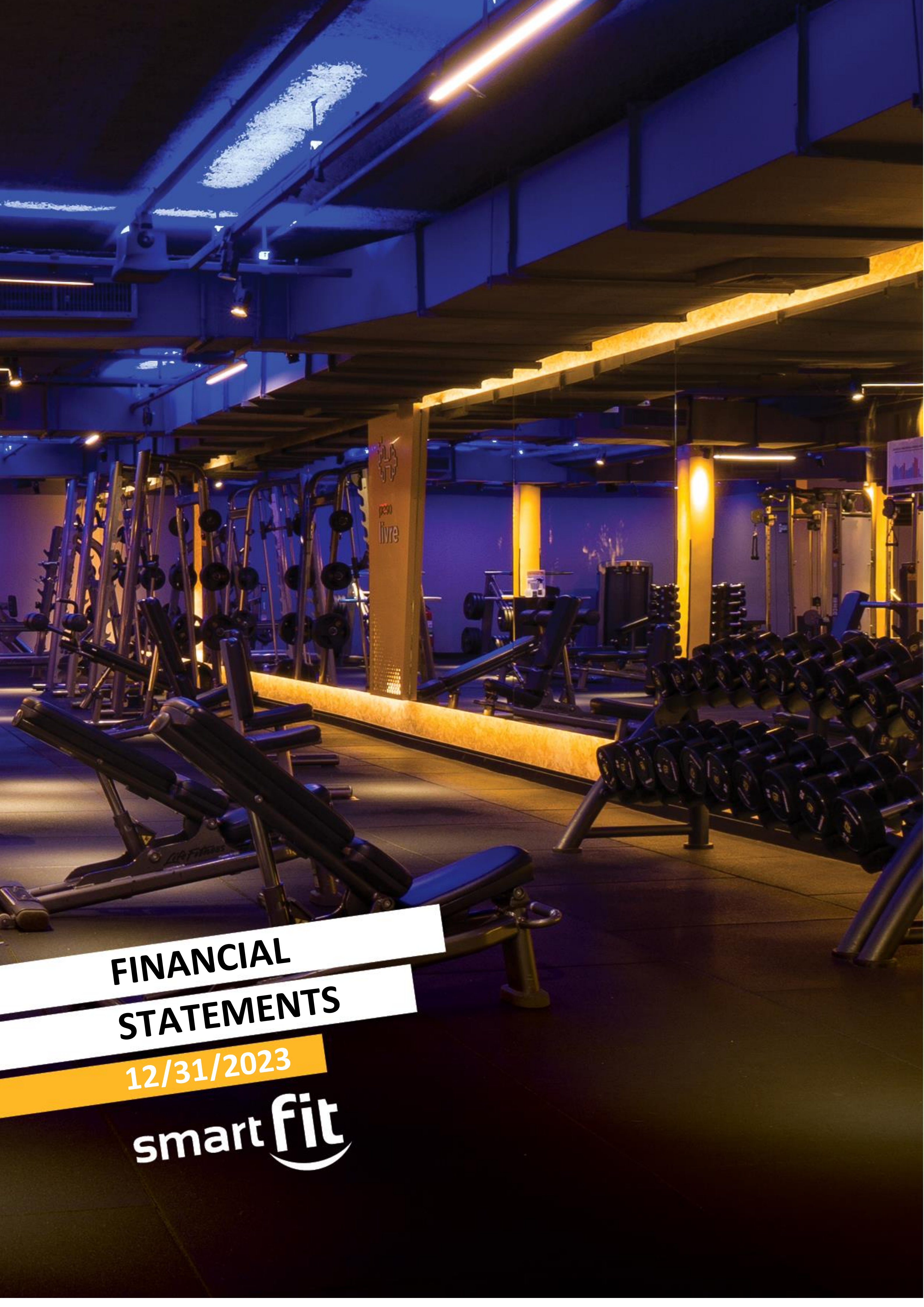

FINANCIAL STATEMENTS

12/31/2023

Contents

TERMS	GLOSSARY
EGM	Extraordinary General Meeting
AGM	Annual General Meeting
AEGM	Annual and Extraordinary General Meeting
B3	B3 S.A. – Brasil, Bolsa, Balcão
CADE	Administrative Council for Economic Defense
CDB	Bank Deposit Certificate
CDI	Interbank Deposit Certificate
CLP	Chilean pesos – Official currency in Chile
COFINS	Contribution for Social Security Financing
Company or Smartfit	Smartfit Escola de Ginástica e Dança S.A.
Covenants	Contractual Commitment Clauses
COP	Colombian pesos – Official currency in Colombia
CPC	Brazilian Accounting Pronouncements Committee
CRI	Certificates of Real Estate Receivables
CSLL	Social Contribution on Net Income
CVM	Securities and Exchange Commission of Brazil
Dec/22 or 12/31/2022	Financial Information as of and for the Year Ended December 31, 2022
Dec/23 or 12/31/2023	Financial Information as of and for the Year Ended December 31, 2023
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
Group	Smartfit and its subsidiaries
HVLP	High Value / Low Price
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBR	Banking Reference Indicator
IFRS	International Financial Reporting Standards
IGV	General Sales Tax
INSS	Contributions to the National Institute of Social Security
IPCA	Amplified Consumer Price Index
IPO	Initial Public Offering
IRPJ	Corporate Income Tax
IRRF	Withholding Income Tax
ITR	Quarterly Information
JCP	Interest on Capital
Joint Venture	A joint arrangement whereby the parties have joint control of the arrangement
LALUR	Taxable Income Control Register
LF	Financial bills
LFT	Financial Treasury Bills
MXN	Mexican pesos – Official currency in Mexico
MOU	Memorandum of Understanding
Note	Note to the Financial Statements
PEN	Peruvian Nueveo Sol – Official currency in Peru
PIS	Social Integration Program
R$/BRL	Reais – Official currency in Brazil
SPE	Special Purpose Company
STF	Federal Supreme Court
TIIE	*“Tasa de Interés Interbancaria de Equilibrio” in Mexico*
CGU	Cash-generating Unit
VP	Vice-President

BALANCE SHEETS

At December 31, 2023

(In thousands of Brazilian reais - R$, unless otherwise stated)

	Notes	Parent 12/31/2023	Parent 12/31/2022	Consolidated 12/31/2023	Consolidated 12/31/2022
ASSETS					
Current assets					
Cash and cash equivalents	4	46,505	234,037	1,103,433	690,119
Investments in financial assets	5	2,052,180	2,232,715	1,509,880	2,232,716
Trade receivables	6	148,818	117,245	349,007	271,728
Related parties	7	85,123	104,800	32,962	20,881
Taxes recoverable	8	75,187	93,552	228,284	240,386
Derivative financial instruments	9	8,460	-	12,939	8,132
Other receivables	10	19,740	11,160	109,629	52,197
Total current assets		**2,436,013**	**2,793,509**	**3,346,134**	**3,516,159**
Noncurrent assets					
Investments in financial assets	5	4,234	5,796	69,212	43,464
Related parties	7	14,335	20,101	-	-
Taxes recoverable	8	-	-	33,289	52,494
Derivative financial instruments	9	14,784	35	14,997	3,748
Other receivables	10	121,264	98,396	214,790	169,283
Deferred income tax and social contribution	19	430,115	-	798,258	204,562
Investments in subsidiaries and joint ventures	11	3,659,845	2,818,730	40,940	447,994
Right-of-use assets	14	1,193,246	1,029,761	3,755,019	3,067,369
Property and equipment	12	1,163,244	1,036,087	4,044,554	3,132,019
Intangible assets	13	152,209	133,482	1,912,984	1,412,458
Total noncurrent assets		**6,753,276**	**5,142,388**	**10,884,043**	**8,533,391**
TOTAL ASSETS		**9,189,289**	**7,935,897**	**14,230,177**	**12,049,550**
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	15	167,449	87,589	399,172	241,227
Related parties	7	42,332	53,490	2,603	2,473
Taxes and contributions payable		84,397	45,870	216,171	112,280
Other liabilities	16	235,299	177,721	283,619	226,592
Borrowings	17	32,482	96,531	594,402	488,226
Lease liabilities	14	186,655	178,315	542,182	449,662
Deferred revenue	21	27,596	63,544	206,083	228,425
Total current liabilities		**776,210**	**703,060**	**2,244,232**	**1,748,885**
Noncurrent liabilities					
Related parties	7	291	466	-	-
Other liabilities	16	11,924	188,654	24,330	199,208
Borrowings	17	2,216,422	1,903,499	3,225,497	2,931,668
Lease liabilities	14	1,070,148	911,555	3,565,232	2,879,785
Deferred revenue	21	132	662	132	662
Deferred tax liabilities	19	-	-	7,719	19,349
Derivative financial instruments	9	36,198	36,990	36,198	36,990
Provisions for judicial liabilities	18	9,702	4,625	31,203	24,888
Total noncurrent liabilities		**3,344,817**	**3,046,451**	**6,890,311**	**6,092,550**
TOTAL LIABILITIES AND EQUITY		**4,121,027**	**3,749,511**	**9,134,543**	**7,841,435**
EQUITY	20				
Share capital		2,970,443	2,970,443	2,970,443	2,970,443
Capital reserves		953,421	2,297,612	953,421	2,297,612
Legal reserve		770,554	-	770,554	-
Accumulated losses		-	(1,375,832)	-	(1,375,832)
Other comprehensive income		373,844	294,163	373,844	294,163
Equity attributable to the owners of the Company		**5,068,262**	**4,186,386**	**5,068,262**	**4,186,386**
Noncontrolling interests		-	-	27,372	21,729
TOTAL EQUITY		**5,068,262**	**4,186,386**	**5,095,634**	**4,208,115**
TOTAL LIABILITIES AND EQUITY		**9,189,289**	**7,935,897**	**14,230,177**	**12,049,550**

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

STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

Year ended December 31, 2023

(In thousands of Brazilian reais - R$, unless otherwise stated)

