. 4Q18).

Net revenue in 2019 was R$ 1,984 million, an increase of 71.0%, impacted by (i) the acquisition of control of operations in Mexico, Colombia and Chile (impact of 47.7% vs. 2018); (ii) the revenue growth of 24.3% in operation ins Brazil and Peru (controlled by the Company in the two periods), associated with the increase of 26.9% in the member base in company owned units in these countries; and (iii) the non-recurring revenue of R$ 38.5 million from the sale of a property (impact of 3.3% vs. 2018).

Revenue by Brand and Region

Net Revenue (R$ million)	**4Q19**	**4Q18**	**Variation**	**2019**	**2018**	**Variation**
Smart Fit	483.5	363.9	+32.8%	1,736.0	1,272.6	+36.4%
Brazil	252.4	202.0	+25.0%	943.2	759.2	+24.2%
Mexico	123.1	86.7	+42.0%	420.6	296.2	+42.0%
Other Latin America	108.0	75.3	+43.5%	372.2	217.2	+71.3%
Bio Ritmo and O2	39.2	39.3	-0.4%	159.3	147.2	+8.2%
Others	55.9	9.9	+467%	88.6	32.6	+172%
Subtotal	**578.6**	**413.1**	**+40.0%**	**1,983.9**	**1,452.4**	**+36.6%**
Elimination	-	(34.1)	-	-	(292.4)	-
Total	**578.6**	**379.1**	**+52.6%**	**1,983.9**	**1,160.0**	**+71.0%**
International revenue	41.7%	41.8%	-0.1 pp	+42.1%	37.5%	+4.6 pp

(a) "Other Latin America" only considers company owned operations in the region (Colombia, Peru, Argentina, Paraguay and Chile as from 2Q18); (b) "Others" includes royalties received from franchises in Brazil and international franchises, and other brands operated by the Company; (c) "Elimination" is the exclusion of results of joint ventures (Mexico and Colombia) in the periods prior to the acquisition of their control, which are not consolidated in the 2018 financial statements; (d) International revenue is calculated based on the sum of the operating revenues (subtotal), before Elimination.

For a better understanding of the business, we present revenue by brand and region. For 2018, the amount presented is the combination of jointly controlled businesses (Brazil, Mexico, Colombia, Peru, Argentina, Paraguay and Chile as from 2Q18). In order to compose the consolidated revenue in 2018, the revenues from Mexico and Colombia are eliminated from the subtotal revenue, according to the period that these operations began to be consolidated. For 2019, all businesses are controlled by the Company, and their results are consolidated.

The total revenue from the group's operations reached R$ 578.6 million in 4Q19, up 40.0% compared to 4Q18, mainly impacted by the expansion of company owned units (+28.0%), the expansion of franchised units and the sale of a property (impact of 10.2% vs. 4Q18).

The total revenue from the group's operations reached R$ 1,984 million in 2019, up 36.6% compared to 2018, mainly impacted by the expansion of members in company owned units (+ 29.7%) and the expansion of franchised units. At Smart Fit, total revenue increased by 36.4% in the period, driven by the 30.6% increase in the number of members in company owned clubs. The increase in revenue was relevant in all regions, up 24.2% in Brazil, 42.0% in Mexico and

71.3% in Other Latin America. In the Other Latin America region, revenue was driven by the acceleration in the opening of units in Colombia, Peru and Chile, which together generated a growth of 55.3% in the number of members. At Bio Ritmo and O2, total revenue growth in the period was 8.2%, impacted by the acquisition of the operation in Chile in 1Q18. In the others segment, growth was +172%, driven by the growth in revenue from royalties due to the 42.4% increase in the number of members in Smart Fit franchises, and the sale of a property (+ R$ 38.5 million).

International operations totaled R$ 834.4 million in revenue in 2019, representing 42.1% of the total, with 4.6 pp growth compared to 2018, in line with the Company's strategy of consolidating its leadership in Latin America.

GROSS PROFIT

Gross Profit (R$ million)	**4Q19**	**4Q18**	**Variation**	**2019**	**2018**	**Variation**
Cost of services rendered	(371.2)	(261.2)	+42.1%	(1,332.0)	(807.4)	+65.0%
(-) Depreciation	(82.6)	(60.8)	+35.9%	(298.7)	(179.3)	+66.6%
Cash cost of services	(288.6)	(200.4)	+44.0%	(1,033.3)	(628.1)	+64.5%
Gross profit	207.3	117.9	+75.9%	651.9	352.6	+84.9%
% Net revenue	*35.8%*	*31.1%*	*+4.7 pp*	*32.9%*	*30.4%*	*+2.5 pp*
(-) Depreciation	(82.6)	(60.8)	+35.9%	(298.7)	(179.3)	+66.6%
Cash gross profit	289.9	178.7	+62.3%	950.6	532.0	+78.7%
Cash gross margin	*50.1%*	*47.1%*	*+3.0 pp*	*47.9%*	*45.9%*	*+2.1 pp*
(-) Cost of opening of new units	(11.6)	(6.8)	+71.2%	(30.8)	(27.1)	+13.5%
Cash gross profit before cost of opening of new units	301.6	185.5	+62.6%	981.4	559.0	+75.5%
Cash gross margin before opening of new units	*52.1%*	*48.9%*	*+3.2 pp*	*49.5%*	*48.2%*	*+1.3 pp*

(a) "Cash cost of services" excludes depreciation and amortization; (b) "Cash gross profit" excludes depreciation and amortization; (b) "Cash gross profit before cost of opening of new units" excludes depreciation, amortization and cost of opening of new units."

Cash gross profit in 4Q19 was R$ 289.9 million, up 62.3% compared to 4Q18, impacted by the gain on sale of property (R$ 36.9 million). Excluding the effect of this sale on profit and revenue, cash gross profit grew 40.8%, with cash gross margin of 46.6% (-0.6 pp), impacted by the increase in preoperating costs (+71.2%) due to the higher number of openings of company owned clubs in 4Q19 (66 units vs. 34 units in 4Q18).

For 2019, cash gross profit was R$ 950.6 million, up 78.7% over 2018 and cash gross margin of 47.9%, impacted by the acquisition of operations in Mexico, Colombia and Chile, and the sale of a property. Excluding these effects, cash gross profit grew 22.1%, with a 0.8 pp reduction in gross margin, impacted by the acceleration in the number of openings.

SELLING AND ADMINISTRATIVE EXPENSES

Marketing and selling expenses totaled R$ 38.4 million in 4Q19, representing 6.6% of Net Revenue. In 2019, these expenses represented 6.9% of Net Revenue, maintaining the historical level of this expense and reflecting the digital marketing strategy focused on sales performance.

General and administrative expenses totaled R$ 308.9 million in 4Q19, impacted by (i) the granting and exercise of a long-term incentive plan (ILP - *stock options*) (R$ 234.4 million); and (ii) expenses related to the sale of a property (R$ 8.8 million). Excluding these effects, general and administrative expenses grew 33.9%, a percentage below the revenue growth in the period. In 2019, general and administrative expenses, excluding the above effects, represented 10.4% of net revenue, an improvement of 2.0 pp against 2018, due to the corporate structure's operating leverage.

Other operating expenses totaled R$ 28.2 million in 2019, a decrease of 20.7% compared to 2018, mainly impacted by the write-off of fixed assets in discontinued projects of R$ 9.8 million.

REVALUATION OF EQUITY INTEREST

With the acquisition of control of the operation in Colombia, concluded on June 29, 2018, and the operation in Mexico, concluded on October 24, 2018, the Company recognized a gain of R$ 169.9 million in 2Q18 and R$ 237.1 million in 4Q18, respectively, in the line "Other operating income (expenses)". In accordance with accounting standards, the amount derives from the revaluation of the existing 50% interest in this operation. The revaluation has no impact on the Company's cash, and no deferred income tax on these gains was recognized, as there is no intention to divest these investments.

EBITDA

EBITDA Composition

EBITDA Composition (R$ million)	**4Q19**	**4Q18**	**Variation**	**2019**	**2018**	**Variation**
Profit (loss) for the period	(243.2)	216.4	n/a	(247.0)	357.0	n/a
(-) IR & CSLL	8.5	8.3	+2.5%	40.7	27.2	49.5%
(-) Finance Income (Costs)	51.0	27.7	+84.3%	214.7	121.0	+77.4%
(-) Depreciation	94.6	62.1	+52.5%	308.5	184.2	+67.5%
EBITDA	(89.0)	314.4	n/a	316.9	689.4	-54.0%
(-) Investment revaluation - Mexico and Colombia		(237.1)			(407.0)	
(+) Effects of the ILP plan *(stock option)*	234.4			234.4		
Adjusted EBITDA	145.4	77.3	+88.0%	551.3	282.4	+95.2%
Adjusted EBITDA Margin	*25.1%*	*20.4%*	*+4.7 pp*	*27.8%*	*24.3%*	*+3.4 pp*
(-) Costs and expenses with the opening of new units	(18.5)	(13.2)	+40.1%	(47.7)	(35.6)	+33.8%
Adjusted EBITDA before expenses with the opening of new units	163.9	90.5	+81.0%	599.0	318.1	+88.3%
Adjusted EBITDA margin before expenses with the opening of new units	*28.3%*	*23.9%*	*+4.4 pp*	*30.2%*	*27.4%*	*+2.8 pp*

(a) "Investment revaluation" is the gain on the revaluation of the existing 50% interest in Mexico (made in 4Q18) and 50% in Colombia (made in 2Q18), due to the acquisition of control of these operations, made in accordance with accounting standards; (b) "Effects of the ILP plan" include expenses related to the granting and exercise of stock options; (c) "Costs and expenses with the opening of new units" are the costs of a new club, incurred up to and including the month of its opening, plus selling expenses directly related to the unit's inauguration, incurred until the 2nd month after its opening.

Adjusted EBITDA in 4Q19 was R$ 145.4 million, up 88.0% over 4Q18, with a margin of 25.1%. The amount in the period was mainly impacted by the acquisition of control of the operation in Mexico (impact of + 33.5% against 4Q18), the growth of the member base in company owned units in other countries (+ 30.9%) and the result from the sale of a property (R$ 26.6 million).

In 2019, Adjusted EBITDA was R$ 551.3 million, an increase of 95.2% compared to 2018, with a margin of 27.8% . The amount in the period was mainly impacted by (i) the acquisition of control of the operations in Mexico, Colombia and Chile (impact of + 74.9% against 2018); (ii) growth of the member base in company owned units in Brazil and Peru (+ 26.9%); and (iii) the result from the sale of a property.

EBITDA by Region

EBITDA (R$ million)	**2019**	Effects of ILP (*stock option*)	**2019 Adjusted**	**2018**	Investment revaluation	**2018 Adjusted**	**Variation** 2019 vs. 2018 adjusted
Brazil	33.6	217.7	251.3	597.0	(407.0)	190.0	+32.3%
Mexico	154.9	5.7	160.6	106.7		106.7	+50.6%
Other Latin America	130.2	11.0	141.2	84.7		84.7	+66.7%
Subtotal	**318.7**	**234.4**	**553.1**	**788.3**	**(407.0)**	**381.3**	**+45.0%**
Elimination	(1.8)		(1.8)	(98.9)		(98.9)	
Total	**316.9**		**551.3**	**689.4**		**282.4**	**+95.2%**

(a) "Other Latin America" only considers company owned operations in the region (Peru, Colombia, Chile as from 2Q18, Argentina and Paraguay); (b) "Elimination" is the exclusion of results of joint ventures (Mexico and Colombia) in the periods prior to the acquisition of their control, which are not consolidated in the financial statements. For 2019, "Elimination" is the share of profit (loss) of joint ventures in the Company's new businesses that were not included in the Subtotal.

For a better understanding of the business, we present EBITDA by region. For 2018, the amount presented is the combination of all company owned operations (Brazil, Mexico, Colombia, Peru, Chile as from 2Q18), by region. In order to compose the consolidated EBITDA in 2018, EBITDA from Mexico and Colombia are eliminated from the subtotal according to the period that these operations became consolidated. For 2019, all businesses are controlled by the Company, and their results are consolidated.

The Group's EBITDA in 2019, before elimination, reached R$ 553.1 million, a 45.0% increase compared to 2018, chiefly due to the growth of the member base in company owned clubs (+29.7%) and the dilution of general and administrative expenses due to the corporate structure's operational leverage.

PROFIT (LOSS) FOR THE PERIOD

The Company posted a loss of R$ (247.0) million in 2019, against a profit of R$ 357.0 million in 2018. The result for 2019 was impacted by an expense with a stock option plan of R$ 234.4 million, while the result for 2018 was impacted by a gain on the investment revaluation in Mexico and Colombia of R$ 407.0 million, and extraordinary expenses with acquisitions of international operations and preparation for IPO of R$ 16.8 million. Excluding these effects, the loss in 2019 decreased by 74.8% compared to 2018.

OPERATING CASH GENERATION

This table considers the effects of IFRS 16 on 2019 data.

Cash flow (R$ million)	**2019**	**2018**	**Variation**
Profit before income tax and social contribution	(298.6)	384.2	n/a
Accounting gain on investments	-	(407.0)	n/a
Depreciation and amortization	527.3	184.2	+186%
Write-off of intangible assets and property and equipment	64.9	25.2	+158%
Accrued interest on leases	175.9	-	n/a
Accrued interest on borrowings, exchange differences and payables to shareholders	207.8	131.7	+57.8%
Effects of the Long-Term Incentive Plan	234.4	2.5	n/a
Others	82.4	(16.9)	n/a
Working capital variation	(145.1)	(58.9)	+146%
Cash generated by operating activities	849.0	244.9	+247%
Interest paid on borrowings and debentures	(142.0)	(105.9)	+34.1%
Interest paid on leases	(175.9)	-	n/a
Income tax and social contribution paid	(28.9)	(7.5)	+287%
Net cash generated by operating activities	502.2	131.5	+282%
(+) Interest paid on borrowings and debentures	142.0	105.9	+34.1%
(+) Interest paid on leases	175.9	-	n/a
(-) Payment of lease of properties [a]	(336.8)	-	n/a
Adjusted operating cash generation	**483.2**	**237.4**	**+104%**

(a) "Payment of lease of properties" considers the total amount paid for lease of properties in 2019 (consideration and interest tax credit), as presented in note 12. Lease transactions

The adjusted operating cash generation in 2019 was R$ 483.2 million, up 104% or R$ 245.9 million against 2018, mainly impacted by the increase in Adjusted EBITDA (+ R$ 268.9 million) and increase in income tax and social contribution (-R$ 21.4 million).

CAPEX

Capex (R$ million)	4Q19	4Q18	Variation	2019	2018	Variation
Capex	338.3	197.9	+70.9%	879.3	538.4	+63.3%
Expansion	301.4	145.5	+107%	725.6	410.0	+77.0%
Maintenance	27.9	43.7	-36.1%	119.2	98.0	+21.6%
Innovation projects	0.3	7.5	-96.2%	15.0	25.4	-40.9%
Corporate	8.7	1.2	+620%	19.5	5.0	+289%

Expansion Capex in 2019 increased 77.0% to R$ 725.6 million, impacted by the acquisition of operations in Mexico, Colombia and Chile. In the period, 141 company owned units were opened, which impacted the total investment in expansion, compared to 82 openings of company owned units in 2018 in Brazil, Peru, Chile (as from 2Q18), Colombia (in 3Q18) and Mexico (in 4T18), countries whose operations were controlled in the period, that is, an increase of 72.0% from 2018 to 2019, in addition to the beginning of works that will be inaugurated in later periods.

Maintenance Capex in 2019 accounted for 5.5% of gross revenue, an adequate range given the current use time of the clubs to keep them in optimal operating condition and provide a superior member experience. The Company invested R$ 15.0 million in innovation projects to implement the new products at Smart Fit (Shape, Box, Gym Class, Energy) and conversion of 2 clubs to the Smart Fit brand.

Corporate Capex increased R$ 12.9 million in 2019, chiefly due to the beginning of the implementation of the Oracle Cloud ERP, with the involvement of teams from all countries where the Company has company owned operation.

CASH AND INDEBTEDNESS

Cash and indebtedness (R$ million)	4Q19	3Q19	2Q19	1Q19	4Q18
Cash and cash equivalents	1,351	738	1,212	523	667
Financial indebtedness	2,402	2,337	2,592	1,769	1,809
By nature:					
Borrowings and debentures	2,207	2,146	2,402	1,583	1,809
Lease liability - equipment	196	191	189	186	-
By maturity:					
Short term	234	382	479	464	381
Long term	2,168	1,956	2,113	1,306	1,428
Net Debt	1,051	1,599	1,380	1,241	1,142
Net Debt / EBITDA LTM	1.65x	1.67x	1.65x	1.38x	1.45x

(a) in this table, "Net debt" uses the definition of net debt of the Company's debentures: short- and long-term borrowings and operating leases (excluding leases of properties) with financial institutions, less cash and cash equivalents ; (b) Financial indebtedness includes, as from 1Q19, the liability of equipment operating lease; (c) the "Net Debt / EBITDA" ratio uses the definition of net debt and EBITDA of the Company's debentures, which includes the pro forma result of the operations acquired during the period and the effects of IFRS16 on EBITDA.

In 4Q19, the Company made capital increases totaling R$ 1,164 million, in 2 transactions. On October 17, 2019, the operations provided for in the investment agreement entered into between the Company, its controlling shareholders and BPE Fit were concluded, and included the subscription of new shares in the amount of R$ 500 million. On November 26, 2019, the operations provided for in the investment agreement between the Company and its controlling shareholders were concluded, and included the subscription of new shares in the amount of R$ 664 million.

In May 2019, the Company carried out the 4th issue of simple non-convertible debentures. R$ 1,300 million were subscribed, R$ 380 million maturing on April 20, 2024, and R$ 920 million maturing on April 20, 2026. The purpose of the issue was to lengthen the Company's debt profile in Brazil and to reduce costs (interest). In July 2019, the Company used part of these funds to early redeem the 2nd Issue of Promissory Notes and the 3rd Issue of Debentures, totaling R$ 327 million.

At the end of the year, the Company had R$ 1,351 million in cash, and the net debt/EBITDA ratio reached 1.65x. Both are in line with the Company's Liquidity Policy, which requires the maintenance of a cash position compatible with its short-term financial commitments and with its planned Capex.

The Company seeks to align the debt maturity profile with its operating cash generation, and debt issue in local currency, in each country where it operates. At the end of 4Q19, the maturity schedule of the financial indebtedness was:

Financial indebtedness (R$ million)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**Total**
Total	**234**	**336**	**275**	**379**	**259**	**459**	**460**	**2,402**
Brazil	93	97	47	188	189	459	460	1,533
Mexico	105	90	92	100	4	-	-	391
Other Latin America	36	149	137	91	66	-	-	479

(a) in this table, "Financial indebtedness" is defined as short-term and long-term borrowings and leases with financial institutions; (b) "Other Latin America" includes financial indebtedness in Chile, Colombia and Peru.

The Company was compliant with the ratios of all financial agreements at December 31, 2019.

IMPACT OF COVID-19 ON THE COMPANY'S OPERATION

In compliance with Circular Letter No. 02/2020 of the Brazilian Securities and Exchange Commission ("CVM"), of March 10, 2020, Smart Fit brings an assessment of the impacts of COVID-19 on its operation.