		Parent		Consolidated	
	Notes	12/31/2023	12/31/2022	12/31/2023	12/31/2022
PROFIT (LOSS)					
Operating revenue	21	1,427,939	1,080,956	4,244,743	2,930,438
Costs	22	(934,001)	(860,857)	(2,533,854)	(2,018,417)
Gross profit		**493,938**	**220,099**	**1,710,889**	**912,021**
Selling expenses	22	(153,605)	(145,852)	(344,782)	(292,346)
General and administrative expenses	22	(243,604)	(182,552)	(468,361)	(347,991)
Other operating income (expenses), net	22	117,776	(12,627)	148,217	(12,838)
Share of profit (loss) of investees	11	493,380	110,829	(1,089)	6,570
Operating profit (loss) before finance income (costs)		**707,885**	**(10,103)**	**1,044,874**	**265,416**
Finance income	23	359,797	349,418	460,541	450,779
Finance costs	23	(448,919)	(428,746)	(933,829)	(798,510)
Finance income (costs), net	23	(89,122)	(79,328)	(473,288)	(347,731)
Profit (loss) before income tax and social contribution		**618,763**	**(89,431)**	**571,586**	**(82,315)**
Income tax and social contribution	19	417,791	-	472,590	(3,736)
PROFIT (LOSS) FOR THE YEAR		**1,036,554**	**(89,431)**	**1,044,176**	**(86,051)**
Attributable to:					
Owners of the Company				1,036,554	(89,431)
Noncontrolling interests				7,622	3,380
Earnings (loss) per share:					
Basic	24	1.7681	(0.1525)	1.7681	(0.1525)
Diluted	24	1.7013	(0.1525)	1.7013	(0.1525)
OTHER COMPREHENSIVE INCOME					
Items that may be subsequently reclassified to profit or loss					
Foreign exchange effect on translation of financial statements of foreign subsidiaries	11	62,900	(108,927)	62,616	(109,172)
Deferred income tax and social contribution on foreign exchange effect on translation	19	10,055	(19,336)	10,055	(19,336)
Effect of investments on equity instruments measured at fair value through other comprehensive income		9,840	(7,733)	9,840	(7,733)
Deferred income tax and social contribution on effect of investments on equity instruments measured at fair value	19	(3,114)	3,386	(3,114)	3,386
TOTAL OTHER COMPREHENSIVE INCOME		**79,681**	**(132,610)**	**79,397**	**(132,855)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,116,235**	**(222,041)**	**1,123,573**	**(218,906)**
Attributable to:					
Owners of the Company				1,116,235	(222,041)
Noncontrolling interests				7,338	3,135

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

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2023

(In thousands of Brazilian reais - R$, unless otherwise stated)

		Capital reserves						Equity attributable to		
CHANGES IN EQUITY	Share capital	Capital reserve	Equity instruments	Transactions with shareholders	Legal reserve	Retained earnings (accumulated losses)	Other comprehensive income	Owners of the Company	Noncontrolling interests	Total equity
At December 31, 2021	**2,970,443**	**2,221,696**	**99,841**	**(35,847)**	-	**(1,286,401)**	**426,773**	**4,396,505**	**32,787**	**4,429,292**
					-					
Profit (loss) for the year	-	-	-	-	-	(89,431)	-	(89,431)	3,380	(86,051)
Other comprehensive income	-	-	-	-	-	-	(132,610)	(132,610)	(245)	(132,855)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	-	**(89,431)**	**(132,610)**	**(222,041)**	**3,135**	**(218,906)**
					-					
Share-based payments	-	15,925	-	-	-	-	-	15,925	8	15,933
Capital increase in subsidiaries	-	-	-	-	-	-	-	-	11,792	11,792
Capital decrease in subsidiaries	-	-	-	(4,003)	-	-	-	(4,003)	(16,650)	(20,653)
Dividends paid to subsidiaries	-	-	-	-	-	-	-	-	(9,343)	(9,343)
Transactions with shareholders recognized directly in equity	**-**	**15,925**	**-**	**(4,003)**	-	**-**	**-**	**11,922**	**(14,193)**	**(2,271)**
					-					
At December 31, 2022	**2,970,443**	**2,237,621**	**99,841**	**(39,850)**	-	**(1,375,832)**	**294,163**	**4,186,386**	**21,729**	**4,208,115**
Profit (loss) for the year	-	-	-	-	-	1,036,554	-	1,036,554	7,622	1,044,176
Other comprehensive income	-	-	-	-	-	-	79,681	79,681	(284)	79,397
Total comprehensive income for the year	**-**	**-**	**-**	**-**		**1,036,554**	**79,681**	**1,116,235**	**7,338**	**1,123,573**
Share-based payments(1)	-	31,641	-	-	-	-	-	31,641	-	31,641
Absorption of losses (2)	-	(1,375,832)	-	-	-	1,375,832	-	-	-	-
Legal reserve (2)	-	-	-	-	51,828	(51,828)	-	-	-	-
Statutory reserve (2)	-	-	-	-	718,726	(718,726)	-	-	-	-
Dividends paid to subsidiaries(2)	-	-	-	-		(266,000)	-	(266,000)	(1,695)	(267,695)
Transactions with shareholders recognized directly in equity	**-**	**(1,344,191)**	**-**	**-**	**770,554**	**339,278**	**-**	**(234,359)**	**(1,695)**	**(236,054)**
At December 31, 2023	**2,970,443**	**893,430**	**99,841**	**(39,850)**	**770,554**	**-**	**373,844**	**5,068,262**	**27,372**	**5,095,634**

(1) See note 27.
(2) See note 20.

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

STATEMENTS OF CASH FLOWS
Year ended December 31, 2023
(In thousands of Brazilian reais - R$, unless otherwise stated)

		Parent		Consolidated	
	Notes	12/31/2023	12/31/2022	12/31/2023	12/31/2022
CASH FLOW FROM OPERATING ACTIVITIES					
Profit (loss) for the year		1,036,554	(89,431)	1,044,176	(86,051)
Adjustments to reconcile profit (loss) for the year to net cash from operating activities:					
Current income tax and social contribution	19	(417,791)	-	(472,590)	3,736
Depreciation and amortization	12,13,14	397,616	369,677	1,157,395	902,255
Allowance for expected credit losses	6	(1,525)	-	(1,844)	(141)
Share of profit (loss) of investees	11	(493,380)	(110,829)	1,089	(6,570)
Remeasurement of interest previously held in subsidiary	3	(176,599)	-	(176,599)	-
Write-off of intangible assets, property and equipment, and leases		25,152	31,958	35,417	49,753
Interest on borrowings	23	296,827	289,031	481,158	419,840
Interest on leases	23	92,462	86,526	342,611	277,941
Discounts obtained on leases	23	(3,073)	(2,458)	(9,033)	(10,611)
Income from financial investments	23	(271,347)	(283,930)	(326,247)	(328,127)
Gain (loss) on derivative financial instruments	23	(22,230)	29,995	(14,329)	18,115
Share-based payment plan	27	35,557	13,578	37,019	15,933
Provisions for judicial liabilities	18	5,077	(1,132)	6,315	(1,656)
Deferred revenue		(36,478)	(25,479)	(22,872)	46,965
Others		(6,246)	(38,886)	(1,891)	(28,794)
Changes in operating assets and liabilities:					
Trade receivables		(29,879)	(12,832)	(74,209)	(75,810)
Related parties		3,178	(17,902)	(14,068)	(9,104)
Taxes recoverable		8,692	(48,655)	(11,484)	(97,497)
Other receivables		(30,275)	5,547	(82,224)	(14,857)
Trade payables		79,687	6,852	135,834	39,795
Taxes and contributions payable		61,041	52,201	87,628	65,849
Other liabilities		22,887	5,458	29,512	13,694
Cash generated by operating activities		**575,907**	**259,289**	**2,150,764**	**1,194,658**
Interest paid on borrowings	17	(278,356)	(233,472)	(452,962)	(361,808)
Interest paid on leases	14	(91,452)	(85,704)	(338,918)	(273,576)
Income tax and social contribution paid		-	-	(48,601)	(25,444)
Net cash generated by (used in) operating activities		**206,099**	**(59,887)**	**1,310,283**	**533,830**
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to property and equipment	12	(365,458)	(215,124)	(1,321,553)	(1,004,561)
Additions to intangible assets	13	(3,943)	(6,688)	(15,237)	(17,049)
Direct initial costs of right-of-use assets	14	(20,103)	(14,449)	(24,853)	(18,223)
Proceeds from sale of property and equipment		-	-	19,701	19,177
Dividends received from subsidiaries		50,979	20,902	-	-
Capital decrease in subsidiaries		-	500	-	-
Loans granted		7,194	(8,407)	(3,729)	(7,654)
Financial investments		453,444	749,874	462,036	378,957
Acquisition of group of assets, net of cash received		(7,130)	-	(7,130)	-
Acquisition of subsidiaries, net of cash received		(143,018)	-	(98,367)	-
Capital increase in subsidiaries and joint venture	11	(140,300)	(233,448)	-	(5,258)
Related parties		-	-	(3,733)	8,604
Payment of contingent consideration		(521)	(1,328)	(521)	(1,328)
Net cash generated by (used in) investing activities		**(168,856)**	**291,832**	**(993,386)**	**(647,335)**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings	17	597,500	416,164	1,099,507	819,387
Repayments of borrowings	17	(369,544)	(577,683)	(802,587)	(942,467)
Payment of lease	14	(186,731)	(170,705)	(490,169)	(391,403)
Interest on capital paid to investors	20	(266,000)	-	(266,000)	-
Capital decrease in subsidiaries		-	-	-	(976)
Acquisition of noncontrolling interests		-	(6,613)	-	(6,613)
Capital increase in subsidiaries		-	-	-	11,792
Dividends paid to noncontrolling interests		-	-	(2,730)	(8,116)
Others		-	-	(9,838)	(9,839)
Net cash used in financing activities		**(224,775)**	**(338,837)**	**(471,817)**	**(528,235)**
DECREASE IN CASH AND CASH EQUIVALENTS		**(187,532)**	**(106,892)**	**(154,920)**	**(641,740)**
CHANGES IN CASH AND CASH EQUIVALENTS					
Opening balance		234,037	340,929	1,251,418	1,957,828
Exchange differences on cash and cash equivalents		-	-	6,935	(64,670)
Closing balance		46,505	234,037	1,103,433	1,251,418
DECREASE IN CASH AND CASH EQUIVALENTS		**(187,532)**	**(106,892)**	**(154,920)**	**(641,740)**

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

STATEMENTS OF VALUE ADDED

Year ended December 31, 2023

(In thousands of Brazilian reais - R$, unless otherwise stated)

	Notes	Parent 12/31/2023	Parent 12/31/2022	Consolidated 12/31/2023	Consolidated 12/31/2022
WEALTH CREATED					
REVENUES					
Service revenue	21	1,640,687	1,240,182	4,539,322	3,151,797
Allowance for expected credit losses	6	1,525	-	1,844	141
Remeasurement of previously held interest		176,599	-	176,599	-
Other operating income (expenses), net		(58,823)	(12,627)	(28,382)	(12,838)
INPUTS PURCHASED FROM THIRD PARTIES					
Cost of sales and services		(303,480)	(286,984)	(778,488)	(655,574)
Materials, electric power, outside services and others		(112,854)	(69,520)	(185,654)	(122,442)
Advertising materials, marketing, promotion funds and others related to sales		(152,871)	(145,550)	(314,587)	(263,063)
GROSS VALUE ADDED		**1,190,783**	**725,501**	**3,410,654**	**2,098,021**
RETENTIONS					
Depreciation and amortization	12,13,14	(397,616)	(369,677)	(1,157,395)	(902,255)
WEALTH CREATED BY THE COMPANY		**793,167**	**355,824**	**2,253,259**	**1,195,766**
WEALTH RECEIVED IN TRANSFER					
Share of profit (loss) of investees	11	493,380	110,829	(1,089)	6,570
Finance income	23	359,797	349,418	460,541	450,779
TOTAL WEALTH FOR DISTRIBUTION		**1,646,344**	**816,071**	**2,712,711**	**1,653,115**
WEALTH DISTRIBUTED					
PERSONNEL					
Salaries and wages		242,316	208,153	604,320	466,407
Benefits		35,803	24,474	68,279	53,454
Social security costs		17,376	14,826	28,311	23,778
TAXES, FEES AND CONTRIBUTIONS:					
Federal		(273,768)	100,393	(226,847)	176,278
State		196	6	4,186	1,572
Municipal		60,782	46,463	84,074	62,761
LENDERS AND LESSORS:					
Interest	23	448,919	428,746	933,829	798,510
Leases		78,166	82,441	172,383	156,406
SHAREHOLDERS:					
Owners' share of profits (losses)		1,036,554	(89,431)	1,036,554	(89,431)
Noncontrolling interests' share of profit (losses)		-	-	7,622	3,380
WEALTH DISTRIBUTED		**1,646,344**	**816,071**	**2,712,711**	**1,653,115**

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

1. GENERAL INFORMATION

Smartfit is a company incorporated and based in Brazil, with its registered office at Avenida Paulista 1.294, 2° andar, Bela Vista, São Paulo/SP. The Company is registered with the Securities and Exchange Commission of Brazil (CVM) and its shares were listed for trading on B3 on July 14, 2021 under ticker symbol "SMFT3". The Company is controlled by members of the Corona family, Pátria Private Equity Co-Investment Smartfit FIP and Pátria Private Equity Co-Investment Smartfit Partners Fund – FIP, both companies controlled by investment funds managed by Pátria Investimentos Ltda. ("Pátria").

The Company is the leader in the gym market in Latin America, with the mission of democratizing the access to high quality fitness. Through company owned operations and franchised units, the Company is present in fifteen countries, namely Brazil, Mexico, Colombia, Chile, Peru, Argentina, Paraguay, Uruguay, Panama, Costa Rica, Dominican Republic, Ecuador, Guatemala, El Salvador and Honduras, operating in the HVLP segment with the brand "Smart Fit", in the Premium segment with the brand "Bio Ritmo", and in the digital fitness segment with the brand "Queima Diária" and other digital services. The business segments are defined in note 25 and the main subsidiaries and joint ventures are disclosed in note 11.

The Group continues the expansion plan, with the opening of new clubs and maintenance of the clubs in operation. At December 31, 2023, the Group had a total of 1,438 units in operation (1,223 at December 31, 2022), with a solid cash position.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

STATEMENT OF COMPLIANCE

The financial statements for the year ended December 31, 2023 are being presented 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 Securities and Exchange Commission of Brazil (CVM). All significant information in the financial statements, and only this information, is being disclosed and corresponds to the information used in managing the Group's activities.

The financial statements for the year ended December 31, 2023 were concluded and authorized for issue by the Company's Board of Directors on March 13, 2024.

BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis, except for certain financial instruments measured at fair value, as described in the accounting policies below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial information 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 to benefit from its activities.

In the Company's financial statements, the financial information on subsidiaries and joint ventures is accounted for under the equity method, adjusted to conform its accounting practices to those established by the Company. Subsidiaries and joint ventures are disclosed in note 11.

In addition, the Company consolidates the SPE (exclusive investment funds) as mentioned in note 5.

GENERAL ACCOUNTING POLICIES

The significant accounting policies adopted in preparing these financial statements are presented and summarized in the respective notes and were consistently applied in the years.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in thousands of Brazilian reais (R$), which is the Company's functional and presentation 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 (MXN); in Colombia the Colombian pesos (COP); in Peru the Peruvian sol (PEN); in Chile the Chilean pesos (CLP); in Argentina the Argentine pesos (ARS); in Paraguay the Guarani (PYG); in Uruguay the Uruguayan peso (UYU); in Panama the Balboa (PAB), in Costa Rica the Costa Rican Colon; and in the and United States of America (for FitMaster LLC) the US Dollar.

For purposes of presenting these 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 monthly 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.

FOREIGN CURRENCY-DENOMINATED TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency of the Company and each of its subsidiaries and joint ventures 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 the Company's statement of profit and loss.

(In thousands of Brazilian reais - R$, unless otherwise stated)

HYPERINFLATIONARY ECONOMY

In accordance with CPC 42 / IAS 29 – Financial Reporting in Hyperinflationary Economies, non-monetary assets and liabilities, equity and the statement of profit and loss of subsidiaries operating in hyperinflationary economies are adjusted for 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 must be expressed in terms of the current unit of measurement at the balance sheet date and translated to reais at the closing exchange rate for the year.

The Company used the accounting of hyperinflationary economies for its subsidiary Smartfit SAS, in Argentina, applying the rules set out in CPC 42/IAS 29. The effects arising from the translation of the functional currency (Argentine pesos) into the presentation currency (Brazilian real) are recorded in the statement of comprehensive income and only impact the profit or loss for the year upon disposal or dissolution of the company.

STATEMENT OF VALUE ADDED

The Company prepared the statements of value added 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 financial statements, since it is not a statement provided for or required under the IAS 1. Such statement has been prepared based on information obtained from the accounting records used as a basis for the preparation of the financial statements, supplementary records and in accordance with the provisions of technical pronouncement CPC 09.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial information requires that Management uses estimates and exercises judgment in the process of applying the Group's accounting policies. These estimates are based on Management's experience and knowledge, information available at the reporting date and other factors, including expectations of future events that are considered to be reasonable under normal circumstances. Changes in the facts and circumstances may cause these estimates to be reviewed. Actual future results may differ from these estimates.

The areas that require greater use of critical accounting estimates and judgments in preparing these financial statements are the following:

Critical accounting estimates and judgments	Note
Impairment testing of intangible assets with finite and indefinite useful lives	13
Impairment testing of property and equipment and right-of-use assets	12 and 14
Provisions for judicial liabilities	18
Measurement of deferred taxes	19
Measurement of fair value of derivative financial instruments	9
Measurement of deferred revenue	21
Measurement of fair value of stock options	27

NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED AND EFFETIVE

The following standards, which became effective on January 1, 2023, had no significant impact to the Group:

Standard	Description
Amendments to IAS 1 and IFRS *Practice Statement* 2	Disclosure of Accounting Policies
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS 17	Insurance Contracts

NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Group has not early adopted the following revised IFRS, already issued but not yet effective:

Standard	Description	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No definition
Amendments to IAS 8	Definition of Accounting Estimates	01/01/2024
Amendments to IAS 1	Classification of Liabilities as Current or Noncurrent	01/01/2024
Amendments to IAS 7	Supplier finance arrangements	01/01/2024
Amendments to IFRS 16	Lease liability in a Sale and Leaseback	01/01/2024

Management does not expect the adoption of the standards listed above to have a material impact on the Group's financial information in future periods.

(In thousands of Brazilian reais - R$, unless otherwise stated)

3. SIGNIFICANT TRANSACTIONS IN THE YEAR

ACQUISITION OF SPORTY PANAMA S.A. ("SPORTY PANAMA")

Up to December 31, 2021, the Group held a 50% interest in Sporty Panamá. In December 2022, Sporty Holding, B.V. ("Sporty Holding"), former shareholder holding the other 50%, notified the Company that it had exercised the put option for all shares held by it. With the exercise of the put option, the Group now holds 100% of the company's share capital.

As a result of this exercise, the Company will make a payment in the amount of US$58.8 million to Sporty Holding, in two installments: the first installment of US$25.0 million was paid on January 20, 2023 and the second one in the remaining amount is payable on January 3, 2024 (see note 31).

On January 1, 2023, the Company took over the control of Sporty Panama and now holds 100% interest in this company. At that date, Sporty Holding resigned the 2 positions it holds on the board of directors and the Group now holds full control.

The consideration amount is summarized as follows:

	Sporty Panama
Consideration	
First installment (paid on January 20, 2023) – US$25.0 million(1)	130,443
Second installment (paid on January 3, 2024) – US$33.8 million(2)	176,475
Total – US$58.8 million	**306,918**
Adjustment to present value	(10,880)
Net consideration	**296,038**

(1) On the payment date after recognition of the exchange variation, the amount was R$129,273.
(2) See note 31.

The balances of the acquired companies at the acquisition date do not present balances that cannot be reliably measured, and are restated with the following groups of assets or liabilities:

	Sporty Panama
Business combination	
Assets	
Cash and cash equivalents	43,362
Trade receivables	289
Other receivables	16,812
Deferred tax assets	8,861
Right-of-use assets	95,900
Property and equipment	179,273
Property and equipment – loss in value	(15,877)
Intangible assets	123
Intangible assets – customer list	35,120
Intangible assets - Non compete agreements	12,809
Liabilities	
Trade payables	(22,189)
Other liabilities	(1,716)
Borrowings	(42,196)
Lease liabilities	(109,498)
Current taxes payable	(5,430)
Deferred tax liabilities on surplus value	(10,897)
Total identifiable assets acquired and liabilities assumed at fair value	**184,746**
Consideration	296,038
Remeasurement of previously held interest	272,165
Goodwill arising on transaction	**383,457**

Goodwill arising on the transaction is attributable to the future profitability of the acquired business. The Company recognized income of R$176,599 corresponding to the remeasurement of the interest previously held.