On March 19, 2020, the Company temporarily closed all its clubs, in all countries where it operates, for at least 15 days. The decision is in line with the recommendation of the local public agencies where the Company operates with respect to the coronavirus (COVID-19).

The members' plans were suspended, and the period in which the clubs remain closed will be deducted from the next monthly fee. In order for its members to maintain physical activity, Smart Fit launched an online training service, available on the website https://www.smartfit.com.br/treineemcasa.

The Company has a comfortable cash position, with a balance of R$ 1,351 million at December 31, 2019, and a financial debt maturity of R$ 234 million in 2020, which increases the volume of cash available for the operation. Measures have been taken to preserve its liquidity, such as suspending the start of construction of new clubs.

At this time, it is not possible to estimate the impact of the coronavirus on the Company's results, as its extent will depend on the duration of the closings and on the measures taken by public agencies to contain the pandemic. The informed decisions will be constantly reassessed by the Company according to the facts, determinations and guidelines from the appropriate authorities.

IMPACT OF THE ADOPTION OF IFRS 16

On January 1, 2019, the Company adopted IFRS 16 / CPC 06 (R02) - Leases. The application of the standard substantially affected the accounting for lease agreements of the spaces in which the Company's clubs operate. The future commitments of lease agreements are recognized as lease liabilities, and the right of use of spaces is recognized as an asset in the same amount. For purposes of effect on profit or loss, fixed lease payments are replaced by a depreciation of the lease right and a finance expense on the lease liability. Variable lease payments continue to be recognized as cost of services rendered.

The Company opted for the adoption of IFRS 16 / CPC 06(R2) using the modified retrospective method (applied only as from January 1, 2019) and, thus, did not evaluate the impacts of the standard in the periods prior to January 1, 2019. For better comparability, 4Q19 and 2019 results are presented in this report without the effect of IFRS 16 / CPC 06 (R2) throughout the document. The impact of IFRS 16 / CPC 06 (R2) on the Company's results is detailed below.

Statement of Profit and Loss (R$ million)	**Reported 4Q19**	**Impacts of IFRS 16**	**4Q19 excluding impact of IFRS 16**	**Reported 2019**	**Impacts of IFRS 16**	**2019 excluding impact of IFRS 16**
Gross Revenue	625.3		625.3	2,148.4		2,148.4
Net Revenue	578.6		578.6	1,983.9		1,983.9
Cost of services	(351.4)	19.9	(371.2)	(1,250.0)	82.1	(1,332.0)
Leases	(10.3)	89.7	(100.0)	(53.9)	314.2	(368.1)
Depreciation and amortization (cost)	(152.4)	(69.8)	(82.6)	(530.9)	(232.2)	(298.7)
Gross profit	227.2	19.9	207.3	734.0	82.1	651.9
SG&A	(389.2)	0.0	(389.2)	(642.0)	(0.2)	(641.7)
Selling expenses	(38.4)		(38.4)	(136.5)		(136.5)
General and administrative expenses	(308.6)	0.2	(308.9)	(447.4)	2.9	(450.4)
Leases	(1.4)	0.2	(1.7)	(3.1)	2.9	(6.1)
Expenses on the opening of new units	(6.9)		(6.9)	(16.9)		(16.9)
Depreciation and amortization (expense)	(12.3)	(0.2)	(12.0)	(12.9)	(3.1)	(9.8)
Other operating income (expenses)	(23.1)		(23.1)	(28.2)		(28.2)
Share of profit (loss) of investees	(1.8)		(1.8)	(1.8)		(1.8)
Profit (loss) before finance income (costs)	(163.8)	19.9	(183.7)	90.2	81.8	8.4
Finance income (costs)	(105.9)	(54.9)	(51.0)	(388.8)	(174.1)	(214.7)
Income tax and social contribution	(8.5)		(8.5)	(40.7)		(40.7)
Profit for the period	(278.2)	(35.0)	(243.2)	(339.3)	(92.3)	(247.0)

Impacts of IFRS 16 on Gross Profit composition excluding depreciation and amortization and EBITDA

(R$ million)	**Reported 4Q19**	**Impacts of IFRS 16**	**4Q19 excluding impact of IFRS 16**	**Reported 2019**	**Impacts of IFRS 16**	**2019 excluding impact of IFRS 16**
Gross profit	227.2	19.9	207.3	734.0	82.1	651.9
Depreciation and amortization (cost)	152.4	69.8	82.6	530.9	232.2	298.7
Gross profit excluding depreciation and amortization	379.6	89.7	289.9	1264.9	314.2	950.6
Gross Margin excluding depreciation and amortization	*65.6%*		*50.1%*	*63.8%*		*47.9%*
Profit for the period	(278.2)	(35.0)	(243.2)	(339.3)	(92.3)	(247.0)
(-) IR & CSLL	8.5	-	8.5	40.7	-	40.7
(-) Finance income (costs)	105.9	54.9	51.0	388.8	174.1	214.7
Depreciation and amortization	164.7	70.1	94.6	543.8	235.3	308.5
EBITDA	0.9	89.9	(89.0)	634.1	317.1	316.9
EBITDA Margin	*0.2%*		*-15.4%*	*32.0%*		*16.0%*

BALANCE SHEET

ASSETS	4Q19	4Q18
CURRENT ASSETS	1,633,705	894,407
Cash and cash equivalents	1,351,381	666,780
Financial investments in restricted cash	-	25,414
Trade receivables	137,043	105,553
Others	145,281	96,660
NONCURRENT ASSETS	5,780,312	2,954,495
Property and equipment	2,094,242	1,722,565
Lease right of use	2,331,096	-
Intangible assets	1,185,860	1,146,683
Others	169,114	85,247
TOTAL ASSETS	**7,414,017**	**3,848,902**

LIABILITIES AND EQUITY	4Q19	4Q18
CURRENT LIABILITIES	1,243,821	895,124
Borrowings	163,479	380,835
Lease liability	598,077	-
Trade payables	163,569	100,304
Other payables	45,157	125,470
Payables to shareholders	6,862	113,574
Deferred revenue	100,966	81,951
Others	165,711	92,990
NONCURRENT LIABILITIES	3,902,745	1,747,252
Borrowings	2,043,171	1,428,166
Lease liability	1,814,333	-
Payables to shareholders	1,006	263,628
Others	44,235	55,458
EQUITY	2,267,451	1,206,526
Share capital	378,569	374,111
Capital reserve	1,857,432	568,931
Earnings reserve / accumulated losses	(53,236)	226,409
Legal reserve	-	16,103
Other comprehensive income	57,687	(4,824)
Noncontrolling interests	26,999	25,796
TOTAL LIABILITIES AND EQUITY	**7,414,017**	**3,848,902**

STATEMENT OF PROFIT AND LOSS

	4Q19	4Q18	2019	2018
Net Operating Revenue	959,917	302,570	1,983,947	1,160,033
Cost of Services Rendered	(591,888)	(208,774)	(1,249,978)	(807,386)
Gross Profit	368,029	93,796	733,969	352,647
Operating income (expenses)				
Selling expenses	(76,151)	(20,899)	(153,415)	(81,472)
General and administrative expenses	(363,839)	(44,402)	(460,382)	(149,483)
Share of profit (loss) of investees	(3,974)	1,898	(1,776)	12,078
Other operating income (expenses)	(22,768)	(10,639)	(28,178)	371,431
Profit before finance income (costs)	(98,703)	19,754	90,218	505,201
Finance income (costs)	(186,464)	(39,233)	(388,797)	(121,023)
Profit before income tax and social contribution	(285,167)	(19,479)	(298,579)	384,178
Income tax and social contribution	(9,697)	(5,424)	(40,693)	(27,222)
Profit for the period	(294,864)	(24,903)	(339,272)	356,956

STATEMENTS OF CASH FLOWS

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before income tax and social contribution	(298,579)	384,178
Gain on remeasurement of equity interest	-	(406,982)
Depreciation and amortization	527,308	184,206
Write-off of intangible assets and property and equipment	64,901	25,194
Accrued interest on borrowings, debentures and exchange differences	207,804	120,777
Accrued interest on leases	175,868	-
Accrued interest on payables to shareholders	-	10,897
Share-based payment plan	234,390	2,454
Others	82,398	(16,923)
Working capital variation	(145,074)	(58,943)
Cash generated by operating activities	849,016	244,858
Interest paid on borrowings and debentures	(141,973)	(105,851)
Interest paid on leases	(175,868)	-
Income tax and social contribution paid	(28,938)	(7,474)
Net cash generated by operating activities	**502,237**	**131,533**
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property and equipment	(879,320)	(515,063)
Additions to intangible assets	(12,350)	(33,708)
Addition of cash due to acquisitions of companies or mergers	-	28,698
Financial investments	36,573	(41,909)
Others	(27,445)	(7,442)
Net cash used in investing activities	**(882,542)**	**(569,424)**
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings and costs	(1,229,118)	(415,978)
Borrowings	1,734,623	625,067
Payment of leases	(222,040)	-
Capital increase - controlling shareholders	1,164,827	-
Share issue costs	(40,929)	-
Payables to shareholders	(56,106)	100,281
Share buyback, net of receipts for the option of shares exercised	(216,319)	-
Dividends and capital reduction paid	(27,313)	(23,172)
Acquisition of subsidiary, net of cash received	(17,142)	-
Net cash generated by financing activities	**1,090,483**	**286,198**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**710,178**	**(151,693)**
Opening balance	666,780	807,730
Closing balance	1,351,381	677,353
Exchange differences on cash and cash equivalents	(25,577)	21,316

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Management of
Smartfit Escola de Ginástica e Dança S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Smartfit Escola de Ginástica e Dança S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2019, and the related statements of profit and loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Smartfit Escola de Ginástica e Dança S.A. as at December 31, 2019, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set out in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), 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.

Emphasis of matter

Impacts from COVID-19 on the financial statements

Without qualifying our opinion, we draw attention to note 28 to the individual and consolidated financial statements, where the Company assesses the impacts from COVID-19 on its business and the ongoing actions to mitigate its effects.

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Key audit matters

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

Adoption of technical pronouncement CPC 06 (R2)/IFRS 16 - Leases

Why it is a KAM

As described in notes 3.e) (viii) and 12 to the individual and consolidated financial statements, beginning January 1, 2019, the Company started to account for operating lease transactions in accordance with technical pronouncement CPC 06 (R2)/IFRS 16 - Leases. This new technical pronouncement introduced complex accounting aspects for the measurement of right-of-use assets and lease liabilities.

This matter was considered a KAM in our audit because: (i) it refers to the adoption of a technical pronouncement that materially impacts the individual and consolidated financial statements, as disclosed in notes 3.e) (viii) and 12 to the individual and consolidated financial statements; (ii) judgment was exercised with respect to the interest rates applied in the calculation of liability amounts; (iii) it was necessary to understand and apply specific aspects in relation to the operations of each country where the Company operates; and (iv) automatic and manual controls were implemented for processing and reviewing a large data volume.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to: (i) analyzing the accounting policies defined by Management in relation to the requirements set out in technical pronouncement CPC 06 (R2)/IFRS 16; (ii) assessing the identification and classification of lease contracts made by Management; (iii) assessing the criteria adopted by Management to determine the discount rate (incremental rate) used for measuring the lease liability; (iv) understanding the controls for collecting and reviewing the subsidiaries' information in other countries; (v) performing documentation testing procedures, on a sampling basis, on operating lease contracts, used as a basis for the calculation; and (vi) analyzing and assessing the disclosures made in the individual and consolidated financial statements.

Based on the evidence obtained from performing the procedures described above, we consider that the determination and criteria applicable to assess the effects from adopting technical pronouncement CPC 06 (R2)/IFRS 16, their recognition and related disclosures in the notes to the individual and consolidated financial statements are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Investment agreements

Why it is a KAM

Pursuant to note 1 to the individual and consolidated financial statements, the Company entered into an investment agreement that includes the subscription of new shares, in addition to the acquisition of all shares of Patria III funds and partial acquisition from Corona Family and certain noncontrolling shareholders, totaling a contribution in the amount of R$1,164,827. Such investment agreement was considered a liquidity event for the agreements for acquisition of equity interests in subsidiaries entered into in prior years, resulting in the exercise and/or settlement of certain options set forth in these agreements, as disclosed in note 15 to the individual and consolidated financial statements.

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This matter was considered a KAM in our audit because: (i) the total amount of the contributions and amount of the options settled are material for the individual and consolidated financial statements; (ii) it refers to an unusual material transaction;(iii) it was necessary to reassess the subsidiaries' acquisition agreements entered into in prior years, so as to verify the compliance with liquidity clauses; and (iv) technical analysis was performed with respect to the application of technical pronouncement CPC 39/IAS 32 - Financial Instruments: Presentation in the stock options under the acquisition agreements.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to: (i) reading the agreements entered into by the Company for capital contribution and determination of the liquidity events; (ii) assessing and identifying the stock options set out in the subsidiaries' acquisition agreements and, consequently, application of technical pronouncement CPC 39/IAS 32; (iii) reviewing and discussing the accounting technical memorandum prepared by Management; (iv) assessing the transaction costs recorded as a reduction of equity; (v) performing documentation testing procedures on the amounts contributed; and (vi) analyzing and assessing the disclosures made in the individual and consolidated financial statements.

Based on the evidence obtained from performing the procedures described above, we consider that the transaction regarding the investment agreement, the effects on the stock options and related disclosures in the notes to the individual and consolidated financial statements are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2019, prepared under the responsibility of the Company's Management and presented as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we assess whether these statements are reconciled with the other financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the independent auditor's report

Management is responsible for the other information. Such other information comprises the 2019 Earnings Release Report.

Our opinion on the individual and consolidated financial statements does not cover the 2019 Earnings Release Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the 2019 Earnings Release Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the 2019 Earnings Release Report, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and IFRS, issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the individual and 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 Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the individual and 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.

- 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 and its subsidiaries 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 individual and 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 and its subsidiaries to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and 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, when applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters 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.

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

São Paulo, March 30, 2020

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Eduardo Franco Tenório
Engagement Partner

2020-SPO-0971 VF.docx

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SMARTFIT ESCOLA DE GINÁSTICA E DANÇA S.A. AND SUBSIDIARIES

BALANCE SHEETS AS AT DECEMBER 31, 2019
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
ASSETS	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
CURRENT ASSETS					
Cash and cash equivalents	3	1,087,872	499,468	1,351,381	666,780
Short-term investments	4	-	25,414	-	25,414
Trade receivables	5	100,807	55,689	137,043	105,553
Taxes recoverable	6	35,474	14,920	90,873	34,689
Prepaid expenses		1,868	1,794	6,352	4,540
Other receivables	7	12,052	8,275	48,056	57,431
Total current assets		1,238,073	605,560	1,633,705	894,407
NONCURRENT ASSETS					
Taxes recoverable	6	-	-	41,442	25,561
Other receivables	7	-	-	20,762	16,719
Prepaid expenses		1,126	-	1,376	-
Financial investments in restricted cash	4	-	11,489	5,336	16,495
Deferred income tax and social contribution	21.d	-	-	39,844	23,046
Related parties	8	50,979	127,881	11,734	2,057
Escrow deposits		41,453	1,097	43,328	1,369
Investments	9	1,799,848	1,645,428	5,292	-
Property and equipment	10	845,375	507,486	2,094,242	1,722,565
Right-of-use assets	12	900,135	-	2,331,096	-
Intangible assets	11	104,133	96,945	1,185,860	1,146,683
Total noncurrent assets		3,743,049	2,390,326	5,780,312	2,954,495
TOTAL ASSETS		4,981,122	2,995,886	7,414,017	3,848,902

		Parent		Consolidated	
LIABILITIES AND EQUITY	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
CURRENT LIABILITIES					
Trade payables		63,962	28,127	163,569	100,304
Borrowings and debentures	13	80,651	263,284	163,479	380,835
Lease liability	12	343,978	-	598,077	-
Salaries, accruals and social contributions		22,320	14,551	49,493	29,499
Taxes and contributions payable		19,043	10,229	60,602	23,468
Provision for income tax and social contribution		-	1	21,938	10,234
Taxes in installments		397	80	852	808
Other payables	14	27,294	92,745	45,157	125,470
Payables to shareholders	15	5,278	113,070	6,862	113,574
Deferred revenue	18.c	57,535	36,448	100,966	81,951
Related parties	8	44,171	15,687	301	301
Variable lease liability and other		23,577	15,110	32,525	28,680
Total current liabilities		688,206	589,332	1,243,821	895,124
NONCURRENT LIABILITIES					
Borrowings and debentures	13	1,434,816	931,568	2,043,171	1,428,166
Lease liability	12	587,699	-	1,814,333	-
Taxes in installments		3,634	321	6,919	6,770
Other payables	14	18,025	21,878	18,221	23,116
Payables to shareholders	15	1,006	263,628	1,006	263,628
Deferred revenue	18.c	3,109	1,761	3,109	1,761
Provision for civil, tax and labor risks	16	4,175	2,922	5,572	6,692
Deferred income tax and social contribution		-	3,746	10,414	17,119
Total noncurrent liabilities		2,052,464	1,225,824	3,902,745	1,747,252
EQUITY	17				
Share capital		378,569	374,111	378,569	374,111
Capital reserve		1,857,432	568,931	1,857,432	568,931
Earnings reserve		-	226,409	-	226,409
Accumulated losses		(53,236)	-	(53,236)	-
Legal reserve		-	16,103	-	16,103
Other comprehensive income		57,687	(4,824)	57,687	(4,824)
Equity attributable to owners of the Company		2,240,452	1,180,730	2,240,452	1,180,730
Noncontrolling interests		-	-	26,999	25,796
Total equity		2,240,452	1,180,730	2,267,451	1,206,526
TOTAL LIABILITIES AND EQUITY		4,981,122	2,995,886	7,414,017	3,848,902

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

SMARTFIT ESCOLA DE GINÁSTICA E DANÇA S.A. AND SUBSIDIARIES

STATEMENTS OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In thousands of Brazilian reais - R$, except earnings (loss) per share)

		Parent		Consolidated	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
NET OPERATING REVENUE	18	723,382	448,544	1,983,947	1,160,033
COST OF SERVICES RENDERED	19	(533,826)	(343,193)	(1,249,978)	(807,386)
GROSS PROFIT		189,556	105,351	733,969	352,647
OPERATING INCOME (EXPENSES)					
Selling expenses	19	(73,778)	(30,619)	(153,415)	(81,472)
General and administrative expenses	19	(323,591)	(71,166)	(460,382)	(149,483)
Share of profit (loss) of investees	9	40,259	25,409	(1,776)	12,078
Other operating income (expenses), net	19	7,955	407,171	(28,178)	371,431
		(349,155)	330,795	(643,751)	152,554
PROFIT (LOSS) BEFORE FINANCE INCOME (COSTS)		(159,599)	436,146	90,218	505,201
FINANCE INCOME (COSTS)	20				
Finance income		44,563	36,583	57,282	34,064
Finance costs		(235,711)	(122,416)	(446,079)	(155,087)
		(191,148)	(85,833)	(388,797)	(121,023)
PROFIT (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(350,747)	350,313	(298,579)	384,178
INCOME TAX AND SOCIAL CONTRIBUTION	21				
Current		(979)	-	(40,516)	(18,984)
Deferred		3,746	1,216	(177)	(8,238)
PROFIT (LOSS) FOR THE YEAR		(347,980)	351,529	(339,272)	356,956
ATTRIBUTABLE TO					
Owners of the Company				(347,980)	351,529
Noncontrolling interests				8,708	5,427
				(339,272)	356,956
EARNINGS (LOSS) PER SHARE - R$	22				
Basic		(18.6746)	21.9113		
Diluted		-	21.3530		