In the year ended December 31, 2023, the acquired business contributed to the Group's results with net revenue of R$144,960 and profit of R$23,952

The Group incurred acquisition-related costs in the amount of R$112 referring to due diligence and the Purchase Price Allocation.

(In thousands of Brazilian reais - R$, unless otherwise stated)

ACQUISITION OF SHARES OF SPORTS WORLD, SAB DE CV (“SPORTS WORLD”)

In March 2023, the Group conducted a private subscription of 17,307,866 shares issued by Sports World by Latamgym Mexico, for MXN 51.92 million (approximately R$14,636). The subscription is part of the Group's strategy to expand its presence in Mexico. At December 31, 2023, the Group's interest is 13.14%, representing 29,207,866 shares.

According to the analysis performed pursuant to IAS 28, the Group has no significant influence over Sports World. Thus, the investment in this company was considered a financial asset measured at fair value through other comprehensive income, in accordance with CPC 48 / IFRS 9.

INCREASE IN INTEREST IN ADV ESPORTES E SAÚDE LTDA. (“ADV”)

On May 2, 2022, the noncontrolling shareholders requested the withdrawal of ADV, in which they held 21% of the shares. As a consequence, the company’s share capital was reduced proportionally to the withdrawing member’s interests and the Group now holds a 100% interest in the company. The Group recorded the amount payable of R$19,677 under “Other liabilities”, of which R$9,839 was paid in 2022 and R$9,838 was paid in 2023.

ACQUISITION OF FIELD FIT ACADEMIA DE GINÁSTICA LTDA (“FIELD FIT”)

On July 1, 2023, the Group entered into a Purchase and Sale Agreement for the acquisition of 100% of the shares of Field Fit in the amount of R$7,223. The company is a franchised unit of the Group that operated in accordance with the terms and conditions of the Franchise Agreement signed on June 20, 2016.

The balances of the acquired company at the acquisition date do not present balances that cannot be reliably measured, and are restated with the following groups of assets or liabilities:

	Field Fit
Acquisition of assets	
Cash and cash equivalents	93
Trade receivables	224
Other receivables	201
Property and equipment	1,078
Right-of-use assets	10,678
Intangible assets	16
Liabilities	
Trade payables	(38)
Lease liabilities	(4,712)
Other liabilities	(184)
Current taxes payable	(133)
Equity	**(7,223)**

The Company conducted the optional concentration test defined in CPC 15 (R1) / IFRS 3 to determine whether the acquisition of Field Fit is a business or group of assets. The concentration test is met if, substantially, all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. To perform the concentration test, the Company:

(a) excluded the balance of cash and cash equivalents from the gross assets acquired;

(b) in order to determine the fair value of the gross assets acquired, it included the consideration transferred (there is no noncontrolling interest) in excess of the fair value of the net identifiable assets acquired. The fair value of the gross assets acquired was determined as the total obtained by the sum of the fair value of the consideration transferred and the fair value of liabilities assumed (there are no deferred tax liabilities), excluding the items identified in (a).

It was identified that substantially all the fair value of the gross assets acquired is concentrated in a group of similar assets. The concentration of assets, comprising Property and Equipment and Right-of-Use Assets, represents more than 90% of total assets (excluding cash and cash equivalents), thus it was concluded that the acquisition of Field Fit is not considered a business combination but rather an acquisition of assets. Therefore, the provisions in CPC 15 (R1) / IFRS 3 are not applicable and, therefore the excess value identified between the transaction cost and the value of the assets acquired and liabilities assumed was allocated based on the relative fair value at the purchase date, as follows:

In October 2023, the company Field Fit was merged into Escola de Natação e Ginástica Bioswim Ltda, aiming to streamline the corporate structure.

(In thousands of Brazilian reais - R$, unless otherwise stated)

ACQUISITIONS OF OTHER CLUBS

In December 2023, the Group entered into Purchase and Sale Agreements for the acquisition of 100% of the shares of Academia Cohama Ltda ("Cohama") on December 20, 2023, Academia Smart Holandeses Ltda ("Holandeses") on December 21, 2023, and Lake Academia de Ginásticas Ltda ("Lake") on December 16, 2023, for the total amount of R$27,189, of which R$13,774 were paid up to December 31, 2023 and the remaining balance will be paid in six equal monthly installments. These companies are franchised units of the Group that operated in accordance with the terms and conditions of the Franchise Agreement.

The balances of the acquired companies at the acquisition date do not present balances that cannot be reliably measured, and are restated with the following groups of assets or liabilities:

Business combination	Holandeses	Lake	Cohama	Total
Assets				
Cash and cash equivalents	326	513	450	1,289
Trade receivables	13	570	130	713
Other receivables	12	192	176	380
Right-of-use assets	2,213	2,627	1,358	6,198
Property and equipment	2,944	1,792	1,410	6,146
Intangible assets – customer list	1,348	1,952	2,338	5,638
Liabilities				
Trade payables	(118)	(71)	(86)	(275)
Other liabilities	(401)	(156)	(153)	(710)
Lease liabilities	(2,506)	(3,048)	(1,620)	(7,174)
Other liabilities	(29)	-	-	(29)
Current taxes payable	(35)	(75)	(27)	(137)
Total identifiable assets acquired and liabilities assumed at fair value	**3,767**	**4,296**	**3,976**	**12,039**
Consideration	7,994	9,790	9,705	27,489
Goodwill arising on transaction – preliminary	**4,227**	**5,494**	**5,729**	**15,450**

The appraisal reports are preliminary and their measurement end when the Company obtains the complete information on facts and circumstances existing on the acquisition date. However, the measurement period will not exceed one year from the acquisition date.

For the year ended December 31, 2023, the acquired businesses contributed to the Group's results with net revenue of R$1,226 and profit of R$210. Had the business combination taken place at the beginning of the year, operating revenue and profit for the year would have been R$7,522 and R$2,959, respectively.

The Group incurred acquisition-related costs in the amount of R$42 referring due diligence.

EARLY REDEMPTION OF COMMERCIAL NOTES

On November 6, 2023, the Board of Directors approved the optional early redemption of all of the commercial notes from the 1st issue, in a single series, for private distribution, in the amount of R$223 million. The redemption premium is 0.30% p.a., applied to the amount of the early redemption multiplied by the remaining term of the Commercial Notes. The operation had maturities in 2023, 2024 and 2025, at the CDI rate + 2.15% p.a. , the redemption is part of the Company's strategy to extend the debt amortization schedule and reduce borrowing costs.

EIGHTH ISSUE OF DEBENTURES

On October 11, 2023, the Board of Directors approved the 8th issue of simple, non-convertible, unsecured debentures, in a single series, in the amount of R$600,000, for public distribution with automatic registration, intended for professional investors. The proceeds from this issue will be used for general corporate purposes and to strengthen the working capital. On October 20, 2023, commercial notes were issued in a single series, with maturity on October 20, 2030. Principal will be amortized in 2 installments, payable on October 20, 2029 and October 20, 2030. The interest on the unit par value corresponds to CDI + 1.95%, payable every six months.

DIVIDENDS AND INTEREST ON CAPITAL

In 2023, at extraordinary meetings of the Board of Directors the following distributions of interest on capital were approved:

On October 5, 2023, a payment of interest on capital in the total gross amount of R$206,600, corresponding to R$0.3524153209 per share, was approved. The base date for the right to receive interest on capital was October 11, 2023, and from October 13, 2023 the Company's shares were traded "ex-interest on capital" on B3; the payment was made in a single installment on October 27, 2023.

On December 6, 2023, a payment of interest on capital in the total gross amount of R$59,400, corresponding to R$0.1013232943 per share, was approved. The base date for the right to receive interest on capital was December 11, 2023, and from December 12, 2023 the Company's shares were traded "ex-interest on capital" on B3; the payment was made in a single installment on December 21, 2023.

The interest on capital declared will be imputed to the minimum mandatory dividends for 2023.

(In thousands of Brazilian reais - R$, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Cash and cash equivalents				
Cash and banks	1,864	1,284	169,636	182,749
CDB(1) (4)	39,557	228,731	458,461	595,675
Repurchase agreements(2)	5,084	4,022	84,351	69,517
Non-exclusive investment funds(3)	-	-	390,985	403,477
Total	**46,505**	**234,037**	**1,103,433**	**1,251,418**

(1) They are remunerated at a weighted average rate of 101.50% of the CDI (101.55% Dec/22) and managed by independent financial institutions. The maturities are variable; however, they are highly liquid, with no loss of remuneration upon redemption.
(2) These refer to transactions involving the purchase of securities with repurchase commitment by issuers of the securities, which are mainly remunerated at 100.00% of the CDI (100.00% in Dec/22).
(3) These are distributed into subsidiaries Latamgym Mexico with an average annual rate of 10.85% (10.06% in Dec/22), Sporty City Colombia with an average annual rate of 10.15% (12.5% in Dec/22), and Latamfit Chile with an average annual rate of 10.03% (7.57% in Dec/22).
(4) This includes the balance of the CDBs that compose the portfolio of the Santo Amaro exclusive investment fund remunerated at a weighted average rate 102.63% of the CDI (103.51% in Dec/22). The maturities are variable; however, they are highly liquid, with no loss of remuneration upon redemption.

ACCOUNTING POLICY:

These comprise cash on hand and in banks and financial investments. According to CPC 03 (R2) / IAS 7 – Statement of Cash Flows, in order to be classified as cash equivalent, an asset must have a short term (a maturity of up to three months or less from the acquisition date, be highly liquid, be readily convertible to known amounts of cash, and be subject to insignificant risk of change in value.