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

SMARTFIT ESCOLA DE GINÁSTICA E DANÇA S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
PROFIT (LOSS) FOR THE YEAR		(347,980)	351,529	(339,272)	356,956
OTHER COMPREESIVE INCOME					
Items to be subsequently reclassified to the statement of profit and loss:					
Gains and losses arising from the translation of financial statements of foreign operations	9	62,511	1,961	62,511	1,961
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(285,469)	353,490	(276,761)	358,917
ATTRIBUTABLE TO					
Owners of the Company				(285,469)	353,490
Noncontrolling interests				8,708	5,427
				(276,761)	358,917

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

SMARTFIT ESCOLA DE GINÁSTICA E DANÇA S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(In thousands of Brazilian reais - R$)

		Share capital		Capital reserve									
	Note	Capital	Unpaid capital	Capital reserve	Equity instruments	Transactions with shareholders	Legal reserve	Earnings reserve	Retained earnings (accumulated	Other comprehensive income	Attributable to owners of the Company	Noncontrolling interests	Total equity
BALANCES AS AT DECEMBER 31, 2017		226,163	-	222,008	-	(21,276)	-	-	(29,472)	(6,785)	390,638	21,303	411,941
Profit for the year		-	-	-	-		-	322,057	29,472	-	351,529	5,427	356,956
Exchange differences on foreign investment	7	-	-	-	-	-	-	-	-	1,961	1,961	391	2,352
Total comprehensive income for the year		-	-	-	-	-	-	322,057	29,472	1,961	353,490	5,818	359,308
Capital increase and reserves arising from the acquisition of subsidiary	16.a)	53,105	-	53,105	68,890	-	-	-	-	-	175,100	-	175,100
Capital increase and reserves arising from the acquisition of Latamfit		93,165	-	-	17,090	-	-	-	-	-	110,255		110,255
Capital increase and reserves arising from the acquisition of CSC		1,678	-	291,909	50,680	-	-	-	-	-	344,267		344,267
Issue of preferred shares AK and K		492	(492)	-	-	-	-	-	-	-	-		-
Recognition of legal reserve		-	-	-	-		16,103	(16,103)			-		-
Share-based payment plan		-	-	2,454							2,454		2,454
Minimum contractual payment arising from the Company's stock option	23	-	-	-	(20,227)	-	-		-	-	(20,227)	-	(20,227)
Capital increase by noncontrolling interests		-	-	-	-	-	-		-	-	-	-	-
Assignment of shares of subsidiaries		-				(95,452)					(95,452)	-	(95,452)
Other transactions with noncontrolling interests						(250)					(250)	247	(3)
Payment of dividends	16.b)	-	-	-	-	-	-	(79,545)	-	-	(79,545)	(1,572)	(81,117)
BALANCES AS AT DECEMBER 31, 2018		374,603	(492)	569,476	116,433	(116,978)	16,103	226,409	-	(4,824)	1,180,730	25,796	1,206,526
BALANCES AS AT DECEMBER 31, 2018		374,603	(492)	569,476	116,433	(116,978)	16,103	226,409	-	(4,824)	1,180,730	25,796	1,206,526
Profit (loss) for the year		-	-	-	-	-	-	-	(347,980)	-	(347,980)	8,708	(339,272)
Exchange differences on foreign investment	9	-	-	-	-	-	-	-	-	62,511	62,511	(7,505)	55,006
Other comprehensive income		-	-	-	-	-	-	-	-	-	-		-
Total comprehensive income for the year		-	-	-	-	-	-	-	(347,980)	62,511	(285,469)	1,203	(284,266)
Rectification of dividend distribution - BDM of March 29, 2019	17	-	-	-	-	-	-	-	52,232	-	52,232	-	52,232
Capital reduction	1	3,966	492	1,160,369	-	-	-	-	-	-	1,164,827	-	1,164,827
Capital reduction arising from acquisitions of subsidiaries		-	-	(11,501)	-	-	-	-	-	-	(11,501)	-	(11,501)
Cancellation of treasury shares		-	-	(216,319)	-	-	-	-	-	-	(216,319)	-	(216,319)
Reversal of stock option	17	-	-	184,106	-	-	-	-	-	-	184,106	-	184,106
Stock option reserve	23	-	-	133,867	-	-	-	-	-	-	133,867	-	133,867
Minimum contractual payment arising from the Company's stock option		-	-	-	(12,451)	-	-	-	-	-	(12,451)	-	(12,451)
(-) Share issue cost		-	-	(40,929)	-	-	-	-	-	-	(40,929)	-	(40,929)
Loss absorption		-	-	-	-	-	(16,103)	(226,409)	242,512	-	-	-	-
Reversal of payables to shareholders due to corporate restructuring	15	-	-	-	-	91,359	-	-	-	-	91,359	-	91,359
Reversal of monetary restatement for option to purchases of shares of the Company		-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	17	-	-	-	-	-	-	-	-	-	-	-	-
BALANCES AS AT DECEMBER 31, 2019		378,569	-	1,779,069	103,982	(25,619)	-	-	(53,236)	57,687	2,240,452	26,999	2,267,451

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

SMARTFIT ESCOLA DE GINÁSTICA E DANÇA S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before income tax and social contribution	(350,747)	350,313	(298,579)	384,178
Adjustments to reconcile profit (loss) before income tax and social contribution				
to net cash generated by (used in) operating activities:				
Exchange differences	-	(8,407)	-	(8,407)
Share-based payment plan	217,306	2,454	234,390	2,454
Gain on remeasurement of equity interest	-	(406,982)	-	(406,982)
Depreciation and amortization	245,431	80,315	527,308	184,206
Accrued interest on leases	70,901	-	175,868	-
IFRS 16 effect	-	-	-	-
Allowance for (reversal of) doubtful debts	(1,645)	(24)	(4,320)	1,301
Loss on other receivables	-	-	-	384
Share of profit (loss) of investees	(40,259)	(25,409)	1,776	(12,078)
Write-off of intangible assets and property and equipment	22,256	14,682	64,901	25,194
Accrued interest on borrowings and debentures and exchange differences	129,042	109,686	207,804	120,550
Accrued interest on payables to shareholders	-	10,897	-	10,897
Interest on loan agreements	-	(5,951)	-	227
Other accrued interest and other changes	(85,685)	5,543	86,062	5,234
Provision for civil, tax and labor risks	-	462	(1,120)	(3,635)
Other	-	637	-	278
Changes in operating assets and liabilities:				
Trade receivables	(21,931)	(10,077)	(27,170)	(26,632)
Recoverable taxes	(9,649)	(3,870)	(72,065)	(10,064)
Prepaid expenses	1,280	749	(3,188)	1,109
Other receivables	(2,414)	3,180	5,332	(21,483)
Escrow deposits	(87,745)	(375)	(89,348)	1,598
Trade payables	30,439	(9,683)	63,265	(5,648)
Salaries, accruals and social contributions	2,947	1,921	19,994	2,971
Taxes and contributions payable	4,413	2,817	37,134	(7,005)
Operating lease - lease of gyms	3,629	4,823	3,845	6,309
Other payables	(87,705)	2,268	(103,429)	1,707
Deferred revenue	11,733	11,156	20,363	7,129
Dividends paid (received)	14,950	6,175	-	-
Payment of taxes in installments	(148)	(6,295)	193	(8,934)
Cash generated by (used in) operating activities	66,399	131,005	849,016	244,858
Interest paid on borrowings and debentures	(127,179)	(101,409)	(141,973)	(105,851)
Interest paid on leases	(70,901)	-	(175,868)	-
Income tax and social contribution paid	-	(20)	(28,938)	(7,474)
Net cash generated by (used in) operating activities	(131,681)	29,576	502,237	131,533
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property and equipment	(217,242)	(197,368)	(879,320)	(515,063)
Additions to intangible assets	(5,893)	(6,826)	(12,350)	(33,708)
Addition of cash due to mergers	14,202	22,438	-	28,698
Loans from third parties	-	3,028	-	(2,407)
Short-term investments	36,903	(36,903)	36,573	(41,909)
Acquisition of noncontrolling interests	(10,700)	-	(10,700)	-
Capital increase in subsidiary and joint venture	(81,567)	-	(7,068)	-
Related parties	12,547	(80,626)	(9,677)	(5,035)
Net cash used in investing activities	(251,750)	(296,257)	(882,542)	(569,424)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings and costs	(1,051,210)	(339,573)	(1,229,118)	(415,978)
Borrowings	1,325,426	380,000	1,734,623	625,067
Share issue cost	(40,929)	-	(40,929)	-
Payment of lease	(91,732)		(222,040)	
Capital increase by controlling interests	1,131,352	-	1,164,827	-
Capital increase by noncontrolling interests	-	-	-	-
Related-party transactions	-	(94,327)	-	-
Payables to shareholders	(40,298)	100,913	(56,106)	100,281
Acquisition of subsidiary, net of cash received	(17,142)	(5,000)	(17,142)	-
Payment related to capital reduction	-	(21,600)	-	(21,600)
Share buyback, net of receipts for stock option exercised	(216,319)	-	(216,319)	-
Dividends paid to controlling interests	(27,313)	-	(27,313)	-
Dividends paid to noncontrolling interests	-	(1,524)	-	(1,572)
Net cash generated by (used in) financing activities	971,835	18,889	1,090,483	286,198
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	588,404	(247,792)	710,178	(151,693)
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS				
Opening balance	499,468	747,260	666,780	807,730
Closing balance	1,087,872	499,468	1,351,381	677,353
Exchange differences on cash and cash equivalents	-	-	(25,577)	21,316
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	588,404	(247,792)	710,178	(151,693)

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

SMARTFIT ESCOLA DE GINÁSTICA E DANÇA S.A. (HOLDING) AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
WEALTH CREATED				
Service revenue	828,470	511,184	2,148,407	1,300,362
Allowance for doubtful debts, net of reversals	(1,226)	24	(2,918)	(1,609)
Allowance for loss on other receivables	-	-	-	(1,160)
Other operating income	-	407,183	-	408,403
	827,244	918,391	2,145,489	1,705,996
INPUTS PURCHASED FROM THIRD PARTIES				
Cost of sales and services	(111,811)	(86,280)	(256,505)	(189,512)
Materials, electric power, outside services and others	(318,720)	(65,093)	(512,182)	(184,682)
Advertising materials, marketing, promotion funds and others related to sales	(72,552)	(30,643)	(150,495)	(79,871)
GROSS VALUE ADDED	324,161	736,375	1,226,307	1,251,931
RETENTIONS				
Depreciation and amortization	(225,875)	(80,315)	(543,839)	(184,205)
WEALTH CREATED BY THE COMPANY	98,286	656,060	682,468	1,067,726
WEALTH RECEIVED IN TRANSFER				
Share of profit (loss) of investees	40,259	25,409	(1,776)	12,078
Finance income	44,563	36,583	57,282	33,848
	84,822	61,992	55,506	45,926
TOTAL WEATH FOR DISTRIBUTION	183,108	718,052	737,974	1,113,652
WEALTH DISTRIBUTED				
Personnel:				
Salaries and wages	130,166	77,557	297,211	185,223
Benefits	25,151	10,750	48,099	29,166
Severance Pay Fund (FGTS)	10,189	6,601	18,127	12,735
Taxes, fees and contributions:				
Federal	68,447	41,873	164,729	127,267
State	219	3	2,922	821
Municipal	28,593	15,496	46,143	35,513
Lenders and lessors:				
Interest	236,223	122,984	446,897	155,905
Rents	32,100	91,259	53,118	210,066
Shareholders:				
Dividends		81,117		81,117
Profit (loss) for the year	(347,980)	270,412	(347,980)	271,984
Noncontrolling interests’ share of losses	-	-	8,708	3,855
	183,108	718,052	737,974	1,113,652

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

1. GENERAL INFORMATION

Smartfit Escola de Ginástica e Dança S.A. ("Company" or "Smartfit") is a Brazilian publicly-held company whose shares are not yet traded in the market. It is headquartered at Avenida Paulista, 1294, 2º andar, Bela Vista, São Paulo, and is the holding of the Group of gyms that hold the "Bio Ritmo" and "Smart Fit" brands, acting in Brazil and certain Latin American countries (mainly Mexico, Peru, Colombia and Chile), as well as franchises in Dominican Republic, Ecuador, Guatemala and Panama.

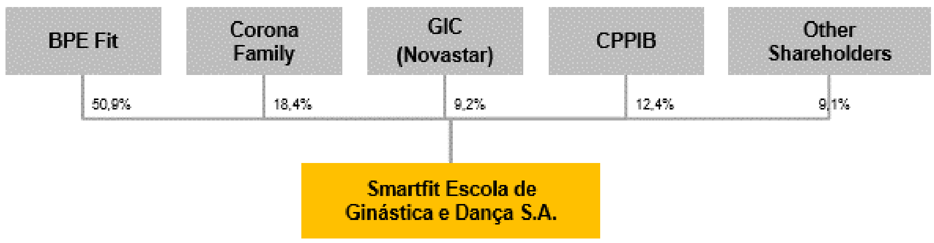
The Company is controlled by members of the Corona family and BPE FIT Holding S.A. ("BPE FIT"), a company controlled by investment funds managed by Pátria Investimentos Ltda. ("Pátria").

Investment agreements

On October 17, 2019, the operations provided for in the investment agreement with BPE FIT were completed and included: (a) subscription of new shares in the amount of R$500,000; (b) total acquisition of the shares of the Pátria III Funds; (c) acquisition of part of the shares of the Corona Family; (d) acquisition of part of the shares of noncontrolling interests; and (e) definition of a governance structure that maintains the sharing between the investment funds managed by Pátria and the Corona Family.

On November 26, 2019, the operations provided for in the investment agreement between the Company and its controlling shareholders were completed and included (i) subscription of new shares in the amount of R$664,000, and (ii) acquisition by Canada Pension Plan Investment Board ("CPPIB") of noncontrolling interests in preferred shares issued by the Company.

After the changes, we present the new corporate structure of the Company:



Merger of subsidiaries

During 2019, the Company's shareholders authorized the merger of the net assets of the subsidiaries Smart Rio Academia de Ginástica S.A. (“Smart Rio”) and Smartnit Academia de Ginástica Ltda. (“Smartnit”), based on a report prepared by independent appraisers, at book values. The merged net assets amounted to R$33,048.

During 2018, in order to streamline its corporate structure, the Company merged the net assets of Biotambo, Biobanco, Bioequip, RN Sports, XV Sports and Rioquatro. For merger purposes, a report prepared by independent appraisers, at book values, was used. The merged net assets amounted to R$35,582.

Acquisitions of foreign operations

2019

At a board of director’s meeting held on March 29, 2019, the creation of a Joint Venture was approved. The investment named Fitmaster LLC, headquartered in the city of Delaware in the United States of America, aims to explore investments in the fitness sector.

2018

As part of its expansion strategy in Latin America, in 2018 the Company entered into contracts for the acquisition of the entities described below:

Recognized amounts of identifiable assets acquired and liabilities assumed	Latamfit Chile SpA (i)	Latamfit, S.L. (ii)	Corporación Sport City, S.A. de C.V. (iii)
Assets			
Cash and cash equivalents	4,298	1,910	22,490
Trade receivables	1,361	518	1,005
Other receivables	17,363	4,419	57,913
Property and equipment and intangible assets	58,896	173,566	432,819
Total - assets	81,918	180,413	514,227
Liabilities			
Borrowings	35,247	63,395	235,710
Trade payables	4,836	9,843	12,990
Other liabilities	16,131	8,129	40,392
Total - liabilities	56,214	81,367	289,092
Net assets acquired	25,704	99,046	225,135
Consideration transferred			
Cash	5,000	-	-
Contingent consideration	11,037	46,796	-
Equity instruments and/or preferred shares issued by the Company	175,100	93,165	293,587
Financial instrument arising from business combination	-	17,090	50,680
Call option of the remaining 22.91% of the shares	-	75,084	-
Fair value of the prior equity interest (50% interest)	-	232,136	344,267
Non-controlling interests	93	-	-
Acquisition amount - consideration	191,230	464,271	688,534
Surplus price allocated to:			
Customer list	7,780	6,090	15,284
Trademarks	4,949	-	-
Deferred income tax and social contribution on allocated portion	(4,328)	(2,071)	(5,197)
Goodwill based on expected future profitability	157,032	361,206	453,312
Surplus price paid	165,433	365,225	463,399

(i) On March 27, 2018, the Company completed the acquisition of 99.998% of the shares of Latamfit Chile SpA. ("Latamfit Chile"), which operate gyms in Chile, by exchanging Company's shares for shares of Latamfit Chile, which were measured at fair value of R$180,100 based on an estimate made by the Company, supported by a report from experts. (*) The shareholders agreement also provides for an additional payment of R$11,037, which corresponds to R$4,447 at December 31, 2019, as payment contingent to the outcome of certain lawsuits involving the acquired company originated before the acquisition date. On August 5, 2019, the Company acquired the remaining shares of Latamfit Chile and now holds 100% of its shares.

In connection with this acquisition, the Company entered into a call option agreement with the shareholders of Latamfit Chile, in which the Company had the right to acquire 168,256 preferred shares issued by it and held by the former shareholders of Latamfit Chile until January 31, 2019 for the price of US$9,200,000. If the Company does not exercise the option at that date, it must pay a fine of US$6,000,000. The Company exercised the call option on January 8, 2019.

(ii) On June 29, 2018, the Company completed the acquisition of 27.09% of the shares of Latamfit, S.L. ("Latamfit"), by exchanging Company's shares for shares of Latamfit, this being an interest in addition to the 50% interest already held. With this transaction, the Company holds the control of Latamfit, which operates gyms under the Smartfit brand in Colombia, through Sport City S.A.S. The fair value of R$464,271 was calculated for the totality of Latamfit according to the discounted cash flow methodology. The purchase and sale agreement provided for a call option by the Company for the remaining 22.91% of the shares of Latamfit for the price of COP 61,642,986,583 (Colombian pesos). On October 3, 2019, the Company exercised the call option in the amount of R$72,817 and became the holder of 100% of the shares of Latamfit. The purchase and sale agreement also provided for the payment of a variable portion for reaching the performance targets of the Colombia business at December 31, 2018, in the amount of R$41,631. This amount will be paid in 2 installments, the first of which in April 2019 and the second in February 2020.

(iii) On October 24, 2018, a purchase and sale transaction was concluded for 100% of the shares of CSC, Corporación Sport City, S.A. de C.V. ("CSC"), from the Martí Group ("GM"), which in turn holds 50% of Latamgym and SDL, by exchanging Company's shares for CSC's shares, which were measured at fair value of R$688,534. As regards the additional 50% interest acquired, the consideration transferred was agreed as follows: (i) exchange of shares in the amount of R$293,587; (ii) constitution of an equity instrument arising from business combination in the amount of R$50,680. GM sold all of its shares in the Company on October 17, 2019, and accordingly its shareholders' agreement with the Company was terminated.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The individual and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board – IASB, and the accounting practices adopted in Brazil.