5. INVESTMENTS IN FINANCIAL ASSETS

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Investments in financial assets				
Exclusive investment funds(1)	2,052,180	2,232,715	-	-
Government securities(2)	-	-	570,293	921,123
Financial bills(3)	-	-	939,588	750,294
Interests in publicly-held company(4)	-	-	35,453	9,172
Other financial investments	4,234	5,796	33,758	34,292
Total	**2,056,414**	**2,238,511**	**1,579,092**	**1,714,881**
Current	**2,052,180**	**2,232,715**	**1,509,880**	**1,671,417**
Noncurrent	**4,234**	**5,796**	**69,212**	**43,464**

(1) Refer to the private credit exclusive fixed income investment funds Átila RF CP FI remunerated at a weighted average rate of 105.36% of the CDI (107.40% in Dec/22) and Santo Amaro RF CP remunerated at a weighted average rate of 105.25% of the CDI (103.18% in Dec/22). In the Parent, the amounts of share units held by the Company are presented under Investments in financial assets in the line "Exclusive investment funds". In Consolidated, the financial investment of the funds was fully consolidated into this condensed interim financial information, in accordance with CVM Instruction 408/04, and their balances were presented by each financial component.
(2) Represented by government securities (LFT) remunerated at a weighted average rate of 101.49% of the CDI (101.05% of the CDI in Dec/22) for the securities of Santo Amaro and Atila funds remunerated at a weighted average rate of 101.43% of the CDI (100.54% in Dec/22).
(3) Refer to private credit securities by financial institutions of Atila fund remunerated at a weighted average rate of 109.91% of the CDI (113.03% of the CDI in Dec/22) and Santo Amaro fund remunerated at a weighted average rate of 109.09% of the CDI (111.86% of the CDI in Dec/22).
(4) Refers to the investment in shares of Sports World.

ACCOUNTING POLICY:

The Group classifies its investments in financial assets in the following measurement categories:

▪ those to be measured subsequently at fair value (either through OCI or through profit or loss), and

▪ those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are recognized as finance costs.

(In thousands of Brazilian reais - R$, unless otherwise stated)

6. TRADE RECEIVABLES

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Trade receivables				
Trade receivables arising from contracts with customers[1]	148,970	118,922	352,048	276,613
Allowance for expected credit losses	(152)	(1,677)	(3,041)	(4,885)
Total	**148,818**	**117,245**	**349,007**	**271,728**

(1) Trade receivables refer to recurring amounts from gym and corporate customers, promotions and recurring debt, receivables from the sales of gym plans, substantially distributed by the main card operators in Brazil and international card operators, and to the recognition of amounts of the plans.

At December 31, 2023, the average collection period for trade receivables is approximately 30 days (34 days at December 31, 2022).

Due to the Group's business model, the recorded amounts of allowance for expected credit losses are not significant, considering that in the event of non-payment by members, the access to the units is disabled and is only enabled upon settlement of the pending amounts. Accordingly, the Group does not record trade receivables and revenue until the respective payment is made.

As a large portion of sales is made on credit cards, the Group assesses that the credit risk is low (see note 26).

ACCOUNTING POLICY:

According to CPC 47 / IFRS 15 – Revenue from Contracts with Customers, trade receivables are initially recognized at fair value and subsequently measured at amortized cost by applying the effective interest method, less expected credit losses.

7. RELATED PARTIES

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 main transactions are:

- **Trading transactions.** Represented by the amount resulting from an apportionment of administrative expenses centralized in the Company and passed on to the other Group companies, in addition to transactions with joint ventures.
- **Loan agreements.** Remunerated at rates based on the Company's cost of debt at the time of contracting. The contracts have indefinite maturities.
- **Dividends receivable.** These refer to minimum mandatory dividends receivable by the Company from its subsidiaries.

OTHER RELATED-PARTY TRANSACTIONS

The Company has (i) a property lease agreement with one of its shareholders signed in 2015, and interest and amortization arising from lease liabilities for the year ended December 2023 are recognized in profit or loss in the amount of R$611 (R$576 in December 2022).

In addition, the Group has made financial investments in investment funds where it has exclusive participation (100% of the quotas), which are detailed in note 5.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

On September 25, 2023, at the EGM, the limit of the annual global compensation of the Company's Officers of R$46,480 for 2023 was approved.

The table below shows the officers' compensation:

	12/31/2023	12/31/2022
Officers' compensation		
Fees	6,709	6,459
Benefits	1,818	1,762
Bonuses	2,240	2,195
Stock option plan	30,383	5,294
Total compensation	**41,150**	**15,710**

(In thousands of Brazilian reais - R$, unless otherwise stated)

RELATED-PARTY BALANCES

	12/31/2023				12/31/2022			
	Other receivables		Other liabilities		Other receivables		Other liabilities	
	Trading transactions	Loans, interest on capital and dividends	Trading transactions	Loans, interest on capital and dividends	Trading transactions	Loans, interest on capital and dividends	Trading transactions	Loans, interest on capital and dividends
PARENT								
Subsidiaries								
ADV Esportes	349	-	182	-	11,937	2,135	458	-
Smartfin	20,708	-	184	-	34,867	-	3,708	-
Smartdom	-	9,347	-	-	37	8,791	3	-
Bio Plaza	344	5,005	-	-	109	4,288	595	-
Asnsmart	-	940	-	-	92	3,973	543	-
Bioswim	7,986	-	30,953 (1)	-	29,050	660	35,858 (1)	-
Biosanta	-	749	6	-	-	2,696	12	-
Microsul	-	-	-	-	1,162	-	-	-
Smartrfe	-	-	-	-	2,484	992	17	-
Centrale	-	-	-	-	757	-	1,048	-
M2	34	245	297	-	34	307	666	-
SmartMNG	64	-	-	-	785	1,480	10	-
Biomorum	-	-	5,258	-	86	-	8,764	-
Racebootcamp	7,946	-	-	-	1,730	-	-	-
TotalPass	45,265	-	5,522	-	13,560	-	1,751	-
Just Fit	28	-	27	-	28	-	-	-
Bio Pauli	-	-	190	-	-	-	-	518
Bio Franqueadora	-	-	4	-	-	-	5	-
MB Negócios Digitais	-	448	-	-	-	2,861	-	-
Total balances with related parties	**82,724**	**16,734**	**42,623**	**-**	**96,718**	**28,183**	**53,438**	**518**
Current	**82,724**	**2,399**	**42,332**	**-**	**96,718**	**8,082**	**52,972**	**518**
Noncurrent	**-**	**14,355**	**291**	**-**	**-**	**20,101**	**466**	**-**
CONSOLIDATED								
Joint ventures								
TotalPass Mexico	23,580	9,382	2,411	-	12,368	8,513	1,246	-
Noncontrolling interests	-	-	192	-	-	-	-	1,227
Total balances with related parties	**23,580**	**9,382**	**2,603**	**-**	**12,368**	**8,513**	**1,246**	**1,227**

(1) The liabilities balance refers to transactions resulting from the apportionment of administrative expenses and transfers of property and equipment.

(In thousands of Brazilian reais - R$, unless otherwise stated)

RELATED-PARTY TRANSACTIONS

	12/31/2023				12/31/2022			
	Operating revenue	Costs	Expenses	Finance income (costs)	Operating revenue	Costs	Expenses	Finance income (costs)
PARENT								
Subsidiaries								
ADV Esportes	-	-	-	-	2,294	(8)	-	1,198
Smartfin	-	-	(4,057)	-	-	-	(1,363)	-
Smartdom	408	-	-	1,441	328	(2)	-	1,302
Bio Plaza	740	-	-	682	547	(46)	-	570
Asnsmart	1,131	-	-	333	919	(2)	-	551
Bioswim	-	(3,703)	-	-	-	(3,934)	-	-
Biosanta	-	-	-	225	-	(10)	-	383
Microsul	-	-	-	-	-	-	-	-
Smartrfe	-	-	-	-	-	(1)	-	-
M2	345	-	-	-	360	(9)	-	-
SmartMNG	-	-	-	-	-	(8)	-	-
Biomorum	-	(19,836)	-	-	-	(11,832)	-	-
Totalpass	-	(7,787)	-	-	-	-	-	-
Total balances with related parties	**2,624**	**(31,326)**	**(4,057)**	**2,681**	**4,448**	**(15,852)**	**(1,363)**	**4,004**
CONSOLIDATED								
Joint ventures								
TotalPass Mexico	28,194	(2,889)	-	-	-	-	-	-
Total balances with related parties	**28,194**	**(2,889)**	**-**	**-**	**-**	**-**	**-**	**-**

(In thousands of Brazilian reais - R$, unless otherwise stated)

8. TAXES RECOVERABLE

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Taxes recoverable				
PIS/ COFINS	2,761	5,979	4,405	8,451
IRPJ/ CSLL	29,242	16,927	80,078	66,084
IRRF on financial investments	42,069	68,325	43,618	70,024
IGV/ IVA	-	-	110,254	120,386
Others	1,115	2,321	26,511	27,935
Total	**75,187**	**93,552**	**264,866**	**292,880**
Current	**75,187**	**93,552**	**230,124**	**240,386**
Noncurrent	**-**	**-**	**34,742**	**52,494**

9. DERIVATIVE FINANCIAL INSTRUMENTS

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Derivative financial investments				
Assets				
Smartfit call option - MB Negócios Digitais	-	35	-	35
Smartfit call option - M2	5,690	-	5,690	-
Smartfit call option - ASN	868	-	868	-
Smartfit call option - End Fit	13,916	-	13,916	-
Interest rate swap – Smartfit Mexico	-	-	4,692	11,845
Interest rate swap – 7th issue of debentures	2,770	-	2,770	-
Total	**23,244**	**35**	**27,936**	**11,880**
Current	**8,460**	**-**	**12,939**	**8,132**
Noncurrent	**14,784**	**35**	**14,997**	**3,748**
Liabilities				
Put option of the noncontrolling shareholder – MB Negócios Digitais	30,305	36,990	30,305	36,990
Put option of the noncontrolling shareholder – ASN Smart	1,328	-	1,328	-
Put option of the noncontrolling shareholder – End Fit	3,449	-	3,449	-
Put option of the noncontrolling shareholder – Fit Master	1,116	-	1,116	-
Total	**36,198**	**36,990**	**36,198**	**36,990**

ACCOUNTING POLICY:

These are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured at fair values. Derivatives are recognized as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. All changes related to these financial instruments are recognized in profit or loss.

(In thousands of Brazilian reais - R$, unless otherwise stated)

10. OTHER RECEIVABLES

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Other receivables				
Security deposits[(1)]	197	197	40,529	28,944
Loans to third parties[(2)]	25,368	26,800	55,785	50,731
Escrow deposits[(3)]	79,949	69,647	100,936	79,840
Prepaid expenses	28,565	11,147	57,253	40,972
Advances to suppliers	3,980	6	50,965	6,120
Others	2,945	1,759	18,951	14,873
Total	**141,004**	**109,556**	**324,419**	**221,480**
Current	**19,740**	**11,160**	**109,629**	**52,197**
Noncurrent	**121,264**	**98,396**	**214,790**	**169,283**

(1) In consolidated, refers substantially to security deposits for lease contracts in Mexico.
(2) Includes the loan with N2B Nutrição Empresarial Ltda. ("N2B", a startup that operates in the nutrition industry) in the amount of R$22,476 (R$21,539 in Dec/22), indexed to the positive IPCA variation, with maturity in February 2025, which will entitle Smartfit to hold a 67.27% interest in N2B in the event of conversion of this loan into common shares.
(3) These are related to administrative and judicial proceedings, mainly in the tax (IRRF withholdings) and social security areas (INSS contributions).