The accounting practices adopted in Brazil comprise those prescribed by the Brazilian corporate law and the technical pronouncements, guidance and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM).

All significant information in the financial statements, and only this information, is being disclosed and corresponds to the information used in managing the Company's activities.

b) Basis of preparation

The individual and consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at their fair values, as described in the accounting policies below.

c) Approval of the financial statements

The individual and consolidated financial statements for the year ended December 31, 2019 were concluded and authorized for issue by the Company's officers on March 30, 2020.

d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its direct and indirect subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to benefit from its activities.

In the individual financial statements, the financial information on subsidiaries is accounted for under the equity method, adjusted to conform its accounting practices to those established by the Company. Direct and indirect subsidiaries and joint venture are disclosed in note 9.

e) General accounting policies

(i) Foreign currency-denominated transactions and balances and functional currency

Foreign currency transactions are translated into the functional currency of the Company and each of its subsidiaries using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into reais using the exchange rates prevailing at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of these transactions and the translation of monetary assets and liabilities denominated in foreign currency are recognized in profit or loss, as finance income (costs).

(ii) Functional currency

The financial statements are being presented in thousands of Brazilian reais (R$), which is the Company’s functional currency. The functional currency of foreign subsidiaries is the local currency of each jurisdiction in which they operate, the currency in Mexico is the Mexican pesos; in Colombia the Colombian pesos; in Peru the Peruvian sol; in Chile the Chilean pesos; in Argentina the Argentine pesos; in Paraguay the Guarani; and in Spain the Colombian pesos (referring to Latamfit, S.L., which owns the gyms that operate under the Smartfit brand in Colombia, through Sport City S.A.S.).

For purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated using the exchange rates prevailing at the end of the year. The results are translated at the average exchange rates for the period, unless the rates fluctuate significantly during the period, in which case the exchange rates at the date of the transaction will be used. The exchange variations arising from these transactions are recognized in other comprehensive income and accumulated in a separate component in equity.

(iii) Financial statements in hyperinflationary economies

In accordance with IAS 29 / CPC 42, non-monetary assets and liabilities, equity and the statement of profit or loss of subsidiaries operating in hyperinflationary economies are restated by reference to the change in the general purchasing power of the currency, applying a general price index. The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether based on the historical cost approach or the current cost approach, must be expressed in terms of the current unit of measurement at the balance sheet date and translated to Real at the closing exchange rate for the period.

(iv) Statement of value added

The Company prepared the individual and consolidated statements of value added (DVA) in conformity with technical pronouncement CPC 09 - Statement of Value Added, which are presented as required by the Brazilian corporate law, as part of its individual and consolidated financial statements since it is not a statement provided for or required under the IFRS.

(v) Financial instruments

Financial assets and financial liabilities are recognized in the Company’s balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

<u>Financial investments</u>

All financial assets recognized by the Company are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets:

- Amortized cost

  The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

  The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Fair value through profit or loss (“FVTPL”)

  Financial assets that do not meet the aforementioned amortized cost measurement criteria are measured at fair value through profit or loss. These financial assets are measured at fair value at the end of each reporting period and gains or losses arising from changes in the fair value are recorded on the accrual basis in the statement of profit and loss under "Finance income" and "Finance costs", respectively.

<u>Financial liabilities</u>

Financial liabilities are classified as follows:

- Fair value through profit or loss

  These comprise liabilities held for trading measured at fair value, with the resulting gains or losses recognized directly in profit or loss.

- Financial liabilities at amortized cost

  These comprise liabilities measured using the effective interest method, including borrowings, with the allocation of the effective interest incurred over the respective agreement term.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Company derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or they expire. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in profit or loss.

(vi) Debt or equity instrument

- Classification as debt or equity instrument

  Debt and equity instruments issued by the Company are classified as either financial liabilities or equity, according the nature of the contractual arrangement and the definitions of financial liability and equity instrument.

- Equity instruments

  An equity instrument is any contract that evidences residual interest in the assets of an entity, after deducting all of its liabilities. Equity instruments issued by the Group are recognized when all proceeds are received, net of direct issue costs.

  The repurchase of the Company's own equity instruments is recognized and directly deducted from equity. No gain or loss is recognized in profit or loss arising from the purchase, sale, issue or cancelation of the Company's own equity instruments.

(vii) Other comprehensive income

The Company recognizes directly in equity the gains and losses on the translation of financial statements of foreign operations.

(viii) Adoption of IFRS 16 - Leases (CPC 06 (R2))

IFRS 16 introduced a comprehensive model for the identification of lease agreements and their treatment in the financial statements for lessors and lessees. IFRS 16 has replaced the current lease guidelines, including IAS 17 (CPC 06 (R1)) - Leases and the related interpretations as of their effective date for annual periods beginning on or after January 1, 2019. The IFRS 16 initial adoption date for the Company was January 1, 2019.

The Company opted for the modified retrospective adoption in accordance with IFRS 16:C5 (b). Consequently, the Company has not restated comparative information.

Unlike the lessee's accounting, IFRS 16 substantially transferred the lessor's accounting requirements contained in IAS 17.

<u>Impact of the new definition of lease</u>

The Company has made use of the practical expedient available on transition to IFRS 16 for not reassessing whether a contract is or contains a lease. Accordingly, the definition of lease in accordance with IAS 17 and IFRIC 4 (ICPC 03) continued to be applied to those contracts entered into or modified before January 1, 2019.

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes lease agreements and service agreements considering whether the use of an identified asset is controlled by the customer. Control is observed if the customer:

- Has the right to obtain substantially all the economic benefits from the use of an identified asset.
- Has the right to control the use of that asset.

The Company applied the definition of lease and the related guidance described in IFRS 16 to all lease agreements entered into or modified on or after January 1, 2019.

<u>Impact on the lessee's accounting</u>

IFRS 16 changed the way the Company recorded leases previously classified as operating leases in accordance with IAS 17, which were not recorded in the balance sheet.

On initial adoption of IFRS 16, for all leases (except as described below), the Company:

- Recognized right-of-use assets and lease liabilities in the individual and consolidated balance sheet, initially measured at the present value of future lease payments, gross of tax amounts (essentially PIS and COFINS).
- Recognized depreciation of right-of-use assets and interest on lease liabilities in the individual and consolidated statement of profit or loss.
- Segregated the total amount of cash paid into principal (presented within financing activities) and interest (presented within operating activities) in the individual and consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 (CPC 06 (R1)) these incentives resulted in the recognition of a lease incentive, amortized as a reduction of rental expenses on a straight-line basis.

- Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 (CPC 01 (R1)) - Impairment of Assets. This standard replaced the previous requirement to recognize the provision for onerous lease agreements.
- For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as computers and small items of office furniture), the Company has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16.
- In accordance with IAS 17, in the financial information for the year ended December 31, 2018, all payments for operating leases are presented as part of the cash flows from operating activities.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets previously held under finance leases refer to the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial adoption, the Company presented equipment previously included in property and equipment line item related to the right-of-use assets and lease liabilities, previously presented in borrowings, in the line item of other payables due to the immateriality of the amount.

Based on the analysis of the Company's finance leases at December 31, 2018 in light of the facts and circumstances existing at that date, the Company's Management ratified that this change did not impact the amounts recognized in the Company's consolidated financial statements.

(ix) Adoption of IFRIC 23 - Uncertainty Over Income Tax Treatments (ICPC 22)

This interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 (CPC 32) - Income Taxes when there is uncertainty over income tax treatments. The Company's Management shall recognize and measure its current or deferred tax asset or liability, applying the requirements of IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and certain tax rates, applying this interpretation. The interpretation was approved on December 21, 2018 and is effective beginning on January 1, 2019.

In Management's assessment, no significant impacts are expected as a result of this interpretation, since all procedures adopted to calculate and pay income taxes are based on the legislation and precedents of the administrative and judicial courts.

(x) Other accounting pronouncements and standards not yet adopted

There are no other standards and interpretations issued and not yet adopted that can significantly impact the profit or loss or equity reported by the Company, based on Management's opinion.

3. CASH AND CASH EQUIVALENTS

a) Accounting practice

These comprise cash on hand and in banks and short-term investments readily convertible into a known amount of cash and subject to an insignificant risk of change in value. Short-term investments are carried at cost plus yield accrued through the end of each reporting period, which does not exceed their market or realizable value.

b) Breakdown of balance

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash and banks	3,649	4,169	117,841	91,196
Short-term investments	1,084,223	495,299	1,233,539	575,584
Total	1,087,872	499,468	1,351,380	666,780

Short-term investments refer to Bank Certificates of Deposit (CDBs) yielding a weighted average rate of 100.2% of the Interbank Certificate of Deposit (CDI), repurchase agreements yielding a weighted average rate of 58.7% of the CDI, financial bills with a weighted average of 104.2% of the CDI and investment funds with a weighted average rate of 93.2% of the CDI, all managed by independent financial institutions, the main banks are Banco Santander S.A. and Banco Votorantim S.A., in addition to short-term investments by subsidiaries Latamgym Mexico, with an annual average rate of 6.2% (6.4% in 2018), Sporty City Colombia with an annual average rate of 3.90%, Latamfit Chile with an annual average rate of 2.47% (5.89% in 2018), and Smartfit Peru with an annual average rate of 2% (3.05% in 2018).

The variation in short-term investments is substantially represented by capital contributions made in the last quarter of the year (notes 1 and 17).

4. SHORT-TERM INVESTMENTS

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
CDB	-	25,414	-	25,414
Investments in restricted cash (i)	-	10,906	5,336	15,912
Others	-	583	-	583
Total	-	36,903	5,336	41,909
Current	-	25,414	-	25,414
Noncurrent	-	11,489	5,336	16,495
Total	-	36,903	5,336	41,909

(i) Investments in restricted cash are related to guarantees pledged for borrowings, which should be held to the final maturity of the agreements (July 29, 2022). At December 31, 2019, the Company presented a decrease in the balance of investments in restricted cash in the amount of R$10,906 in Parent and R$10,576 in Consolidated resulting from the prepayment of financing that required such guarantees.

5. TRADE RECEIVABLES

a) Accounting practice

Trade receivables are recognized at the original invoice amounts, which approximates the amortized cost method, less an allowance for doubtful debts (expected credit losses) which is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

b) Judgments and estimates

The Company’s business model with recurring collection reduces the risk of losses and, in case of non-payment by the members, the access to the units is blocked, and is reinstated only in the discharge of the amounts pending payment. With this operating model, the Company does not record trade receivables (and its revenue) for the members while they do not regularize the plan and return to using the gym. For this reason, the amounts provisioned for expected losses in the allowance for doubtful debts are immaterial, since they refer to the annual plans sold at the Bio Ritmo gyms in Brazil, O2 in Chile and Gold’s Gym in Peru.

c) Breakdown of balances

Trade receivables correspond to receivables from the sale of the gym plans, which are received by credit and debit cards, where 97% are distributed by the main card operators in Brazil and 3% by international card operators.

The balance of annuity fees receivable is due to the recognition of the annuity amounts that are received in the months of March for Smart plan members and in October of each year for Black plan members.

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Credit and debit cards	53,593	23,943	76,159	50,652
Annual fees receivable	45,992	30,080	54,391	49,191
Checks receivable	-	-	711	216
Membership fees receivable	2,867	2,084	10,102	6,903
	102,452	56,107	141,363	106,962
Allowance for doubtful debts	(1,645)	(418)	(4,320)	(1,409)
Total	100,807	55,689	137,043	105,553

Aging list:

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Current	100,653	54,798	136,096	102,939
Past due:				
Up to 30 days	148	257	503	793
From 31 to 60 days	148	188	445	538
From 61 to 90 days	107	103	298	313
From 91 to 180 days	390	343	1,118	970
From 181 to 360 days	710	413	2,136	1,322
More than 361 days	296	5	767	87
Total	1,799	1,309	5,267	4,023
Total	102,452	56,107	141,363	106,962

6. TAXES RECOVERABLE

a) Accounting practice

Are carried in the balance sheet at the known or estimated amounts, adjusted through the end of each reporting period, when applicable.

b) Breakdown of balances

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Income tax and social contribution	28,945	11,335	37,580	26,010
General Sales Tax – GST	-	-	80,922	25,562
PIS and COFINS (taxes on revenue)	4,642	2,776	5,481	4,749
ISS (Service Tax)	1,856	791	2,145	1,660
Other taxes	31	18	6,187	2,269
Total	35,474	14,920	132,315	60,250

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Current	35,474	14,920	90,873	34,689
Noncurrent	-	-	41,442	25,561
Total	35,474	14,920	132,315	60,250

7. OTHER RECEIVABLES

a) Accounting practice

Other current assets are carried in the balance sheet at the known or estimated amounts, adjusted through the end of each reporting period, when applicable. The balances of assets do not exceed their respective realizable values.

b) Breakdown of balances

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Collateral deposits (i)	-	-	28,396	25,043
Advances to suppliers (ii)	3,570	40	2,593	15,294
Franchises, fees and other products	3,584	4,906	4,609	10,818
Loans to third parties	2,621	2,586	2,621	10,385
Receivables from employees	1,929	518	7,738	890
Uniforms inventory	-	-	19,823	4,877
Others	348	225	3,038	6,843
Total	12,052	8,275	68,818	74,150
Current	12,052	8,275	48,056	57,431
Noncurrent	-	-	20,762	16,719
Total	12,052	8,275	68,818	74,150

(i) Balance related to security deposits for lease contracts in Mexico and Peru. In Brazil, the types of guarantee most used are the surety letters or the use of another company of the group as guarantor of the contract.

(ii) Balance related to advances to suppliers of materials and equipment of units in the preoperating phase. The consolidated balance as at December 31, 2019 is substantially represented by Mexico, Peru, Chile and Brazil operations.

8. RELATED PARTIES

a) Breakdown of balances

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Noncurrent assets:				
Direct and indirect subsidiaries:				
Biomorum	65	60	-	-
Smart Rio	-	59,923	-	-
ADV Esportes	17,716	11,451	-	-
Arnaut	2,189	2,234	-	-
Biocerro	2,455	1,973	-	-
Smartrfe	151	26,311	-	-
Bio Plaza	2,932	2,087	-	-
Centrale	382	2	-	-
Bioswim	1,651	1,761	-	-
M2	35	583	-	-

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Asnsmart	2,497	2,720	-	-
Biosanta	2,213	1,804	-	-
Smartcbl	1,726	1,613	-	-
Smartvcr	2,668	2,948	-	-
Smartdom	7,856	7,631	-	-
SmartMNG	825	1,509	-	-
Smartnit	-	96	-	-
Smartfin	3,333	-	-	-
Microsul	1,417	-	-	-
Interest on capital	333	2,382	-	-
Others	1	54	-	-
Other related parties:				
Individuals and loans between associates	534	739	11,754	2,057
Total	50,979	127,881	11,754	2,057
Current liabilities:				
Direct and indirect subsidiaries:				
Bioswim	40,675	2,943	-	-
Centrale	132	122	-	-
Bio Plaza	37	56	-	-
ADV Esportes	14	16	-	-
Racebootcamp	32	21	-	-
Biomorum	367	63	-	-
Smart Rio	-	9,871	-	-
M2	16	-	-	-
Interest on capital	290	1,333	301	301
Others	117	125	-	-
Other related parties:				
Individuals	2,491	1,137	-	-
Total	44,171	15,687	301	301
Income (expenses):				
Administrative services	21,503	27,986	-	-
Interest on loans	290	146	-	-
Total	21,793	28,132	-	-

c) Nature of the related parties

The Company, its subsidiaries and related parties carry out certain transactions among them, related to the Company's financial, commercial and operating aspects. The balances related to these operations by nature as at December 31 are as follows:

	Parent		Consolidated	
Noncurrent assets	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Trading transactions (i)	21,288	34,968	-	-
Interest on capital	333	2,382	-	-
Loan agreements (ii)	29,358	90,531	11,734	2,057
Total	50,979	127,881	11,734	2,057

	Parent		Consolidated	
Current liabilities	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Trading transactions (i)	41,391	5,018	-	-
Interest on capital	289	1,333	301	301
Loan agreements (ii)	2,491	9,336	-	-
Total	44,171	15,687	301	301

(i) The commercial transactions are mainly represented by the amount resulting from an apportionment of administrative expenses centralized in the Parent.

(ii) Loans between related parties are remunerated at rates based on the Company's cost of debt at the time of contracting. The contracts have indefinite maturities.

Other related-party transactions

The Company has a property lease agreement with one of its shareholders signed in 2015, for which a payment of R$2,495 was made for the purpose of assigning the right to use said property, recorded in intangible assets.

The Company has two property lease agreements with a company controlled by noncontrolling interests of a subsidiary. The agreements were signed in 2009 and 2011, and the interest and lease depreciation were recognized in profit or loss in the amount of R$1,212 (R$1,155 in 2018).

d) Compensation of key management personnel

On April 30, 2019, by means of the Annual General Meeting ("AGM"), the limit of the annual global compensation of the Company's officers of R$7,339 was approved for the year ended December 31, 2019.

The compensation of the Company's officers at December 31, 2019 was R$133,440 (R$7,288 in 2018), of which R$126,630 related to the stock option plan approved by the shareholders and carried out after the AGM (see Note 23.b).

	Parent	
	12/31/2019	12/31/2018
Key management compensation	6,245	5,906
Stock option plans - grants made until December 31, 2018 (i)	565	1,382
Total	6,810	7,288
Stock option plans - grants made in 2019 (i)	126,630	-
Total	133,440	7,288

The compensation of the Company's officers is composed of management fees, bonuses and stock option plan, recognized in line item "General and administrative expenses" in the statement of profit and loss, and there are no post-employment benefits.

(i) the amounts listed in the Company's Stock Option Plan are not featured as compensation for labor and social security purposes. Their inclusion in the computation of overall management compensation is carried out solely to comply with CVM regulatory requirements.

9. INVESTMENTS

a) Accounting practice

Subsidiary

A subsidiary is a company over which the Company holds the rights that assure it, on an ongoing basis, the majority vote in corporate resolutions and the power to elect most of the managers. The investment in subsidiary is accounted for under the equity method of accounting.

For changes in equity interest that result in loss of control, the remaining interest in the former subsidiary is recognized at its fair value on the date in which the control was lost and, subsequently, this investment and any amounts payable to or receivable from the former subsidiary are recognized in accordance with the relevant technical pronouncements and guidance and interpretations of the CPC and the applicable IFRS, and a gain or loss associated to the loss of control attributable to the former parent company is recognized.

Joint venture

A joint venture is a joint arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

The Company recognized its interest in the joint venture, in the consolidated financial statements, using the equity method.

Gains and losses on translation of financial statements of foreign operations are classified in line item "Other comprehensive income", directly in equity.

Breakdown of balances

	Parent - 12/31/2019					
	Equity	Profit (loss) for the year	Equity interest -%	Investment balance	Share of profit (loss) of investees	Other comprehensive income
Mexico - CSC	138,028	8,951	100.00%	138,028	8,951	11,302
Mexico - Latamgym	274,528	17,560	50.00%	137,264	8,780	11,126
Mexico - SDL	1,120	418	50.00%	560	209	(2)
Latamfit - Colombia	111,564	13,335	100.00%	113,357	15,127	(539)
Peru	62,252	(28,775)	90.00%	56,027	(26,510)	5,722
Latamfit Chile	52,367	10,664	100.00%	52,365	10,664	3,385
Argentina	27,462	(3,796)	100.00%	27,462	(3,796)	(3,159)
Bioswim	107,651	(2,000)	100.00%	107,649	(2,000)	-
Centrale	12,017	28,020	66.92%	8,042	18,751	-
Biomorum	6,562	(2,878)	100.00%	6,562	(2,878)	-
Racebootcamp	6,019	(7,894)	2.06%	124	(163)	-
Arnaut	979	1,106	100.00%	979	1,106	-
Biosanta	446	(581)	14.02%	63	(81)	-
ADV	55,085	10,994	73.12%	40,278	7,851	-
Smartfin	1,093	796	100.00%	1,093	796	-
Biopauli	8,130	731	100.00%	8,130	731	-
SmartMNG	41,471	2,869	99.99%	41,467	2,869	-
SmartRFE	23,682	56	100.00%	23,682	56	-
M2	5,033	779	50.00%	2,517	389	-
Totalpass	26	152	84.98%	26	104	-
Smartvcr	1,855	582	100.00%	1,855	378	-
Smartcbl	365	472	100.00%	365	309	-
Microsul	2,165	(468)	100.00%	1,775	(383)	-
Biocerro	1,264	1,085	100.00%	1,264	199	-
Smartfit Paraguay	12,189	(695)	99.99%	12,188	(695)	51
				783,122	40,764	27,886
Joint Venture FitMaster				5,292	(505)	-
Amortization of customer list				(9,186)	-	-
Goodwill – Latamfit Chile (note 1)				161,194	-	(6,822)
Goodwill – Latamfit Colombia (note 1)				340,046	-	9,684
Goodwill – CSC (note 1)				519,380	-	39,428
Total				1,799,848	40,259	70,176

	Parent - 12/31/2018					
	Equity (equity deficit)	Profit (loss) for the year	Equity interest -%	Investment balance	Share of profit (loss) of investees	Other comprehensive income
CSC	117,774	2,442	100.00	117,774	2,442	7,907
Latamgym	234,717	4,652	50.00	117,359	183	8,015
SDL	605	221	50.00	303	11,928	40
Latamfit	98,768	12,188	100.00	98,768	14,135	(2,697)
Peru	85,349	(10,391)	90.00	76,814	(9,352)	1,757
Latamfit Chile	38,340	7,677	99.998	38,339	7,677	3,515
Smartfit Argentina SAS	4,792	(1,869)	100.00	4,792	(1,869)	(847)
Bioswim	102,355	(11,725)	99.999	102,354	(11,725)	-
Centrale	1,993	434	66.92	1,334	290	-
Biomorum	6,990	(2,419)	99.998	6,990	(2,419)	-
Racebootcamp	7,898	(5,952)	2.06	163	(123)	-
Arnaut	(227)	131	72.23	(164)	95	-
Biosanta	1,027	(74)	14.02	144	(10)	-
ADV	44,092	9,438	70.60	31,129	6,663	-
Smart Rio	17,672	5,363	100.00	17,672	3,181	-
Smartfin	2,798	640	99.999	2,798	640	-
Biopauli	7,398	896	100.00	7,398	896	-
Smartnit	15,377	1,564	48.72	7,492	762	-
SmartMNG	38,602	2,099	99.99	38,598	2,099	-
SmartRFE	(3,141)	(2,343)	100.00	(3,141)	(2,141)	-
M2	5,000	679	50.00	2,500	340	-
Totalpass	(97)	(483)	84.98	(82)	(410)	-
Smartvcr	1,273	537	50.00	637	269	-
Smartcbl	(207)	(184)	60.00	(124)	(110)	-
Smartdom	(2,520)	(2,520)	10.00	(255)	(252)	-
				669,592	23,189	17,690
Share of profit (loss) of merged companies (note 1)					2,220	
Amortization of customer list				(2,490)	-	-
OCI - exchange differences on surplus price				(15,731)	-	-
Goodwill – Latamfit Chile (note 1)				165,433	-	2,584
Goodwill – Latamfit (note 1)				365,225	-	(34,862)
Goodwill (note 1)				463,399	-	16,549
Total				1,645,428	25,409	1,961

b) Variations in investments

Parent	12/31/2019	12/31/2018
Opening balance	1,645,428	390,732
Capital increase in subsidiaries (i)	89,625	-
Capital return/reduction	-	94,367
Sale of subsidiary	-	(1,524)
Acquisition of subsidiary Latamfit	-	232,136
Investment gain on acquisition of subsidiary Latamfit	-	169,908
Acquisition of subsidiary Latamfit Chile	-	191,137
Acquisition of subsidiary CSC	-	344,267
Investment gain on acquisition of subsidiary CSC	-	237,074
Acquisition of subsidiary Smartrio	-	6,237
Investment gain on acquisition of subsidiaries	10,700	-
Derecognition of investment due to merger (ii)	(33,048)	(36,793)
Share of profit (loss) of investees	40,259	25,409
Dividends paid or received	(14,950)	(6,175)
Gain on translation of foreign investees	62,511	1,961
Amortization of customer list	(6,696)	(2,490)
Others	6,019	(818)
Total	1,799,848	1,645,428

(i) Capital increase in subsidiaries Smartfit Peru, Smartfit Argentina, Latamfit Chile, Bioswin, Biomorum, Centrale, Racebootcamp, ADV, SmartfitMNG and Totalpass.

(ii) See note 1.

	Consolidated - 12/31/2018			
	Latamgym	SDL	Latamfit	Total
Opening balance	89,439	286	50,020	139,745
Share of profit (loss) of investees	9,583	72	2,423	12,078
Gain on translation of foreign investees	7,977	(118)	9,785	17,644
Effect of the acquisitions of Latamfit and CSC	(106,999)	(240)	(62,228)	(169,467)
Balance at December 31, 2018	-	-	-	-

Considering that on June 29, 2018, the acquisition of control of Latamfit was concluded and on October 24, 2018, the acquisition of control of Latamgym and SDL was concluded through the acquisition of control of CSC, the balances of these investments are being presented up to their acquisition dates.

New investments

On June 27, 2018, Smartfit Paraguay Sociedad Anonima was established, headquartered in the city of Asunción - Paraguay, according to the minutes of the Board of Directors' Meeting held on April 18, 2018. The total amount contributed at December 31, 2019 is R$13,440.

On March 21, 2018, Smartfit SAS was established in Argentina, headquartered in the city of Buenos Aires - Argentina, according to the minutes of the Annual General Meeting of April 23, 2018. The total amount contributed at December 31, 2019 is R$15,643. At December 31, 2019, Smartfit SAS reports share capital of R$10,511 and loss of R$4,896. Argentina has had high inflation rates, with a significant increase in May 2018, resulting in inflation rates above 100% accumulated in the three-year period. It is also understood that other qualitative indicators of hyperinflation are present in Argentina, but at different levels.

In view of this fact, it is necessary to evaluate the potential effects on the individual financial statements of entities that determined the Argentine Pesos (“ARS”) as their functional currency, as well as their effects for purposes of share of profit (loss) and/or consolidation by entities that have investments in subsidiaries, joint ventures and associates with the Argentina Peso (ARS) as their functional currency.

10. PROPERTY AND EQUIPMENT

a) Accounting practice

Stated at acquisition, formation or construction cost, less accumulated depreciation and, when applicable, a provision for impairment. Depreciation is calculated on a straight-line basis at rates that take into account the economic useful lives of the assets. The facilities and improvements in the Company’s and its subsidiaries’ leased units are depreciated over the lease term or the economic useful lives of the assets.

Right-of-use assets are depreciated over their expected useful lives on the same basis as owned assets, or for a shorter period, where applicable, under the terms of the respective lease agreement.

At December 31, 2019, there was no change in the expected useful lives as compared with the depreciation rates used in the prior year.

Impairment testing of property and equipment

When there is indication that property and equipment items might be impaired, based on financial and economic factors taking into consideration the maturity of investments, their carrying amounts are annually reviewed through a detailed study of each Cash Generating Unit ("CGU"), by calculating the discounted future cash flows and using a discount rate to calculate the present value, to ensure the recording of a provision for impairment in profit or loss for the analyzed year.

At the end of each reporting period, the Company reviews the carrying amount of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognized in profit or loss.

In 2019 and 2018, the Company analyzed the balance of property and equipment in accordance with the aforementioned practice and did not identify factors that would lead to the need to recognize a provision for impairment.

b) Changes in property and equipment in 2019

Parent	Annual average depreciation rate %	Cost 12/31/2018	Accumulated depreciation 12/31/2018	Reclass. right of use asset	Additions (i)	Mergers	Write-offs (ii)	Transfers	Depreciation	Net value 12/31/2019
Leasehold improvements	18	434,974	(199,237)	-	61,668	68,757	(4,145)	111,379	(62,691)	410,705
Machinery and equipment	10	221,570	(49,641)	(13,815)	32,343	44,637	(7,654)	57,536	(27,527)	257,449
Furniture and fittings	10	45,456	(13,875)	-	5,192	8,571	(822)	11,313	(6,350)	49,485
IT equipment	20	11,401	(3,696)	-	5,231	2,351	(251)	4,204	(3,282)	15,958
Vehicles	20	118	(30)	-	-	-	-	-	(24)	64
Other	15	35,955	(6,479)	-	5,006	8,438	(3,205)	11,193	(9,928)	40,980
Property and equipment in progress	-	30,970	-	-	241,062	506	(6,179)	(195,625)	-	70,734
Total		780,444	(272,958)	(13,815)	350,502	133,260	(22,256)	-	(109,802)	845,375

Consolidated	Annual average depreciation rate %	Cost 12/31/2018	Accumulated depreciation 12/31/2018	Reclass. right of use asset	Additions (i)	Write-offs (ii)	Effect differences	Transfers	Depreciation	Net value 12/31/2019
Buildings	4	25,021	(10,115)	-	860	(8,355)	408	-	(510)	7,309
Facilities	9	363,783	(60,023)	-	116,394	(721)	28,576	29,750	(39,449)	438,310
Leasehold improvements	15	929,546	(364,445)	-	190,404	(18,709)	(2,886)	123,274	(93,255)	763,929
Machinery and equipment	10	722,217	(190,554)	(238,736)	203,924	(20,796)	11,079	67,225	(68,979)	485,380
Furniture and fixtures	11	129,826	(40,934)	-	37,499	(1,190)	2,582	13,057	(20,631)	120,209
IT equipment	20	53,698	(19,743)	-	22,326	(811)	698	6,770	(12,698)	50,240
Vehicles	20	690	(496)	-	636	(350)	-	-	(66)	414
Other property and equipment	15	60,264	(14,322)	-	6,992	(1,150)	(6)	13,204	(13,328)	51,654
Property and equipment in progress	-	123,044	-	-	300,285	(6,435)	2,578	(253,280)	-	166,192
Advance for acquisition of property and equipment	-	15,108	-	-	-	(4,503)	-	-	-	10,605
Total		2,423,197	(700,632)	(238,736)	879,320	(63,020)	43,029	-	(248,916)	2,094,242

(i) The additions to property and equipment are related to the opening of new units, given the Company's accelerated expansion plan in Latin America.

(ii) Disposals refer mainly to sale of equipment to related parties.

Changes in property and equipment in 2018

Parent	Annual average depreciation rate %	Cost 12/31/2017	Accumulated depreciation 12/31/2017	Additions (i)	Mergers	Write-offs (ii)	Transfers	Depreciation	Net value 12/31/2018
Facilities	10	10,568	(4,708)	-	-	(147)	(5,202)	(511)	-
Leasehold improvements	18	303,650	(134,028)	31,593	7,203	(74)	74,231	(46,838)	235,737
Machinery and equipment	10	150,871	(31,595)	28,740	8,477	(5,492)	38,974	(18,046)	171,929
Furniture and fixtures	10	33,760	(8,683)	2,366	1,848	(194)	6,425	(3,941)	31,581
IT equipment	20	6,598	(1,802)	2,428	301	(187)	1,898	(1,531)	7,705
Vehicles	20	117	(6)	-	-	-	-	(23)	88
Other property and equipment	15	23,668	(3,627)	5,331	-	(1,164)	7,908	(2,640)	29,476
Property and equipment in progress	-	27,921	-	133,861	846	(7,424)	(124,234)	-	30,970
Total		557,153	(184,449)	204,319	18,675	(14,682)	-	(73,530)	507,486

Consolidated	Annual average depreciation rate %	Cost 12/31/2017	Accumulated depreciation 12/31/2017	Additions (i)	Write-off (ii)	Acquisitions Latamfit	Effect differences	Transfers	Depreciation	Net value 12/31/2018
Buildings	4	22,388	(8,229)	-	(117)	-	616	1,542	(1,294)	14,906
Facilities	9	30,917	(13,817)	16,983	(191)	257,141	19,845	(523)	(6,595)	303,760
Leasehold improvements	15	546,249	(241,631)	127,854	(340)	115,142	(6,604)	115,468	(91,037)	565,101
Machinery and equipment	10	305,054	(71,021)	107,404	(10,894)	191,252	2,561	56,842	(49,535)	531,663
Furniture and fixtures	11	62,195	(17,572)	7,186	(4,129)	38,153	1,909	11,058	(9,908)	88,892
IT equipment	20	16,862	(6,055)	9,385	(829)	18,382	(263)	2,706	(6,233)	33,955
Vehicles	20	660	(401)	-	-	-	-	-	(65)	194
Other property and equipment	15	42,454	(8,999)	8,836	(2,329)	84	(1)	11,565	(5,668)	45,942
Property and equipment in progress	-	54,189	-	248,922	(5,449)	16,258	1,055	(191,931)	-	123,044
Advance for acquisition of property and equipment	-	-	-	11,845	-	11,044	(1,054)	(6,727)	-	15,108
Total cost		1,080,968	(367,725)	538,415	(24,278)	647,456	18,064	-	(170,335)	1,722,565

(i) The additions to property and equipment are related to the opening of new units, given the Company's accelerated expansion plan in Latin America.

(ii) Disposals refer mainly to sale of equipment to related parties.

c) Assets pledged as collateral

As at December 31, 2019, the Company had assets pledged as collateral for finance leases, as per note 13.

11. INTANGIBLE ASSETS

a) Accounting practice

Stated at cost of acquisition or formation, less accumulated amortization and, where appropriate, a provision for impairment. Amortization is calculated on a straight-line basis at rates that take into account the economic useful lives of the assets.

Business combination and goodwill

At the acquisition date, the acquisition cost is considered by the purchase price, which includes the fair value of the assets and liabilities assumed or incurred and any cost related to contingent or deferred additional payment. Transaction costs are recognized in profit or loss, when incurred. The acquisition cost is allocated to the assets acquired, liabilities and contingent liabilities assumed based on their fair values, including assets and liabilities that were not previously recognized in the balance sheet of the acquired entity, for example, intangible assets such as trademarks and bargain purchase agreements.

Goodwill is generated when the acquisition cost is higher than the value of the identifiable net assets measured at fair value. On the other hand, the goodwill is the difference between the fair value of the identifiable net assets and their respective carrying amounts. The final amounts of the business combination are measured within one year from the acquisition date.

The Company recognizes the fair value of certain assets acquired supported by reports prepared by independent appraisers. Management, based on its experience in acquisition transactions, assesses the appropriateness of the determined amounts. However, these assessments take into consideration a certain level of judgment.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration agreement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value (i.e., the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss.

Impairment testing of intangible assets

At the end of each reporting period, the Company reviews the carrying amount of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognized in profit or loss.

b) Breakdown of balances and variations in intangible assets in 2019

Parent	Annual average amortization rate %	Balance Cost 12/31/2018	Accumulated amortization 12/31/2018	Additions	Merger	Write-offs	Amortization	Net balance 12/31/2019
Goodwill - Bio Ritmo	-	72,378	-	-	-	-	-	72,378
Goodwill - Smart Fit	-	2,069	-	-	-	-	-	2,069
Assignment of right of use	10	33,397	(22,211)	4,300	1,907	(171)	(1,916)	15,306
Software	20	4,360	(1,526)	3,740	240	(18)	(894)	5,902
Customer list	10	3,992	(3,992)	-	-	-	-	-
Trademarks and patents	-	8,478	-	-	-	-	-	8,478
Total cost		124,674	(27,729)	8,040	2,147	(189)	(2,810)	104,133

Consolidated	Annual average amortization rate %	Balance Cost 12/31/2018	Accumulated amortization 12/31/2018	Additions	Write-offs	Effect differences	Accumulated	Net balance 12/31/2019
Goodwill – Bio Ritmo	-	72,378	-	-	-	-	-	72,378
Goodwill – Smart Fit	-	28,450	-	-	-	1,748	-	30,198
Goodwill – Latamfit	-	331,610	-	-	-	9,802	-	341,412
Goodwill – Latamfit Chile	-	159,616	-	-	-	(6,475)	-	153,141
Goodwill – CSC – Mexico	-	469,860	-	-	-	38,611	-	508,471
Assignment of right of use	11	63,378	(32,965)	6,256	(1,804)	-	(3,153)	31,712
Software	28	24,914	(10,776)	6,094	(20)	-	(1,440)	18,772
Customer list	33	34,464	(7,765)	-	-	(90)	(10,146)	16,462
Trademarks and patents	-	13,519	-	-	-	(205)	-	13,314
Total cost		1,198,189	(51,506)	12,350	(1,824)	43,390	(14,739)	1,185,860

c) Breakdown of balances and variations in intangible assets in 2018

Parent	Annual average amortization rate %	Balance Cost 12/31/2017	Accumulated amortization 12/31/2017	Additions	Mergers	Accumulated	Net balance 12/31/2018
Goodwill - Bio Ritmo	-	72,378	-	-	-	-	72,378
Goodwill - Smart Fit	-	2,069	-	-	-	-	2,069
Assignment of right of use	10	28,556	(18,460)	4,841	-	(3,751)	11,186
Software	20	2,052	(694)	1,985	35	(544)	2,834
Customer list	-	3,992	(3,992)	-	-	-	-
Trademarks and patents	-	8,478	-	-	-	-	8,478
Total cost		117,525	(23,146)	6,826	35	(4,295)	96,945

Consolidated	Annual average amortization rate %	Balance Cost 12/31/2017	Accumulated amortization 12/31/2017	Additions	Gain on remeasurement of equity interest	Acquisitions Latamfit Chile and Colombia	Write-offs	Effect differences	Accumulated	Net balance 12/31/2018
Goodwill - Bio Ritmo	-	72,378	-	-	-	-	-	-	-	72,378
Goodwill - Smart Fit	-	28,450	-	-	-	-	-	-	-	28,450
Goodwill - Latamfit	-	-	-	191,298	169,908	-	-	(29,596)	-	331,610
Goodwill Latamfit Chile	-	-	-	157,032	-	-	-	2,584	-	159,616
Goodwill - CSC - Mexico	-	-	-	216,237	237,074	-		16,549	-	469,860
Assignment of right of use	11	46,892	(28,830)	10,718	-	6,532	-	(764)	(4,135)	30,413
Software	28	14,938	(7,247)	11,076	-	1,298	-	36	(5,963)	14,138
Customer list	33	5,086	(3,992)	29,154	-		-	224	(3,773)	26,699
Trademarks and patents	-	8,478	-	4,949	-	931	(916)	77	-	13,519
Total cost		176,222	(40,069)	620,464	406,982	8,761	(916)	(10,890)	(13,871)	1,146,683

d) Impairment testing of goodwill

Assets are tested for impairment annually according to the criteria of CPC 01 and irrespective of the existence of indication of impairment.