ACCOUNTING POLICY:

Financial

These are recognized in the balance sheet when the Group is a party to the contractual provisions, initially measured at fair value and subsequently measured at amortized cost by applying the effective interest rate method.

Non-financial

These are initially measured at fair value and carried in the balance sheet at the known or estimated amounts, adjusted by the end of each reporting period, when applicable.

(In thousands of Brazilian reais - R$, unless otherwise stated)

11. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

DIRECT SUBSIDIARIES

	Country of incorporation	Equity interest held by the Group		Equity interest held by noncontrolling interests	
		12/31/2023	12/31/2022	12/31/2023	12/31/2022
Subsidiaries					
Academia Cohama Ltda[1]	Brazil	100.00%	-	-	-
Academia Smart Holandeses Ltda[1]	Brazil	100.00%	-	-	-
ADV Esporte e Saúde Ltda[1]	Brazil	100.00%	100.00%	-	21.00%
Biopauli Compra, Venda e Administração de Bens Ltda	Brazil	100.00%	100.00%	-	-
Biosanta Academia Ltda	Brazil	75.20%	75.20%	24.80%	24.80%
Centrale Compra, Venda e Locação de Imóveis Ltda	Brazil	66.92%	66.92%	33.08%	33.08%
Corporacion Sport City SA	Mexico	100.00%	100.00%	-	-
Escola de Natação e Ginástica Biomorum Ltda	Brazil	100.00%	100.00%	-	-
Escola de Natação e Ginástica Bioswim Ltda	Brazil	100.00%	100.00%	-	-
Just Fit Empreendimentos e Participações SA	Brazil	100.00%	100.00%	-	-
Lake Academia de Ginástica Ltda[1]	Brazil	100.00%	-	-	-
Latamfit Chile SPA	Chile	100.00%	100.00%	-	-
Latamgym SAPI de CV	Mexico	100.00%	100.00%	-	-
M2 - Academia de Ginástica Ltda	Brazil	50.00%	50.00%	50.00%	50.00%
MB Negócios Digitais S.A.	Brazil	70.00%	70.00%	30.00%	30.00%
Nation CT Academia de Musculação SA	Brazil	100.00%	100.00%	-	-
Racebootcamp Academia de Ginástica Ltda	Brazil	100.00%	100.00%	-	-
Servicios Deportivos para Latinoamerica SA	Mexico	100.00%	100.00%	-	-
Smartfin Cobranças Ltda	Brazil	100.00%	100.00%	-	-
Smartfit Paraguay SA	Paraguay	100.00%	100.00%	-	-
Smartfit Peru SAC	Peru	90.00%	90.00%	10.00%	10.00%
Smartfit SAS	Argentina	100.00%	100.00%	-	-
Smartfit Uruguay SA	Uruguay	100.00%	100.00%	-	-
SmartMNG Academia de Ginástica Ltda	Brazil	100.00%	100.00%	-	-
SmartRFE Academia de Ginástica Ltda	Brazil	100.00%	100.00%	-	-
Sporty City SAS	Colombia	100.00%	100.00%	-	-
Sporty Panama SA[1]	Panama	100.00%	50.00%	-	50.00%
Totalpass Participações Ltda	Brazil	100.00%	100.00%	-	-

(1) See note 3.

The Group does not have investments in subsidiaries with non-significant interest.

JOINT VENTURES

	Country of incorporation	Equity interest held by the Group	
		12/31/2023	12/31/2022
Joint ventures			
FitMaster LLC	United States	55.00%	55.00%
Total Pass SA de CV[1]	Mexico	33.33%	33.33%

(1) Indirect joint venture through subsidiary Latamgym SAPI de CV.

(In thousands of Brazilian reais - R$, unless otherwise stated)

BREAKDOWN OF BALANCES

	12/31/2023	12/31/2023		12/31/2022	12/31/2022	
	Investment balance	Share of profit (loss) of investees	Other comprehensive income	Investment balance	Share of profit (loss) of investees	Other comprehensive income
PARENT						
Subsidiaries						
Academia Cohama Ltda	9,743	37	-	-	-	-
Academia Smart Holandeses Ltda	8,048	54	-	-	-	-
ADV Esporte e Saúde Ltda	33,804	34,085	-	68,490	8,341	-
Biopauli Compra, Venda e Adm. de Bens Ltda	12,872	1,089	-	7,162	989	-
Biosanta Academia Ltda	381	217	-	164	303	-
Centrale Compra, Venda e Loc. de Imo. Ltda	11,102	2,088	-	9,014	755	-
Escola de Natação e Ginástica Biomorum Ltda	14,578	5,000	-	8,527	(5,559)	-
Escola de Natação e Ginástica Bioswim Ltda	248,083	123,674	-	91,756	15,210	-
Just Fit Empreendimentos e Participações SA	124,033	73,300	-	53,532	989	-
Lake Academia de Ginástica Ltda	9,909	119	-	-	-	-
M2 - Academia de Ginástica Ltda	1,855	198	-	2,226	831	-
MB Negócios Digitais S.A.	110,630	6,278	(80)	106,318	10,582	(43)
Nation CT Academia de Musculação SA	4,214	2,122	-	2,092	(432)	-
Racebootcamp Academia de Ginástica Ltda	19,118	9,527	-	592	(1,687)	-
Smartfin Cobranças Ltda	(4,802)	(2,365)	-	(2,437)	(2,950)	-
SmartMNG Academia de Ginástica Ltda	53,744	17,861	-	38,583	6,861	-
SmartRFE Academia de Ginástica Ltda	34,877	11,529	-	25,048	3,381	-
Totalpass Participações Ltda	2,290	(1,295)	-	3,585	(2,892)	-
Corporacion Sport City SA	103,344	21,303	6,583	75,303	20,945	(3,220)
Latamgym SAPI de CV	1,337,920	39,579	86,762	1,128,886	21,293	(19,434)
Servicios Deportivos para Latinoamerica SA	2,091	4	138	1,950	(25)	(47)
Sporty City SAS	534,340	65,419	68,622	401,400	36,702	(104,863)
Sporty Panamá SA	535,374	8,855	(43,166)	-	-	-
Latamfit Chile SPA	257,731	54,033	(27,577)	231,273	16,389	(13,645)
Smartfit Peru SAC	61,676	21,956	(2,123)	41,970	(19,601)	(2,029)
Smartfit SAS	21,257	(5,138)	(4,075)	30,470	(7,022)	17,852
Smartfit Paraguay SA	39,505	6,276	(2,477)	35,706	847	(4,159)
Smartfit Uruguay SA	26,386	(3,941)	(1,005)	6,689	(589)	(277)
Joint ventures						
FitMaster LLC	40,940	1,516	(1,921)	41,346	298	(3,611)
Sporty Panamá SA	-	-	-	406,648	6,870	866
Total	**3,655,043**	**493,380**	**79,681**	**2,816,293**	**110,829**	**(132,610)**
Included in assets	**3,659,845**			**2,818,730**		
Included in liabilities[1]	**(4,802)**			**(2,437)**		
CONSOLIDATED						
Joint ventures						
FitMaster LLC	40,940	1,516	(1,921)	41,346	298	(3,611)
Sporty Panamá AS	-	-	-	406,648	6,870	866
Total Pass SA de CV	-	(2,605)	(260)	-	(598)	116
Total	**40,940**	**(1,089)**	**(2,181)**	**447,994**	**6,570**	**(2,629)**

See note 16.

(In thousands of Brazilian reais - R$, unless otherwise stated)

CHANGES FOR THE YEAR

Investments in subsidiaries and joint ventures	Parent	Consolidated
At December 31, 2021	**2,308,915**	**123,848**
Capital increases	250,312	5,258
Acquisition of interest - Sporty Panama	311,085	311,085
Capital decrease in subsidiary	(676)	-
Dividends and interest on capital	(29,906)	-
Offset against loan agreement	-	3,862
Share-based payments in subsidiaries	2,347	-
Share of profit (loss) of investees	110,829	6,570
Increase in equity interest in subsidiary due to the withdrawal of noncontrolling shareholders.	(4,003)	-
Other comprehensive income in subsidiaries	(4,347)	-
Foreign exchange effects	(128,263)	(2,629)
At December 31, 2022	**2,816,293**	**447,994**
Capital increase(1)	140,300	-
Acquisition of control - Sporty Panama(2)	-	(406,648)
Acquisition of subsidiary – Lake(2)	9,790	-
Acquisition of subsidiary – Holandeses(2)	7,994	-
Acquisition of subsidiary – Cohama(2)	9,705	-
Price adjustment - acquisition of control – Sporty Panama	(2,683)	-
Consideration present value adjustment – Sporty Panama	(10,880)	-
Dividends and interest on capital	(46,851)	-
Offset against loan agreement	-	2,864
Income from remeasurement of previously held interest	176,599	-
Loss from dilution of equity interest	(14,169)	-
Share-based payments in subsidiaries	(4,206)	-
Share of profit (loss) of investees	493,380	(1,089)
Merger of Field Fit	90	-
Other comprehensive income in subsidiaries	6,726	-
Foreign exchange effects	72,955	(2,181)
At December 31, 2023	**3,655,043**	**40,940**

(1) At December 31, 2023, in parent, this refers to the capital increase in subsidiaries Latamgym México (R$100,000), Plonay Uruguay (R$24,640), Racebootcamp (R$9,000), Biomorum (R$1,050) and Biopauli (R$5,610).

(2) See note 3.