The recoverable amount of CGUs is determined based on a value in use calculation which uses cash flow projections based on the financial budget approved by Management and an annual discount rate of (WACC) of 7.63% for Chile, 10.17% for Mexico and 9.69% for Colombia.

Cash flow projections for a 5-year period, such as sales growth, costs, expenses, fixed investments and working capital investments, are based on the annual budget approved by Management and made by the CGU, which are the operations of each country.

The key assumptions used in the cash flow projections are as follows:

- Revenues: projected by gym from 2020 to 2024 (5 years) in line with the units' growth history considering the growth of the number of members according to maturity of the units.
- Operating costs and expenses: projected based on past performance and estimated revenue growth.
- Fixed investments: fixed investment projections are intended to recover the depreciation of the operating fixed assets base.
- Working capital investments: projected based on past performance and estimated revenue growth.

Cash flows beyond the 5-year period were determined through a perpetuity calculation using the Gordon-Shapiro model considering a constant annual growth of 3.5% for Chile, 3% for Mexico and 3.8% for Colombia which corresponds to the projected inflation rate. Management believes any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the segment's total carrying amount to exceed its total recoverable amount.

Based on the analyses performed, no provision for impairment of goodwill was required.

e) Impairment testing of intangible assets with definite useful lives

Intangible assets with definite useful lives, mainly the "assignment of right of use", were allocated to CGUs, which were submitted to asset impairment testing through the discounted cash flow at December 31, 2019, and no provision for impairment was required.

In the year ended December 31, 2019, there was no change in the expected useful lives as compared with the amortization rates used in the prior year.

12. LEASE TRANSACTIONS

a) Accounting practice

Details of accounting practice are described in note 2.viii).

b) Breakdown of balances and variations in balances - assets and liabilities

	Parent			Consolidated		
	Machinery and equipment	Lease of real estate	Total	Machinery and equipment	Lease of real estate	Total
Right-of-use asset						
(+) Reclassification of machinery and equipment (i)	13,815	-	13,815	238,736	-	238,736
Initial adoption balance	-	560,616	560,616	-	1,817,607	1,817,607
Balance at January 1, 2019	13,815	560,616	574,431	238,736	1,817,607	2,056,343
Remeasurement of opening balance		97,270	97,270	(73,825)	40,321	(33,504)
(+) Mergers	7,614	166,117	173,731	-	-	-
(+) New contracts and remeasurements	-	180,826	180,826	29,308	528,651	557,959
(-) Accumulated depreciation	(2,216)	(123,907)	(126,123)	(15,132)	(248,521)	(263,653)
(+) Translation adjustment	-	-	-	11,051	2,900	13,951
Balance at December 31, 2019	19,213	880,922	900,135	190,138	2,140,959	2,331,096

	Parent			Consolidated		
	Machinery and equipment	Lease of real estate	Total	Machinery and equipment	Lease of real estate	Total
Lease liability						
(+) Reclassification of machinery and equipment (i)	14,182	-	14,182	186,925	-	186,925
Initial adoption balance	-	560,616	560,616	-	1,817,607	1,817,607
Balance at January 1, 2019	14,182	560,616	574,798	186,925	1,817,607	2,004,532
Remeasurement of opening balance	-	79,543	79,543	-	40,321	40,321
(+) Mergers	6,165	168,979	175,144	-	-	-
(+) Additions and remeasurements	-	193,924	193,924	67,124	515,923	583,047
(-) Consideration	(7,588)	(157,800)	(165,388)	(61,070)	(340,444)	(401,514)
(-) Tax credit - Interest		2,755	2,755	-	3,606	3,606
(+) Interest incurred	(558)	71,459	70,901	1,757	174,111	175,868
(+) Translation adjustment	-	-	-	840	5,710	6,550
Balance at December 31, 2019	12,201	919,476	931,677	195,576	2,216,834	2,412,410
Current liabilities			343,978			598,077
Noncurrent liabilities			587,699			1,814,333
			931,677			2,412,410

(i) refers to the reclassification of the balance at December 31, 2018 related to leased machinery and equipment recorded as Machinery and Equipment in the group of Property and equipment and as Finance lease in the group of Borrowings and Debentures within the scope of IAS 17 for the group of right-of-use asset and lease liability, respectively, as from January 1, 2019.

In Brazil, these refer to finance lease agreements that were previously entered into for the acquisition of equipment used in the Company's and its subsidiaries' units. The agreements are for up to 57 months, with average charges between 2.64% and 3.54% p.a. plus 100% of the CDI and maturities until November 2021, and are collateralized by the leased assets. There are also agreements of subsidiary Sport City, with charges between 4.90% and 5.35% p.a. plus the IBR rate, or 5.09% p.a. plus the DTF rate and of subsidiary Latamgym, with charges between 8% and 16% p.a..

c) Additional information

Although the accounting methodology used by the Company is in line with the rule set out in IFRS 16/CPC 06 (R2), it generates certain differences in the information to be provided due to the mismatch between cash flow and present value, given the current reality of the long-term interest rates in the Brazilian economic environment and in the countries in which we operate. Accordingly, the Company recalculated the depreciation amounts and financial charges for the total period of validity of the active agreements at December 31, 2019, based on a future cash flow that incorporates the inflation expectation (nominal flow). The table below shows the differences between the accounting policy adopted by the Company's Management ("Balance Sheet") and the amounts considering the cash flows with the inflation projection ("Explanatory Note"), as suggested by Circular Letter/CVM/SNC/SEP/No. 02/2019, at December 31, 2019.

	Balance sheet	Note
Balance sheet		
Right-of-use assets	2,140,959	2,619,235
Lease - right of use (liability)	2,225,534	2,708,238
Profit or loss		
Depreciation	248,521	299,873
Interest	177,717	218,315
PIS and COFINS credits on leases	12,407	12,407

The following table details the differences between asset balances, liability balances, depreciation amounts, and interest, year by year, between the methodology suggested in Circular Letter/CVM/SNC/SEP/No. 02/2019 and the adoption chosen by the Company, in full compliance with IFRS 16/CPC 06 (R2). The table shows that at the end of the lease agreements, both forms of adoption have no effect on the Company's equity.

	Initial adoption	Dec/2019	Dec/2020	Dec/2021	Dec/2022	Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028	Dec/2029	Dec/2030	Dec/2031	Total
Lease asset															
Balance sheet	1,898,393	2,140,959	1,956,030	1,737,762	1,509,780	1,281,746	1,075,219	884,341	704,636	551,343	431,827	353,348	299,518	248,622	-
Note	2,297,609	2,619,235	2,297,694	1,971,453	1,653,752	1,355,341	1,097,032	871,042	671,253	509,106	385,867	304,312	247,502	196,973	-
Lease liability															
Balance sheet	1,898,393	2,225,534	2,108,739	1,940,639	1,744,121	1,529,280	1,322,699	1,119,697	916,100	734,721	587,488	491,073	425,678	360,715	-
Note	2,297,609	2,708,238	2,469,383	2,200,671	1,917,199	1,631,207	1,369,898	1,127,722	899,726	705,023	551,188	449,097	378,139	311,305	-
Finance costs															
Balance sheet	-	177,717	193,615	181,119	165,996	148,377	129,966	111,953	93,852	76,471	61,511	50,034	43,060	174,084	1,607,755
Note	-	218,315	227,350	205,748	182,561	158,155	134,359	112,357	91,613	72,766	57,125	45,328	37,900	135,366	1,678,949
Depreciation expenses															
Balance sheet	-	248,521	285,426	292,776	296,503	289,493	260,244	237,187	218,792	185,134	144,932	98,726	70,730	369,810	2,998,274
Note	-	299,873	329,018	326,241	317,701	298,411	258,309	225,989	199,789	162,651	123,238	81,555	56,810	247,501	2,927,086

13. BORROWINGS AND DEBENTURES

a) Accounting practice

Borrowings are initially recognized at fair value when amounts are received, net of transaction costs, where appropriate, and subsequently measured at amortized cost using the effective interest method, corresponding to cost, plus charges, interest, inflation adjustment and exchange differences contractually established, incurred through the end of each reporting period.

b) Breakdown of balances

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Debentures (i)	1,318,588	713,149	1,318,588	714,191
Cost of debentures issued	(7,758)	(6,732)	(7,758)	(6,743)
Promissory notes	-	207,847	-	207,847
Cost of promissory notes issued	-	(1,123)	-	(1,123)
Working capital (ii)	204,637	267,529	895,820	707,904
Finance lease (iii)	-	14,182	-	186,925
Total	1,515,467	1,194,852	2,206,650	1,809,001
Current	80,651	263,284	163,479	380,835
Noncurrent	1,434,816	931,568	2,043,171	1,428,166
Total	1,515,467	1,194,852	2,206,650	1,809,001

(i) At the Extraordinary General Meeting ("EGM") held on May 10, 2019, the 4th issue of simple, non-convertible unsecured debentures in up to four series was approved, pursuant to CVM Instruction 476/09. Under the Restricted Offer, 130,000 debentures were subscribed in four series, comprising 20,123 First Series Debentures, 66,618 Second Series Debentures, 17,840 Third Series Debentures and 25,419 Fourth Series Debentures, with a par unit value of R$10,000.00.

The first and third series debentures mature on April 20, 2024, and the second and fourth series debentures mature on April 20, 2026, subject to optional early redemption, early maturity and/or unavailability of the DI Rate, under the terms and conditions provided for.

The remuneration interest on the unit nominal value (or the unit nominal value balance, as the case may be) of the Debentures of each series corresponds to: (i) for the first series debentures, CDI + 1.70% p.a.; (ii) for the second and fourth series debentures, CDI + 2.75% p.a.; and (iii) for the third series Debentures, CDI + 1.75% p.a., calculated as provided for in the Debentures Indenture.

(ii) In Brazil this refers to borrowings for working capital purposes, with average charges of 2.92% p.a. plus 100% of the CDI, with maturity until July 2022, in addition to borrowings obtained in subsidiary Latamgym, with rate of "TIIE" (Tasa de Interés Interbancaria de Equilibrio) + 2.8% p.a., indirect subsidiary Sport City, with charges of 5% plus rate of IBR (Indicador Bancario de Referencia), or between 3.70% and 5.00% p.a. plus rate of DTF (Depósitos a Término Fijo), Latamfit Chile, with fixed charges between 6.87% and 8.70% p.a., and Smartfit Peru, with fixed charges between 10.10% and 11.10% p.a.

(iii) The finance lease agreements were entered into with the Lage Landen bank for the acquisition of equipment for the Company's and its subsidiaries' units. The agreements are for up to 57 months, with average charges between 2.64% and 3.48% p.a. plus 100% of the CDI and maturities until November 2021 and are collateralized by the leased assets, and the agreements in indirect subsidiaries Sport City, with charges between 4.90% and 5.35% p.a. plus IBR rate, or 5.09% p.a. plus DTF rate and Latamgym with charges between 8% and 16% p.a. In 2019, the amount was transferred to the lease liability line item (note 12.b).

c) Variations in borrowings

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Prior balance	1,194,852	1,145,450	1,809,001	1,236,973
Reclassification of leases	(14,182)	-	(186,925)	-
Latamfit Chile net assets (i)	-	-	-	35,247
Latamfit net assets (i)	-	-	-	63,395
CSC Mexico net assets (i)	-	-	-	231,424
Issues (ii)	1,354,785	380,000	1,734,623	625,067
Mergers	29,359	742	-	-
Accrued interest	129,042	109,686	207,804	120,550
Principal paid	(1,051,210)	(339,573)	(1,229,118)	(415,978)
Interest paid	(127,179)	(101,409)	(141,973)	(105,851)
Exchange differences	-	-	13,238	19,288
Contract cancelation	-	(44)	-	(1,114)
Closing balance	1,515,467	1,194,852	2,206,650	1,809,001

(i) Amounts relating to the acquisition of the net assets of Latamfit Chile, Latamfit and CSC, as mentioned in Note 1.

(ii) Issues represented substantially by the 4th issue of simple debentures in the amount of R$1,300,000 and of the working capital types in parent and R$421,742 in consolidated.

d) Covenants

The Company is required to comply with covenants laid down in certain working capital agreements and related to simple debentures issued by the Company and its subsidiaries, which require annual measurement of net debt-to-EBITDA ratio of the last 12 months that cannot exceed 3 on annual closures, and in the specific case of debentures this indicator is also measured quarterly and cannot exceed 3 in the quarters.

The Company was compliant with these covenants as at December 31, 2019. In addition to the financial ratios, the Company made an analysis of the operating guarantees and as at December 31, 2019 it was also compliant with the operating covenants (covenants with non-financial clauses), the main ones related to compliance with the allocation of funds raised, disclosure of financial statements, as well as any non-compliance with pecuniary obligations of the debts issued, among others.

14. OTHER PAYABLES

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Assignment of right of use	-	1,352	-	2,402
Acquisition of Gold's Gym	-	-	-	3,856
Consideration and call option arising from transactions with exchange of shares of Latamfit (a)	17,489	110,247	17,489	110,247
Payable related to the compensation for the cancelation of the stock option plan (b)	18,025	-	18,221	-
Loans with third parties	1,835	2,598	1,835	2,598
Other payables	7,970	426	25,833	29,483
Total	45,319	114,623	63,378	148,586
Current	27,294	92,745	45,157	125,470
Noncurrent	18,025	21,878	18,221	23,116
Total	45,319	114,623	63,378	148,586

a) See note 1.

b) Indemnity related to the cancelation of plan 2 that will be settled in December 2020.

15. PAYABLES TO SHAREHOLDERS

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Invesfit Holdings S.A. (a)	-	54,951	-	54,951
Novastar Investment Pte. Ltd. (b)	-	110,839	-	110,839
Minimum contractual payment from Latamfit Chile call option (c)	-	23,249	-	23,249
Contingent consideration (d)	5,789	11,183	5,789	11,183
Consideration related to acquisition of Smart Rio (e)	-	96,495	-	96,495
Dividends payable	6	79,549	6	79,549
Capital reduction payable	489	432	2,073	936
Total	6,284	376,698	7,868	377,202
Current	5,278	113,070	6,862	113,574
Noncurrent	1,006	263,628	1,006	263,628
Total	6,284	376,698	7,868	377,202

(a) Refers to the reversal of the provision made by the Company related to the entry of the investor Invesfit S.A.. This transaction occurred according to the EGM held on July 10, 2014 with the creation of 805 class A shares and 445,184 class B shares, subscribing a total amount of R$43,000 recognized in the Company's noncurrent liabilities. As provided for in a shareholders' agreement, the shareholder holding such preferred shares would be entitled to redeem his shares at the end of the 5-year period, starting from the date of subscription of the shares. This redemption right expired on August 10, 2019.

(b) On May 11, 2018, the Company entered into a share subscription agreement with Novastar Investment Pte. Ltd., affiliate of GIC Special Investments Pte. Ltd. ("GIC"). Under this agreement, GIC made an investment in the Company in the total amount of R$100,000 (one hundred million reais) with the subscription of 602 class AI preferred shares, and 332,731 class I preferred shares, all without voting rights, issued by the Company, according to the EGM signed on the same date.

The number of shares received by GIC will be adjusted, if there is a liquidity event or if the Company does not carry out an initial public offering within 24 months from signing the agreement. The Company will have an option to redeem 100% of class AI and I shares issued to GIC if it fails to carry out an initial public offering within 24 months from signing the agreement. Due to these characteristics, the investment was accounted for as a liability based on CPC 39 (IAS 32).

As a result of the Investment Agreement disclosed in note 1, there was a liquidity event and the Company adjusted the shares delivered and there is no longer the obligation to deliver cash to GIC, resulting in the reversal of R$127,032 (amount updated to the liquidity event) of the balance of Payables to shareholders against Equity.

(c) Due to the call option mentioned in note 1, which allows the Company to repurchase its own shares, the Company recorded R$23,249 (US$6,000,000) that may be settled according to the contractual conditions to former shareholders of Latamfit Chile. The call option was exercised on January 8, 2019.

(d) See note 1.

(e) On November 14, 2018, Smartfit S.A. signed an agreement for the purchase of shares of Smart Rio and subscription of shares of Smartfit, such agreement provided for two closings of the transaction, the first of which on December 20, 2018, in which the Company concluded the purchase of shares of Smart Rio and the former shareholders of Smart Rio subscribed shares of Smartfit without payment, recording a liability in the amount of R$91,850. Upon the conclusion of the investment agreement with BPE Fit disclosed in note 1, we have the second closing of the transaction and the payment in the amount of R$91,850 of the Company's shares subscribed by the former shareholders of Smart Rio using this credit with the Company, generating a reversal of the liability against equity.

16. PROVISION FOR CIVIL, TAX AND LABOR RISKS

a) Accounting practice

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties related to obligations.

The provision for risks is adjusted through the end of each reporting period for the probable loss amount, considering their nature and based on the opinion of the Company' and its subsidiaries' legal counsel.

b) Breakdown of the balance

The Company and its subsidiaries were parties to certain labor, civil and tax lawsuits for which the likelihood of loss was considered probable by its legal counsel and a provision of R$4,175 was recognized in Parent (R$2,922 in 2018), and R$5,572 in Consolidated (R$6,692 in 2018).

	Parent			
	Civil	Labor	Tax	Total
At December 31, 2018	1,657	1,249	16	2,922
Additions and/or increases	585	1,532	254	2,371
Write-offs and/or reversals	(893)	(222)	(3)	(1,118)
At December 31, 2019	1,349	2,559	267	4,175

	Consolidated			
	Civil	Labor	Tax	Total
At December 31, 2018	4,571	2,102	19	6,692
Additions and/or increases	876	2,066	272	3,214
Write-offs and/or reversals	(3,130)	(1,201)	(3)	(4,334)
At December 31, 2019	2,317	2,967	288	5,572

The Company’s management did not consider necessary to recognize a provision for losses on ongoing civil, labor and tax lawsuits in the amount of R$21,149 (R$13,698 in 2018) in consolidated, since the likelihood of loss is considered possible by its legal counsel.

The nature of the main lawsuits by category is detailed below:

- Labor lawsuits: Consist basically of claims filed by employees related to amounts not included in the severance calculation and payment.
- Civil lawsuits: These are mainly related to indemnity lawsuits related to pain and suffering and property damage, related to challenges of contractual clauses and commercial conditions in the Company’s service agreements. In addition, certain ongoing lawsuits against the Company challenge significant elements of its business model, such as the price structure of its plans and the collection predominantly through electronic means.

- Tax lawsuits: Consist mainly of judicial and administrative proceedings related to taxes, mostly related to the IRPJ and CSLL calculation base.

17. EQUITY

a) Share capital

As at December 31, 2019, the Company's fully subscribed capital is R$378,569, divided into 14,601,763 common shares and 6,464,424 class A, C and F preferred shares, all of them registered and with no par value, as follows:

	Number of shares	Ownership interest - %
Common shares	14,601,763	69.31
Preferred shares:		
Class A	4,961,680	23.55
Class C	726,026	3.45
Class F	776,718	3.69
Total	21,066,187	100.00

b) Dividends

Common shares and all class A, C and F preferred shares entitle their holders to a non-cumulative annual dividend of at least 25% of the profit for the year, pursuant to article 202 of the Brazilian Corporate Law and article 26, second paragraph of the Company's Bylaws.