SUMMARIZED AGGREGATED FINANCIAL INFORMATION ON JOINT VENTURES

BALANCE SHEETS	12/31/2023	12/31/2022
Current assets	45,429	68,233
Noncurrent assets	95,064	384,938
Total assets	**140,493**	**453,171**
Current liabilities	86,235	134,043
Noncurrent liabilities	-	89,284
Total liabilities	**86,235**	**223,327**
Total equity	**54,258**	**229,844**

STATEMENT OF PROFIT AND LOSS	12/31/2023	12/31/2022
Operating revenue	173,252	183,534
Costs and expenses	(176,212)	(161,919)
Operating profit (loss)	**(2,960)**	**21,615**
Finance income (costs)	(1,443)	(9,994)
Income taxes	-	835
Profit (loss) for the year	**(4,403)**	**12,456**

ACCOUNTING POLICY:

Investments

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.

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 Group recognized its interest in the joint ventures 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.

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. Goodwill on acquisitions is included in Intangible assets (see note 13) and is tested for impairment annually.

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 Group 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 Group 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. However, changes arising from events that take place after the acquisition date, such as meeting profit targets, reaching the specified share price or achieving a certain stage of a research and development project, are not measurement period adjustments. In these cases, changes in fair value should be recognized in profit or loss for the year.

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

Changes in equity interests in subsidiaries that did not result in loss of control are recorded as equity transactions and, consequently, have no impact on goodwill. The difference between the consideration and noncontrolling interests in net assets acquired is recognized in equity.

(In thousands of Brazilian reais - R$, unless otherwise stated)

12. PROPERTY AND EQUIPMENT

BREAKDOWN OF AND VARIATIONS IN THE BALANCES

	Facilities and leasehold improvements	Machinery and equipment	Furniture and fixtures	IT equipment	Property and equipment in progress	Other property and equipment	Total
PARENT							
At December 31, 2021							
Cost	1,004,707	476,775	114,011	40,084	70,425	93,694	1,799,696
Accumulated depreciation	(466,404)	(170,513)	(42,760)	(18,890)	-	(49,336)	(747,903)
Net value	**538,303**	**306,262**	**71,251**	**21,194**	**70,425**	**44,358**	**1,051,793**
Additions(3)	46,406	35,876	10,755	4,609	116,094	4,384	218,124
Write-offs	(17,768)	(13,713)	(812)	(72)	(4,665)	-	(37,030)
Depreciation	(99,980)	(49,565)	(12,316)	(7,499)	-	(14,645)	(184,005)
Transfers and reclassifications(2)	42,524	23,436	9,427	1,231	(95,887)	6,474	(12,795)
At December 31, 2022							
Cost	1,040,872	516,161	133,309	45,346	85,967	103,917	1,925,572
Accumulated depreciation	(531,387)	(213,865)	(55,004)	(25,883)	-	(63,346)	(889,485)
Net value	**509,485**	**302,296**	**78,305**	**19,463**	**85,967**	**40,571**	**1,036,087**
Additions(3)	50,791	76,549	14,231	6,642	208,588	11,104	367,905
Write-offs	(4,963)	(14,056)	(1,774)	(310)	(4,414)	(1,288)	(26,805)
Merger/Spin-off(4)	(30)	(322)	(42)	(2)	-	-	(396)
Acquisition of assets(4)	80	880	112	6	-	-	1,078
Depreciation	(96,227)	(56,306)	(13,978)	(7,976)	-	(15,075)	(189,562)
Transfers and reclassifications(1)	70,967	42,306	9,620	2,483	(165,335)	14,896	(25,063)
At December 31, 2023							
Cost	1,149,983	606,202	155,712	53,514	124,806	128,117	2,218,334
Accumulated depreciation	(619,880)	(254,855)	(69,238)	(33,208)	-	(77,909)	(1,055,090)
Net value	**530,103**	**351,347**	**86,474**	**20,306**	**124,806**	**50,208**	**1,163,244**
CONSOLIDATED							
At December 31, 2021							
Cost	2,597,677	959,878	245,010	122,382	271,365	121,742	4,318,054
Accumulated depreciation	(997,850)	(388,398)	(101,161)	(71,998)	-	(61,635)	(1,621,042)
Net value	**1,599,827**	**571,480**	**143,849**	**50,384**	**271,365**	**60,107**	**2,697,012**
Additions(3)	87,098	59,490	16,025	9,251	803,490	32,207	1,007,561
Write-offs	(27,158)	(38,251)	(1,200)	(499)	(7,640)	(357)	(75,105)
Depreciation	(243,035)	(108,432)	(26,597)	(23,964)	-	(18,778)	(420,806)
FX effects	(39,775)	(7,934)	(1,189)	(1,847)	(18,317)	(7,109)	(76,171)
Transfers and reclassifications(2)	419,224	188,452	44,724	28,544	(685,514)	4,098	(472)
At December 31, 2022							
Cost	2,967,947	1,159,258	296,474	156,747	363,384	150,939	5,094,749
Accumulated depreciation	(1,171,766)	(494,453)	(120,862)	(94,878)	-	(80,771)	(1,962,730)
Net value	**1,796,181**	**664,805**	**175,612**	**61,869**	**363,384**	**70,168**	**3,132,019**
Additions(3)	112,908	88,432	22,300	9,675	1,074,677	17,622	1,325,614
Write-offs	(14,958)	(35,408)	(3,194)	(1,214)	(6,609)	(76)	(61,459)
Acquisition of subsidiaries(4)	92,883	44,406	21,915	2,095	3,292	4,951	169,542
Acquisition of assets(4)	80	880	112	6	-	-	1,078
Depreciation	(312,559)	(130,712)	(37,928)	(24,266)	-	(43,943)	(549,408)
FX effects	27,283	(1,667)	2,389	1,008	18,835	(853)	46,995
Transfers and reclassifications(1)	566,907	150,381	71,241	19,593	(906,996)	79,047	(19,827)
At December 31, 2023							
Cost	3,781,399	1,389,082	422,380	173,896	546,583	325,666	6,639,006
Accumulated depreciation	(1,512,674)	(607,965)	(169,933)	(105,130)	-	(198,750)	(2,594,452)
Net value	**2,268,725**	**781,117**	**252,447**	**68,766**	**546,583**	**126,916**	**4,044,554**

(1) In Parent, the remaining balance in the Transfers and reclassifications column refers to reclassifications to Intangible assets (see note 13). In Consolidated, the remaining balance in the Transfers and reclassifications column refers to Property and equipment reclassified to Intangible assets in the amount of R$38,208 (see note 13) and Right-of-use assets reclassified to Property and equipment in the amount of R$18,381 (see note 14).

(In thousands of Brazilian reais - R$, unless otherwise stated)

(2) In Parent, the remaining balance in the Transfers and reclassifications column refers to reclassifications to Intangible assets (see note 13). In Consolidated, the remaining balance in the Transfers and reclassifications column refers to Property and equipment reclassified to Intangible assets in the amount of R$16,090 (see note 13) and Right-of-use assets reclassified to Property and equipment in the amount of R$15,618 (see note 14).
(3) At December 31, 2023, this includes finance costs, capitalized at R$2,447 (R$3,000 in Dec/22) in the parent and R$4,061 (R$3,000 in Dec/22) in the consolidated.
(4) See note 3.

ANALYSIS OF IMPAIRMENT INDICATORS

The Group continuously monitors conditions that may indicate any risk of impairment of property and equipment, intangible assets with finite useful lives and right-of-use assets.

In order to identify any risk, the Group followed the procedure described in note 13, and Management monitors operations by country. Accordingly, the specified assets were divided into CGUs for Brazil, Mexico, Colombia, Chile, Peru, Argentina, Paraguay, Uruguay, Panama and Costa Rica. For this purpose, the Group made an estimate of the recoverable amount of each CGU by calculating the value in use, which was determined based on the present value less the future cash flows of each CGU.

Based on the analyses performed at December 31, 2023, there was no indication of impairment of property and equipment, intangible assets with finite useful lives and right-of-use assets.

ACCOUNTING POLICY:

According to CPC 27 / IAS 16 – Property, Plant and Equipment, these are stated at acquisition cost, including borrowing costs eligible for capitalization, less any accumulated depreciation and impairment losses.
Depreciation is calculated on a straight-line basis at rates that consider the economic useful lives of the assets. The facilities and improvements in the Group's leased units are depreciated over the lease term or the economic useful lives of the assets. The estimated useful life is reviewed at the end of each reporting period and adjusted as appropriate. The average estimated annual depreciation rates by main class of assets are as follows:

- Facilities and leasehold improvements: 10%
- Machinery and equipment: 10%
- Furniture and fixtures: 10%
- IT equipment: 20%

Property and equipment in progress refers to clubs under construction and is not depreciated until the asset is available for use.
Property and equipment items are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (see note 13).

13. INTANGIBLE ASSETS

BREAKDOWN OF AND VARIATIONS IN THE BALANCES

	Goodwill[2]	Assignment of right of use	Software	Customer list	Trademarks and patents	Other intangible assets	Total
PARENT							
At December 31, 2021						-	
Cost	82,320	42,773	30,979	-	8,478	-	164,550
Accumulated amortization	-	(35,124)	(8,247)	-	-	-	(43,371)
Net value	**82,320**	**7,649**	**22,732**	**-**	**8,478**	**-**	**121,179**
Additions	-	-	6,688	-	-	-	6,688
Write-offs	-	-	(44)	-	-	-	(44)
Amortization	-	(1,685)	(5,451)	-	-	-	(7,136)
Transfers and reclassifications[1]	-	-	12,795	-	-	-	12,795
At December 31, 2022							
Cost	82,320	42,773	50,398	-	8,478	-	183,969
Accumulated amortization	-	(36,809)	(13,678)	-	-	-	(50,487)
Net value	**82,320**	**5,964**	**36,720**	**-**	**8,478**	**-**	**133,482**
Additions	-	-	3,943	-	-	-	3,943
Acquisition of assets[4]	-	16	-	-	-	-	16
Write-offs	-	-	(2)	-	-	-	(2)
Merger/Spin-off[4]	-	(14)	-	-	-	-	(14)
Amortization	-	(1,680)	(8,599)	-	-	-	(10,279)
Transfers and reclassifications[1]	-	-	25,063	-	-	-	25,063
At December 31, 2023							
Cost	82,320	42,422	79,317	-	8,478	-	212,537
Accumulated amortization	-	(38,136)	(22,192)	-	-	-	(60,328)
Net value	**82,320**	**4,286**	**57,125**	**-**	**8,478**	**-**	**152,209**

(In thousands of Brazilian reais - R$, unless otherwise stated)