As at December 31, 2019, the Company did not compute profits to be distributed, therefore, no dividends payable were recorded (R$86,845 as at December 31, 2018).

The subsidiaries that computed profit distributed dividends in the total amount of R$49,957 (R$1,572 as at December 31, 2018) and interest on capital of R$2,626 (R$4,603 as at December 31, 2018).

c) Transaction with noncontrolling interests

In 2019

On January 8, 2019, the Company approved the call option provided for in the Call Option Agreement approved at the EGM held on March 27, 2018, in connection with the acquisition of Latamfit Chile SpA, as described in note 1. The Company paid for the exercise of the call option the total amount of R$34,362. The acquired shares were held in treasury by the Company until October 17, 2019, when they were canceled.

In 2018

On March 20, 2018, a capital increase in subsidiary ADV Esporte e Saúde Ltda. in the amount of R$1,911 was made, which was subscribed using interest on capital distribution, and the amount from the noncontrolling interests was R$562.

On April 20, 2018, the Company entered into an agreement with the noncontrolling interests of its subsidiary Centrale to execute a pledge with a loan agreement settlement, in exchange for 200,979 participation quotas in this company, thus the Company's interest in the subsidiary Centrale increased from 57.95% to 66.92%, which had an impact on equity of R$2,512.

On September 18, 2018, the Company completed the acquisition of all shares of subsidiary XV Sports. Accordingly, the Company's interest in this subsidiary increased from 57.85% to 99.99%, which had an impact on equity of R$1,259, which was subsequently merged into the Parent, as mentioned in note 2.2.1.g).

On October 4, 2018, the Company completed the acquisition of all shares of subsidiary Smartrfe. Accordingly, the Company's interest in this subsidiary increased from 90% to 100%, which had an impact on equity of R$1,482.

On November 14, 2018, the acquisition of Smart Rio was completed, through the issue of 491,688 class K preferred shares and 889 class AK preferred shares. Accordingly, the Company's interest in this subsidiary increased from 67.5% to 100%, which had an impact on equity of R$90,199, in investments in subsidiaries and joint ventures of R$6,237, and a future consideration recorded in other payables in the amount of R$96,495.

d) Legal reserve

Set up at the rate of 5% of the profit for the year, after absorption of accumulated losses, until it reaches 20% of the capital.

e) Capital reserve and earnings reserve

The Company recognized a capital reserve to enable a possible redemption of preferred shares, under conditions set forth in each of the class of shares. The earnings reserves was created in 2018, after the absorption of accumulated losses as a result of the profit for the fiscal year in 2018.

18. NET OPERATING REVENUE AND DEFERRED REVENUE

a) Accounting practice

Revenues from services provided are recognized on an accrual basis in accordance with the fulfillment of the contractual obligations to customers. Revenues from services provided have the following origin:

- The amounts related to fitness activities are billed and recognized monthly according to the terms established in the service agreements, including the membership, annual fees, maintenance and monthly fees.
- The amounts related to sponsorship of events are contractually determined and recognized as the event to which they refer is held.
- The amounts related to lease of sports supplies and equipment are billed monthly according to the agreements established between the parties.
- The amounts related to royalties and franchise licensing are billed according to the agreements established between the parties.

The deferred revenue from services provided is calculated based on the members' agreement and recognized in profit or loss at the fair value, by reference to the stage of completion of the service established in the agreement and is fully recognized when the service is completed and/or the obligation to provide the service is extinguished.

b) Breakdown of balance - Net operating revenue

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Gross operating revenue:				
Revenue from services provided:				
Gym plans	747,130	452,339	1,831,857	1,130,384
Annual fees	68,168	46,899	164,202	96,890
Adhesions	8,850	8,697	51,285	26,296
Royalties and franchising	-	-	40,776	29,869
Others (i)	4,322	3,250	60,287	16,923
Taxes on revenue	(105,088)	(62,641)	(164,459)	(140,329)
Total	723,382	448,544	1,983,947	1,160,033

The sales revenue, leveraged by the gym plans, is recognized in this line item as the service is provided, on an accrual basis.

The Company monitors the rate of cancelation of services billed but not provided and concluded that the amount of refund to members is immaterial.

(i) The balance of R$60,287 in the 2019 consolidated is substantially represented by the sale of a property carried out by the subsidiary Centrale in the amount of R$38,482.

c) Breakdown of balance - Deferred revenue

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Gym plans and other (i)	5,422	6,526	23,157	21,987
Adhesions (ii)	2,049	3,198	6,318	9,229
Annual fees (ii)	49,250	26,399	70,675	50,409
Others (iii)	3,923	2,086	3,925	2,087
Total	60,644	38,209	104,075	83,712
Current	57,535	36,448	100,966	81,951
Noncurrent	3,109	1,761	3,109	1,761
Total	60,644	38,209	104,075	83,712

The balances recognized as deferred revenue derive from:

(i) Agreements entered into with gym members, under plans contracted directly by the customers.

(ii) Membership fees are revenues arising from the member entry into the unit. Annual fees are revenues charged from members periodically. Both revenues are deferred and recognized in profit or loss for a period of one year as from the entry of the member.

(iii) Refer to amounts received from shopping mall administrators to fund the necessary works for the operation of certain gyms. These are recognized over the agreement terms as from the opening of the unit.

19. INFORMATION ON THE NATURE OF EXPENSES

The Company presented the statement of profit and loss using a classification of expenses based on their function. The information on the nature of these expenses recognized in the statement of profit and loss is as follows:

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cost of services rendered:				
Personnel and related taxes	(134,583)	(69,553)	(319,290)	(197,468)
Lease of real estate and common area maintenance fees	(12,889)	(84,130)	(40,087)	(201,701)
Depreciation and amortization, net of PIS and COFINS	(211,340)	(73,179)	(515,620)	(166,709)
Utilities	(72,393)	(42,456)	(157,187)	(94,903)
Maintenance	(21,793)	(18,671)	(66,785)	(41,976)
Operational support services	(53,622)	(36,604)	(107,894)	(68,122)
Opening of new units	(23,724)	(15,698)	(30,752)	(27,088)
Other expenses	(3,482)	(2,902)	(12,363)	(9,419)
Total	(533,826)	(343,193)	(1,249,978)	(807,386)
Selling, general and administrative expenses and other operating income (expenses), net:				
Personnel and related taxes	(55,507)	(41,226)	(97,989)	(66,565)
Lease of real estate and common area maintenance fees	(1,424)	(2,789)	(3,141)	(6,891)
Media and commercials	(59,778)	(23,075)	(112,017)	(57,018)
Utilities	(1,432)	(1,109)	(5,715)	(4,369)
Credit card management fee	(5,851)	(4,622)	(25,664)	(14,294)
Depreciation and amortization, net of PIS and COFINS	(4,038)	(218)	(12,939)	(4,900)
Operational support services	(29,484)	(17,958)	(73,392)	(47,116)
Opening of new units	(8,690)	(2,946)	(16,918)	(8,551)
Gain on remeasurement of equity interest (*)	-	406,982	-	406,982
Allocation to stock option plans	(217,306)	-	(234,390)	-
Other operating income (expenses), net (**)	(5,904)	(7,653)	(59,810)	(56,802)
Total	(389,414)	305,386	(641,975)	140,476
Grand total	(923,240)	(37,807)	(1,891,953)	(666,910)

(*) In 2018, the amount is due to the acquisition of control of the subsidiaries Latamfit in the amount of R$169,908 and CSC in the amount of R$237,074, due to the revaluation at fair value of the equity interest previously held by the Company according to IFRS 3 / CPC 15.

(**) In 2018 it refers substantially to non-recurring expenses related to the attempt to carry out an IPO and M&A costs in the amount of R$16,834. In 2019, it refers to expenses with attorney fees, travel, miscellaneous maintenance and other expenses.

20. FINANCE INCOME (COSTS)

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Finance income:				
Income from financial investments	34,152	31,254	38,194	32,728
Interest income	10,391	5,329	9,229	1,336
Other finance income	20	-	9,859	-
Total	44,563	36,583	57,282	34,064
Finance costs:				
Interest on borrowings	(129,042)	(109,686)	(207,804)	(120,550)
Interest on payables to shareholders	(14,959)	(10,838)	(18,243)	(10,838)
Interest and exchange losses	(12,937)	4,560	(29,014)	(8,172)
Interest on lease	(70,901)	-	(175,685)	-
Tax on financial transactions (IOF)	(1,690)	(893)	(2,519)	(4,913)
Bank fees	(4,733)	(4,299)	(11,054)	(6,581)
Other finance costs	(1,450)	(1,260)	(1,760)	(4,033)
	(235,711)	(122,416)	(446,079)	(155,087)
Total	(191,148)	(85,833)	(388,797)	(121,023)

21. INCOME TAX AND SOCIAL CONTRIBUTION

a) Accounting practice

The provisions for corporate income tax (IRPJ) and social contribution on net income (CSLL) are calculated pursuant to prevailing Brazilian tax legislation based on the accounting profit adjusted by additions of nondeductible expenses and deductions of nontaxable income, and for temporary differences deferred taxes are recognized. Deferred taxes are recognized based on temporary differences or tax losses when there is reasonable certainty that they will be recoverable.

For indirect subsidiaries ASN, Biopauli, Bioequip, Smartfin, Bioflora, Franqueadora, Centrale and Biocerro, the IRPJ and CSLL tax bases are determined according to criteria established by prevailing tax legislation using the deemed profit regime, for the other subsidiaries the actual profit regime is used.

For foreign subsidiaries, taxes are calculated in accordance with local tax laws and deferred taxes are also accounted for based on temporary differences as provisions and on tax losses for the Companies which as in Brazil have reasonable certainty of their recovery.

b) Reconciliation of effective income tax and social contribution expense:

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Profit (loss) before income tax and social contribution	(350,747)	350,313	(298,579)	384,178
Statutory rate	34%	34%	34%	34%
Expected income tax and social contribution expense (income)	119,254	(119,107)	101,517	(130,620)
Effect of IRPJ and CSLL on permanent differences:				
Share of profit (loss) of investees	13,688	8,639	(604)	4,107
Gain on remeasurement of equity interest (*)	-	138,374	-	138,374
Temporary differences (unrecognized deferred tax)	(59,329)	(15,987)	(104,943)	(16,940)
Other permanent differences	(12,515)	(3,388)	(16,195)	(8,096)
Reversal of balances of companies with negative tax base (taxable profit)	(38,953)	(8,531)	(48,995)	(20,421)
Adjustment of companies taxed on the Presumed Profit	-	-	13,188	4,561
Taxes calculated in foreign subsidiaries	(21,098)	-	16,400	10,991
Income tax and social contribution loss	-	1,216	-	(8,238)
Offset of income tax and social contribution losses in profit or loss for the year	-	-	706	3,260
Others	1,720	-	(1,767)	(4,200)
Total	2,767	1,216	(40,693)	(27,222)
Income tax and social contribution in profit or loss for the year				
Current	(979)	-	(40,516)	(18,984)
Deferred	3,746	1,216	(177)	(8,238)
Total	2,767	1,216	(40,693)	(27,222)

(*) The gain on remeasurement of equity interest arising from the acquisition of control of Latamfit and CSC is not subject to taxation and will be considered as a permanent deduction for income tax calculation purposes.

c) Reconciliation of the income tax and social contribution payable

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Balance at January 1	1	1	10,234	2,397
Mergers	-	1,101	1,794	-
Current IRPJ and CSLL expense	-	-	20,354	
Taxes calculated in foreign subsidiaries	17,492	-	18,823	1,513
Net assets from the acquisition of subsidiaries	-	-	-	8,077
Offset of prior years	-	(1,081)	-	(11,771)
Prepayments and payments	(1)	(20)	(29,267)	(7,474)
Total	-	1	21,938	10,234

d) Deferred income tax and social contribution

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Temporary differences Latamfit Chile, Latamfit and CSC	-	-	39,844	23,046
Total assets	-	-	39,844	23,046
Allocation of trademark (i)	-	2,883	1,640	4,746
Allocation of customer list (i)			8,774	9,912
Income tax - Gold's Gym net assets	-	-	-	1,598
Surplus value of property and equipment	-	863	-	863
Total liabilities	-	3,746	10,414	17,119

(i) Referring to the balance of deferred taxes arising from Chile, Colombia and Mexico operations.

e) Deferred income tax and social contribution – not recognized

The Company is in process of corporate restructuring and operational restructuring; accordingly, no deferred income tax and social contribution was set up as a result of the Company's temporary differences, income tax and social contribution losses, except for the issue described above related to the operations in Brazil. These tax credits will be recognized when the business plan, individualized by entity of the Company, is formalized and approved. The amounts recognized as assets refer to operations in Mexico and Chile on temporary differences.

As at December 31, 2019, the balance of income tax and social contribution losses amounted to R$287,233 (R$165,848 in 2018), for companies in Brazil, these tax losses can be carried forward indefinitely, limited to 30% of the adjusted annual profit for tax purposes in accordance with prevailing tax legislation and temporary differences, and is being controlled in the Taxable Income Control Register (LALUR).

22. EARNINGS PER SHARE

a) Accounting practice

The Company presents two methods for calculation of earnings per share: (i) basic; and (ii) diluted. Basic earnings per share are calculated based on the weighted average number of shares outstanding during the year, except shares issued for payment of dividends and treasury shares. Diluted earnings per share take into consideration the weighted average number of shares outstanding during the year and the equity instruments issued by the Company that may possibly dilute the interest of its shareholders in future years, such as stock options which are included in the calculation when their settlement have a dilutive impact on the earnings per share.

b) Calculation of earnings per share

The Company calculates earnings per share by dividing the profit for the year, related to each class of shares, by the weighted average number of the related class of shares outstanding during the period.

The equity instruments that will be or can be settled in Company shares are included in the calculation only when their settlement have diluting impact on the earnings per share.

The table below presents the calculation of profit for the year available to holders of common and preferred shares and the weighted average number of common and preferred shares outstanding used to calculate basic and diluted earnings per share in each period presented:

	12/31/2019					
	Class A preferred shares	AB, AC, AE, AF, AG, AH, AI, AJ and AK preferred shares	Class C and F preferred shares	B, E, G, H, I, J and K preferred shares	Common shares	Total
Basic numerator:						
Loss for the year attributable to owners of the Company used to calculate total basic profit per share						(347,980)
Basic denominator:						
Available shares	4,961,680	-	1,502,744	-	14,601,763	21,066,187
Weighted average number of shares during the year	731,898	10,195	1,500,596	4,450,833	11,940,305	18,633,827
Basic loss per share - R$						(18.6746)

	12/31/2018			
	A, AB, AC, AE, AF, AG, AH, AI, AJ, AK preferred shares	B, C, E, F G, H, I, J and K preferred shares	Common shares	Total
Diluted numerator:				
Profit for the year attributable to owners of the Company used to calculate total diluted earnings per share				351,529
Diluted denominator:				
Available shares	33,164	7,280,800	11,057,992	18,371,956
Weighted average number of available shares	28,961	4,956,293	11,057,992	16,043,246
Stock options (note 23)	-	-	419,487	419,487
Diluted weighted average number of available shares	28,961	4,956,293	11,477,479	16,462,733
Basic earnings per share – R$				21.9113
Diluted earnings per share – R$				21.3530

23. SHARE-BASED PAYMENT

a) Accounting practice

Share-based equity-settled payments are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market vesting conditions. The fair value determined on the grant date is recorded using the straight-line method as an expense during the vesting period.

b) Changes of plans

The stock option plans aim to stimulate the expansion, success and achievement of the Company's objectives, align the interests of shareholders with those of eligible people and encourage the generation of sustainable results. In 2018, the Company approved plans 1 and 2, and plan 3 in 2019.

There are no differences between the plans other than the vesting periods. The exercise of options is conditioned to the vesting period (waiting periods set out in the Option Agreement) and the occurrence of a liquidity event, which is defined as a public offering or a sale of the Company's shares to an acquirer. Until the occurrence of the vesting and of the liquidity event, options are not exercisable.

The options in Plan 1 and Plan 2 are assessed using the "Black-Scholes" pricing model. The table below shows the variables used to evaluate the options granted. The exercise price is adjusted by the IPCA, beginning on January 1, 2017. As at December 31, 2019, the assumptions used to calculate the fair value of options granted were the following:

	Plan 1		Plan 2	
Grant date	7/1/2018		7/1/2018	
Number of shares granted	331,062		88,425	
Vesting	10/31/2018	33%	12/31/2018	25%
	12/31/2018	33%	12/31/2019	25%
	12/31/2019	33%	12/31/2020	50%
Exercise price at the grant date	139.86		139.86	
Risk free interest rate	4.4%		4.4%	
Expected dividend yield	0.9%		0.9%	
Volatility of shares in the market	33.1%		33.1%	
Option fair value at the grant date	10.76		13.78	

The expected volatility was calculated based on companies from the same sector with shares traded in the United States and Europe, given that the Company does not trade its shares on the stock market and there are no listed companies from the same sector in Brazil.

Plan 3 options are valued at their intrinsic value (market price in the event of liquidity less the exercise price).

As at December 31, 2019, the amount recognized in profit or loss, in accordance with IFRS 2 / CPC 10, was R$157,264 for Plans 1,2 and 3 against capital reserve, and the expense is recognized on a straight-line basis by plan and number of options linked to each vesting period.

Changes in options granted during the year ended December 31, 2019 were as follows:

	Number of options outstanding			
	Plan 1	Plan 2	Plan 3	Exercise price
Options granted	331,062	88,425	579,141	-
Exercised	(220,711)	-	(579,141)	140.55
Canceled	-	(88,425)	-	-
Balance of options	110,351	-	-	-

The options under Plan 2 were canceled, upon an indemnity in the amount of R$24,000 in two installments, recognized as repurchase of equity instrument, i.e., in a reducing account of equity. Such cancelation accelerated the recognition of the linear expenses of this plan, in the period of the liquidity event, generating an expense of R$202.

Due to the conclusion of the investment agreement by BPE FIT, a company controlled by investment funds managed by Pátria, which occurred on October 17, 2019, there was an event in two liquidity installments, causing the possibility of partially settling these plans (for vested options) with the delivery of equity instruments. Given the liquidity event arising from the transaction above, the following impacts were recorded:

Exercise of vested options by the participants on November 1, 2019, in the amount of R$113,000, causing a capital increase in the Company.

Repurchase by the Company of the shares paid in by the participants, in the total amount of R$329,000 (R$91,000 from Plan1 and R$238,000 from Plan 3).

Provision of R$47,000 for expenses related to the exercise of options.

24. FINANCIAL INSTRUMENTS

a) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders and to maintain an adequate capital structure to reduce the cost of capital.

The Company’s capital structure consists of financial liabilities with financial institutions and debentures (note 13), trade and other payables (note 14), payables to shareholders (note 15), cash and cash equivalents (note 3) and equity (note 17).

Management reviews the Company’s capital structure and its ability to settle liabilities on a periodic basis and timely monitors the average term of receivables and payables, taking the necessary actions to maintain them at levels considered adequate for financial management purposes.

b) Categories of financial instruments

The Company's financial instruments are classified as amortized cost, since the Company's objective is to maintain until the maturity date and collect the contractual cash flows from the transactions. The fair value of financial instruments does not differ from the carrying amount as shown below:

	Parent		Consolidated	
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Financial assets				
Amortized cost:				
Cash and cash equivalents	1,087,872	499,468	1,351,381	666,780
Investments in restricted cash	-	36,903	5,336	41,909
Escrow deposits	41,453	1,097	43,328	1,369
Related parties	50,979	127,881	11,734	2,057
Trade receivables	100,807	55,689	137,043	105,553
Other receivables	12,052	8,275	68,818	74,150
Total	1,293,163	729,313	1,617,640	891,818
Financial liabilities				
Amortized cost:				
Borrowings	1,515,467	1,194,852	2,206,650	1,809,001
Lease liability	931,677	-	2,412,410	-
Taxes in installments	4,031	401	7,771	7,578
Other payables	45,319	114,623	63,378	148,586
Payables to shareholders	6,284	376,698	7,868	377,202
Related parties	44,171	15,687	301	301
Trade payables	63,962	28,127	163,569	100,304
Total	2,610,911	1,730,388	4,861,947	2,442,972

The balance of "Borrowings" is adjusted for inflation based on market indexes (CDI), contractual rates (note 13) and variable interest according to market conditions and, therefore, the fair value is R$1,249,011 in Parent and R$1,634,816 in Consolidated.

c) Financial risks

The Company's activities are exposed to some financial risks, such as credit risk and liquidity risk.

Risk management is carried out by the Company's Management in accordance with the policies approved by the Board of Executive Officers. The Company's Treasury department identifies, measures and hedges it against possible financial risks in cooperation with the Company's operating units.

d) Market risk - interest rate

The Company raises borrowings in local currency with the financial institutions, at fixed and variable interest rates, among which there is the Interbank Certificate of Deposit (CDI), to cover the cash requirements for investment and customer financing. Concurrently, the Company makes short-term investments linked to CDI, aiming at partially offsetting the impacts arising from financial charges on borrowings. The Company and its subsidiaries do not have swap or hedging derivative contracts to hedge against this risk.

e) Fair value of the financial instruments

When the fair value of financial assets and liabilities stated in the balance sheet cannot be obtained from active markets, it is determined by using valuation techniques, including the discounted cash flow method. Data for these methods are based on market data, when possible; however, when this is not feasible, a certain level of judgment is required to establish the fair value. Judgment includes considerations on the data used, such as liquidity risk, credit risk and volatility. Changes in assumptions on these factors could affect the reported fair value of the financial instruments.

The Company adopts the following methodology to determine and disclose the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 which are directly (such as prices) or indirectly (price derived) observable for assets or liabilities. Borrowings are classified into this level.
- Level 3: inputs for the asset or liability that are not based on observable market inputs (unobservable inputs).

Based on the financial instruments' category, there are no financial assets and liabilities at fair value.

During the years ended December 31, 2019 and 2018, the Company and its subsidiaries did not have derivative financial instruments and/or transactions involving embedded derivatives.

The Company performed a sensitivity analysis of the financial instruments exposed to interest rate risk, and adopted the following assumptions:

- Identify the market risks that can result in material losses to the Company.
- Outline a probable risk scenario (scenario I). For the probable scenario, the annual interest rate for the next 12 months was weighted at 5.93% based on the CDI curve obtained at B3 S.A. – Brasil, Bolsa, Balcão, weighted average of 9.3% on IBR and DTF obtained from the Central Bank of Colombia and 2.78% on TAB 30 obtained from the Association of Banks and Financial Institutions of Chile.
- Outline two additional scenarios with stresses of at least 25% and 50% in the risk variable considered (Scenarios II and scenario III, respectively).
- Present the impact of the outlined scenarios on the fair value of the financial instruments.

The assets and liabilities subject to interest rate risks are shown below, recalculated as per the previously outlined scenarios as at December 31, 2019:

			Consolidated	Amounts in R$		
Operation	Rate	Risk	Balance at 12/31/2019	Scenario I	Scenario II	Scenario III
Short-term investments	100.2% of CDI (*)	CDI decrease	1,233,539	73,345	91,681	110,017
Debentures	100% of CDI + 2.5% (*)	CDI increase	(1,310,830)	(116,239)	(145,299)	(174,358)
Working capital - Brazil	100% of CDI + 3.9% (*)	CDI increase	(204,637)	(19,145)	(23,931)	(28,718)
Working capital - Latamfit	IBR | DTF + 5% to 9.21%	Increase in IBR DTF / Fixed rate	(92,041)	(8,542)	(10,677)	(12,812)
Working capital - Mexico	TIIE + 2.8%	TIIE increase	(281,680)	(31,858)	(39,822)	(47,787)
Finance lease	100% of CDI +3.1% (*)	CDI increase	(25,388)	(2,290)	(2,862)	(3,435)
Lease - Latamfit	DTF/IBR +3.7% to 5.25%	IBR/DTF increase	(60,084)	(5,409)	(6,761)	(8,113)
Total			(741,122)	(110,137)	(137,672)	(165,206)

(*) Average rate.

f) Foreign exchange risk

The Company and its Brazilian subsidiaries are exposed to foreign exchange risk because they have transactions in foreign currency. The Company is exposed to foreign exchange risk on its investments in foreign subsidiaries and joint ventures, mainly in its operations in Chile, Colombia, Peru and Mexico. Management believes that these are long-term investments and monitors the operational return on these investments and any short-term foreign currency fluctuations will not have immediate financial impacts for the Company. In addition, Management does not use derivative instruments or swap agreements to hedge against this risk.

The subsidiary in Peru has balances payable in US dollars related to the acquisition mentioned in note 14, therefore, it is exposed to foreign exchange risk. In the probable scenario, to measure the estimated net impact for the next 12 months arising from the foreign exchange risk, the exchange rate was set at R$4.10 based on the position disclosed by the Central Bank of Brazil. The dollar was projected with a 25% and 50% increase in the risk variation considered (scenarios II and III, respectively), for the other currencies a safe source of future projection was not found, we consider scenario I with the rates at December 31, 2019.

		Consolidated	Amounts in R$		
Operation	Risk	Balance at 12/31/2019	Scenario I	Scenario II	Scenario III
Call option payable Latamfit Chile	Dollar increase	4,447	-	1,112	2,224
Contingent consideration Latamfit Chile	CLP increase	1,677	-	419	839
Consideration for the exchange of shares - Latamfit	COP increase	(17,489)	-	(4,372)	(8,744)
Consideration for the exchange of shares - CSC*	MXN increase	(341,239)	-	(85,310)	(170,619)
Payable - Smartfit Peru	US Dollar increase	(4,031)	(49)	(1,069)	(2,089)
Financial investment in foreign currency - Smartfit	US Dollar increase	605	7	160	313
		(356,029)	(42)	(89,069)	(178,077)

g) Credit risk management

The operations of the Company and its direct and indirect subsidiaries and joint ventures comprise the provision of services related to physical fitness activities. Services are legally supported by agreements and other legal instruments that may be required. The Company and its subsidiaries are exposed to credit risk for cash and cash equivalents held with financial institutions and for the position of receivables generated in trading transactions.

For the balances of cash and cash equivalents, in order to minimize the credit risk, the Company adopts policies that restrict the bank relationship in financial institutions validated and approved by the Board of Directors. This policy also establishes monetary limits and risk concentration, which are regularly updated.

For the balances of trade receivables, the credit risk is mitigated by the fact that a large part of the Company’s and its subsidiaries’ sales are made using as means of payment the credit card, and are substantially securitized with the credit card companies, whose maximum exposure is the amount disclosed in note 7.

h) Liquidity risk management

Management monitors the ongoing forecasts of the Company’s liquidity requirements to ensure it has sufficient cash to meet its operational needs.

Because of the dynamics of its business, the Company and its subsidiaries maintain borrowing flexibility by maintaining bank credit lines with some financial institutions.

The table below shows the maturity of the financial liabilities contracted (consolidated):

	12/31/2019			
Operation	Up to 1 year	Up to 2 years	From 2 to 5 years	Total
Trade payables	163,569	-	-	163,569
Other payables	45,157	18,221	-	63,378
Payables to shareholders	6,862	1,006	-	7,868
Borrowings, debentures and promissory notes	253,494	604,063	1,349,093	2,206,650
Lease liability	598,077	572,977	1,241,356	2,412,410

	12/31/2018			
Operation	Up to 1 year	Up to 2 years	From 2 to 5 years	Total
Trade payables	100,308	-	-	100,308
Other payables	146,283	2,301	-	148,584
Payables to shareholders	113,573	97,838	165,791	377,202
Borrowings, debentures and promissory notes	380,835	440,990	987,176	1,809,001

i) Guarantees provided

	12/31/2019	12/31/2018
Guarantees provided:		
Letters of guarantee	56,733	60,708

Guarantees provided by the Company and its subsidiaries under letters of guarantee issued by independent financial institutions as guarantee of payment of lease agreements and sundry payables

25. SEGMENT INFORMATION

a) Accounting practice

Segment information is presented consistently with the internal report provided to the chief operating decision maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, is the Chief Executive Officer, responsible also for making the Company's strategic decisions.

b) Breakdown of the balance

c) Management analyzes its operations based on three different business segments: "Premium", which offers a greater variety and a more customized service offer; "High Value/Low Price", with a service offering focused on the core business and with more affordable prices; and Other, which includes other businesses related to fitness. Management also analyzes its businesses based on a geographic segmentation, considering three markets: Brazil, Mexico and Other Latin America which in 2019 included operations in Peru, Colombia, Chile, Argentina and Paraguay.

In the "Premium" segment, the company operates only in Brazil with the "Bio Ritmo" brand and from the first quarter of 2018 also in Chile with the "O2" brand. In the "High Value/Low Price" segment, the company operates in all geographic areas with the "Smart Fit" brand.

Management monitors separately the operating results of its business units in order to make decisions about resource allocation and assessment of performance. Operating segments are disclosed consistently with the internal report provided to the chief operating decision maker, identified as the Chief Executive Officer.

The operations in Mexico and Other Latin America, although being consolidated into the Company's financial statements for 2018, prior to the acquisitions mentioned in Note 9, are being disclosed in their totality to represent the total Group's profit or loss and disregarded in the elimination column to return the consolidated result.

The Company calculates the results of the segments using the accounting practices adopted in Brazil and the IFRS; among other factors, the gross profit of each segment. The Company often reviews the calculation of each segment's gross profit, as established by information regularly reviewed by the chief operating decision-maker (Chief Executive Officer). The assets and liabilities by segment are not being presented, in line with IFRS 8 and CPC 22, since this information is not regularly presented to the chief decision maker.

	Brazil			Mexico	Other Latin America			
Year ended December 31, 2019	Smart Fit	Bio Ritmo	Others	Smart Fit	Smart Fit	Others	Elimination	Consolidated
Net operating revenue	943,248	117,701	88,606	420,596	372,190	41,607	-	1,983,947
Cost of services rendered	(645,456)	(88,215)	(23,969)	(236,985)	(227,080)	(28,274)	-	(1,249,978)
Gross profit	297,792	29,486	64,637	183,611	145,110	13,333	-	733,969
Operating income (expenses)								
Selling expenses			(95,033)	(34,716)	(21,121)	(2,545)	-	(153,415)
General and administrative expenses			(377,948)	(31,571)	(35,293)	(15,571)	-	(460,382)
Share of profit (loss) of investees			-	-	-	-	(1,776)	(1,776)
Other operating (expenses) income, net			(20,250)	352	(8,839)	559	-	(28,178)
Profit (loss) before finance income (costs)			(428,595)	117,677	79,857	(4,224)	(1,776)	90,218
Other segment information								
Costs with depreciation and amortization	(267,287)	(27,891)	(11,129)	(113,705)	(107,233)	(3,654)	-	(530,900)
Expenses with depreciation and amortization	(378)	-	(9,388)	(1,280)	(528)	(1,365)	-	(12,939)
Costs and expenses with fixed lease	(159,678)	(17,298)	(4,175)	(77,740)	(58,259)	-	-	(317,150)
Cost with fixed lease	(159,678)	(17,298)	(2,400)	(77,740)	(57,120)	-	-	(314,237)
Expense with fixed lease	-	-	(1,775)	-	(1,138)	-	-	(2,913)
Total expenses with the opening of new units	(26,384)	(796)	(5,234)	(8,491)	(6,765)	-	-	(47,670)
Costs with the opening of new units	(19,047)	(318)	(4,359)	(2,720)	(4,308)	-	-	(30,752)
Expenses with the opening of new units	(7,337)	(478)	(875)	(5,771)	(2,457)	-	-	(16,918)

	Brazil			Mexico	Other Latin America				
Year ended December 31, 2018	Smart Fit	Bio Ritmo	Others	Smart Fit	Smart Fit	Others	Subtotal	Elimination	Consolidated
Net operating revenue	759,165	116,167	32,580	296,231	217,234	31,032	1,452,409	(292,376)	1,160,033
Cost of services rendered	(546,967)	(88,644)	(9,691)	(193,680)	(140,872)	(18,301)	(998,155)	190,769	(807,386)
Gross profit	212,198	27,523	22,889	102,551	76,362	12,731	454,254	(101,607)	352,647
Operating income (expenses):									
Selling expenses			(66,876)	(23,080)	(13,461)	-	(103,417)	21,945	(81,472)
General and administrative expenses			(113,822)	(20,172)	(34,288)	-	(168,282)	18,799	(149,483)
Share of profit (loss) of investees			-	-	-	-	-	12,078	12,078
Other operating (expenses) income, net			369,666	(371)	2,136	-	371,431	-	371,431
Profit (loss) before finance income (costs)			451,578	58,928	30,749	12,731	553,986	(48,785)	505,201
Other segment information									
Costs with depreciation and amortization	(120,853)	(15,579)	(5,282)	(47,500)	(38,810)	(1,203)	(229,227)	49,921	(179,306)
Expenses with depreciation and amortization	(371)	-	(3,293)	(243)	(1,177)	-	(5,084)	184	(4,900)
Total expenses with the opening of new units	(22,602)	(1,209)	(2,389)	(8,802)	(8,618)	(326)	(43,946)	8,307	(35,639)
Costs with the opening of new units	(17,961)	(1,129)	(1,108)	(3,991)	(6,882)	(198)	(31,269)	4,181	(27,088)
Expenses with the opening of new units	(4,641)	(80)	(1,281)	(4,811)	(1,736)	(128)	(12,677)	4,126	(8,551)

26. INSURANCE COVERAGE

The policy adopted by the Company and its direct and indirect subsidiaries considers mainly the concentration of risks and their materiality, taking into consideration the nature of their activities and the advice of their insurance brokers. The insurance coverage as at December 31, 2019 is as follows:

	Parent	Consolidated
Basic asset coverage	83	822,218
Loss of profits - gross profit	-	5,000

27. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

Non-cash variations for the year are as follows:

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Purchases of property and equipment payable	13,815	6,951	238,736	23,352
Lease – machinery and equipment	14,182	-	14,182	-
Adjustment of exchange rate translation on investees abroad	-	35,513	-	35,513
Gain on remeasurement of equity interest	(7,859)	(406,982)	-	(406,982)
Acquisition of Latamfit Chile				
Trade receivables	-	-	-	1,361
Other receivables	-	-	-	6,204
Deferred income tax and social contribution	-	-	-	6,855
Property and equipment	-	-	-	56,989
Intangible assets	-	-	-	1,907
Borrowings	-	-	-	(35,247)
Trade payables	-	-	-	(4,836)
Operating lease - lease of gyms	-	-	-	(1,588)
Other payables	-	-	-	(901)
Taxes payable	-	-	-	(3,433)
Services payable to related parties	-	-	-	(520)
Other liabilities	-	-	-	(9,689)
Surplus price paid (preliminary)	-	(169,737)	-	(169,737)
Capital increase and capital reserves	-	175,100	-	175,100
Minimum contractual payment from Latamfit Chile call option	-	24,019	-	24,019
Contingent payment	-	11,037	-	11,037
Acquisition of Latamfit				
Trade receivables	-	-	-	518
Other assets	-	-	-	4,419
Property and equipment	-	-	-	172,173
Intangible assets	-	-	-	1,393
Trade payables	-	-	-	(9,843)
Borrowings	-	-	-	(63,395)
Taxes payable	-	-	-	(5,376)
Other liabilities	-	-	-	(2,753)
Surplus price paid (preliminary)	-	(365,255)	-	(365,255)
Capital increase and capital reserves	-	110,255	-	110,255
Acquisition of CSC				
Trade receivables	-	-	-	994
Taxes recoverable	-	-	-	9,217
Other receivables	-	-	-	20,591

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Deferred taxes	-	-	-	15,993
Investments	-	-	-	52,402
Other assets	-	-	-	1,163
Property and equipment	-	-	-	418,294
Trade payables	-	-	-	(12,754)
Borrowings	-	-	-	(231,424)
Taxes payable	-	-	-	(20,108)
Deferred revenue	-	-	-	(12,185)
Other liabilities	-	-	-	(7,786)
Surplus price paid (preliminary)	-	(463,399)	-	(463,399)
Capital increase and capital reserves	-	50,680	-	50,680
Effect of merges				
Cash and cash equivalents	14,389	-	-	-
Trade receivables	21,632	5,854	-	-
Taxes recoverable	10,929	1,681	-	-
Prepaid expenses	2,464	-	-	-
Other receivables	1,354	-	-	-
Related parties - assets	10,304	-	-	-
Other assets	8	4,255	-	-
Investments	8,058	(38,575)	-	-
Property and equipment	133,259	18,674	-	-
Leased property and equipment	173,685	-	-	-
Intangible assets	2,147	35	-	-
Trade payables	(5,375)	(1,276)	-	-
Borrowings	(35,076)	(742)	-	-
Other liabilities	(378)	(11,444)	-	-
Lease liability	(174,262)	-	-	-
Salaries, accruals and social contributions	(4,854)	-	-	-
Taxes and contributions payable	(4,422)	-	-	-
Provision for income tax and social contribution	(1,794)	-	-	-
Taxes in installments	(3,778)	-	-	-
Deferred revenue	(10,714)	-	-	-
Related parties – liabilities	(103,603)	-	-	-
Provision for civil, tax and labor risks	(925)	-	-	-
Share capital	(17,177)	-	-	-
Earnings reserve	(15,871)	-	-	-

28. EVENTS AFTER THE REPORTING PERIOD

COVID-19

On March 18, 2020, the Company communicated to its shareholders and the market in general, by means of a Material Fact and in compliance with CIRCULAR LETTER/CVM/SNC/SEP/No. 02/2020, that it temporarily closed all its gyms, in all countries where it operates, for at least 15 days beginning on March 19, 2020. The decision is in line with the recommendation of the local public agencies where the Company operates with respect to the Coronavirus (COVID-19).

The members’ plans were suspended, and the period in which the gyms remain closed will be deducted from the next monthly fee. In order for its members to maintain physical activity, Smart Fit launched an online training service, available on the website https://www.smartfit.com.br/treineemcasa.

The Company has a comfortable cash position, mainly due to the capital increase made in the fourth quarter of 2019. Measures have been taken to preserve its liquidity, such as suspending the start of construction of new gyms.

At this time, it is not possible to estimate the impact of the Coronavirus on the Company's results, as its extent will depend on the duration of the closings and on the measures taken by public agencies to contain the pandemic.