	Goodwill[2]	Assignment of right of use	Software	Customer list	Trademarks and patents	Other intangible assets	Total
CONSOLIDATED							
At December 31, 2021							
Cost	1,433,185	72,141	70,503	45,908	29,033	-	1,650,770
Accumulated amortization	-	(48,737)	(32,196)	(43,811)	(6,268)	-	(131,012)
Net value	**1,433,185**	**23,404**	**38,307**	**2,097**	**22,765**	**-**	**1,519,758**
Additions	-	1,314	15,314	-	421	-	17,049
Write-offs	-	-	(115)	-	-	-	(115)
Amortization	-	(4,690)	(12,413)	-	(9,895)	-	(26,998)
FX effects	(109,229)	(2,372)	(266)	(619)	(840)	-	(113,326)
Transfers and reclassifications[1]	-	-	15,934	-	156	-	16,090
At December 31, 2022							
Cost	1,323,956	69,919	100,840	44,790	29,280	-	1,568,785
Accumulated amortization	-	(52,263)	(44,079)	(43,312)	(16,673)	-	(156,327)
Net value	**1,323,956**	**17,656**	**56,761**	**1,478**	**12,607**	**-**	**1,412,458**
Additions	-	5,040	9,903	-	294	-	15,237
Acquisitions of subsidiaries[4]	398,907 [3]	-	123	40,758	-	12,809	452,597
Acquisition of assets[4]	-	16	-	-	-	-	16
Write-offs	-	(133)	(202)	-	(301)	-	(636)
Merger/Spin-off[4]	-	-	-	-	-	-	-
Amortization	-	(4,366)	(16,497)	(21,724)	(3,287)	(2,377)	(48,251)
FX effects	45,017	1,303	432	(2,599)	126	(924)	43,355
Transfers and reclassifications[1]	-	-	37,704	-	504	-	38,208
At December 31, 2023							
Cost	1,767,880	76,916	147,519	82,948	29,869	11,885	2,117,017
Accumulated amortization	-	(57,400)	(59,295)	(65,035)	(19,926)	(2,377)	(204,033)
Net value	**1,767,880**	**19,516**	**88,224**	**17,913**	**9,943**	**9,508**	**1,912,984**

(1) The remaining balance in the Transfers and reclassifications column refers to reclassifications to Property and equipment (see note 12).
(2) Includes goodwill on the acquisition of Bio Ritmo, Smartfit Peru, Sporty City Colombia, Latamfit Chile, Latamgym Mexico, Pro Forma, MB Negócios Digitais, Just Fit and Sporty Panama.
(3) Refers to the provisional amount of goodwill on the acquisition of Sporty Panamá, Cohama, Holandeses and Lake.
(4) See note 3.

IMPAIRMENT TESTING – GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The Group conducts impairment tests for goodwill and intangible assets with indefinite useful lives on an annual basis, at December 31, or whenever Management identifies conditions that might indicate any impairment risk.

For purposes of impairment testing, goodwill is allocated to the CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. This analysis initially considers each club as a CGU. However, given that there has been an increase in the number of members using the Black plan, which grants unlimited access to all of the clubs in the Group's network, the cash inflows from certain clubs are not independent from other clubs in the surrounding geographical area. Additionally, the units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes. Management monitors goodwill generated from each business combination separately, by country. Accordingly, goodwill was allocated and tested in the CGUs Brazil, Mexico, Colombia, Chile, Peru and Panama.

For this purpose, Management prepares an estimate of the recoverable amount of each CGU, as required by CPC 01 / IAS 36. In the event the carrying amount is lower than the recoverable amount, an impairment loss is recognized immediately in profit or loss.

The recoverable amount was established by calculating the value in use, determined based on the present value less any future cash flows of the CGU. Cash flow projections for a five-year period (such as sales growth, costs, expenses, fixed investments and investments in working capital) are based on the annual budget approved by Management and are prepared for each CGU. The main assumptions adopted were:

Assumptions	Description
EBITDA Margin	Projected based on the Group’s expectation for the recovery of the business and inflation adjustment after the complete normalization of activities.
Fixed investments	Projected aiming to recover the depreciation of the operating fixed assets base, and necessary maintenances.
Working capital investments	Projected based on past performance and estimated revenue growth.
Discount rate	Reflects risks specific to the industry and countries in which the Group operates.
Perpetuity	Projected following the Gordon-Shapiro model, based on management’s expectations regarding market developments and on industry expectations.

(In thousands of Brazilian reais - R$, unless otherwise stated)

The discount rates for each CGU are as follows:

CGU	Discount rate
Brazil	11.58%
Mexico	13.45%
Colombia	17.28%
Chile	10.56%
Peru	15.89%
Panama	16.20%

Based on the analysis performed at December 31, 2023, no provision for impairment was accounted for.

ANALYSIS OF IMPAIRMENT INDICATORS FOR INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

The Group continuously monitors conditions that may indicate any risk of impairment of intangible assets with finite useful lives. See note 12.

ACCOUNTING POLICY:

Goodwill

Goodwill is initially recognized based on the accounting policy for business combination (see note 3). Goodwill is subsequently measured at cost less any impairment losses.

Goodwill acquired in a business combination is assessed to determine whether new CGUs are created. If not, it is allocated to each CGU, or groups of CGUs, which are expected to benefit from the synergies arising from the combination. These may be different from the CGUs that include the assets and liabilities of the acquired business. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the Group in which goodwill is monitored for internal management purposes, and it is not greater than an operating segment.

Intangible assets

Intangible assets acquired separately are initially measured at cost, and the purchase price is determined on the acquisition date.

In a business combination, the Group recognizes specifically identifiable intangible assets separately from goodwill, which are initially measured at fair value at the acquisition date.

Costs for supporting the development of internally generated intangible assets are recognized in profit or loss as incurred.

Intangible assets with indefinite useful lives comprise mainly trademarks, as there is no predetermined limit to the period over which these are expected to generate cash inflows. Goodwill is not amortized, but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognized in profit or loss.

Intangible assets with finite useful lives mainly comprise software, licenses and customer lists. These assets are amortized on a straight-line basis over their expected useful lives or over the term of the legal rights, if shorter. The estimated annual amortization rates by main class of assets are as follows:

- Assignment of right of use: 10%
- Software: 20%
- Customer list: 33%

(In thousands of Brazilian reais - R$, unless otherwise stated)

14. LEASES

BREAKDOWN OF AND VARIATIONS IN THE BALANCES OF RIGHT-OF-USE ASSETS

	Parent			Consolidated		
	Machinery and equipment	Buildings[4]	Total	Machinery and equipment	Buildings[4]	Total
Right-of-use assets						
At December 31, 2021	**-**	**1,015,072**	**1,015,072**	**170,794**	**2,639,611**	**2,810,405**
Additions and remeasurements[3]	-	257,114	257,114	25,864	860,975	886,839
Write-offs	-	(43,170)	(43,170)	-	(74,491)	(74,491)
Depreciation	-	(178,536)	(178,536)	(38,987)	(415,464)	(454,451)
Tax credits on depreciation	-	(14,655)	(14,655)	-	(17,702)	(17,702)
Assignment of right of use[1]	-	(6,064)	(6,064)	-	-	-
FX effects	-	-	-	(15,930)	(51,683)	(67,613)
Transfers and reclassifications[2]	-	-	-	(15,618)	-	(15,618)
At December 31, 2022	**-**	**1,029,761**	**1,029,761**	**126,123**	**2,941,246**	**3,067,369**
Additions and remeasurements[3]	-	384,047	384,047	28,085	1,155,725	1,183,810
Acquisitions of subsidiaries	-	-	-	-	102,098	102,098
Acquisition of assets[5]	-	10,678	10,678	-	10,678	10,678
Merger/Spin-off	-	(4,114)	(4,114)	-	-	-
Write-offs	-	(11,562)	(11,562)	(3)	(59,093)	(59,096)
Depreciation	-	(197,775)	(197,775)	(38,552)	(521,184)	(559,736)
Tax credits on depreciation	-	(16,770)	(16,770)	-	(20,285)	(20,285)
Assignment of right of use[1]	-	(1,019)	(1,019)	-	-	-
FX effects	-	-	-	12,018	36,544	48,562
Transfers and reclassifications[2]	-	-	-	(18,381)	-	(18,381)
At December 31, 2023	**-**	**1,193,246**	**1,193,246**	**109,290**	**3,645,729**	**3,755,019**

(1) Refer to the assignment of rental contracts related to Company's units transferred to other Group companies in the year ended December 31, 2023.
(2) Refer to reclassifications to Property and equipment of lease agreements terminated (see note 12).
(3) Includes R$20,103 (R$14,449 in Dec/22) in parent and R$24,853 (R$18,223 in Dec/22) in consolidated for initial direct costs and a deduction of R$1,836 in consolidated referring to a leaseback operation.
(4) The main terms of real estate contracts are: Brazil, with an average of 10 years, and Mexico, with an average of 30 years.
(5) See note 3.

BREAKDOWN OF AND VARIATIONS IN THE BALANCES OF LEASE LIABILITIES

	Parent			Consolidated		
	Machinery and equipment	Buildings	Total	Machinery and equipment	Buildings	Total
Lease liabilities						
At December 31, 2021	**-**	**1,067,726**	**1,067,726**	**164,772**	**2,856,287**	**3,021,059**
Additions and remeasurements	-	242,665	242,665	24,682	843,934	868,616
Write-offs	-	(48,131)	(48,131)	-	(80,781)	(80,781)
Interest incurred	-	86,526	86,526	16,207	261,734	277,941
Considerations[1]	-	(258,867)	(258,867)	(70,611)	(604,979)	(675,590)
Tax credits on interest	-	6,170	6,170	-	7,425	7,425
Assignment of right of use[2]	-	(6,219)	(6,219)	-	-	-
FX effects	-	-	-	(17,279)	(71,944)	(89,223)
At December 31, 2022	**-**	**1,089,870**	**1,089,870**	**117,771**	**3,211,676**	**3,329,447**
Additions and remeasurements	-	363,944	363,944	29,921	1,130,872	1,160,793
Acquisitions of subsidiaries	-	-	-	-	116,672	116,672
Acquisition of assets[3]	-	4,712	4,712	-	4,712	4,712
Merger/Spin-off	-	(4,677)	(4,677)	-	-	-
Write-offs	-	(13,101)	(13,101)	-	(67,909)	(67,909)
Interest incurred	-	92,462	92,462	16,185	326,426	342,611
Considerations[1]	-	(281,256)	(281,256)	(77,813)	(760,307)	(838,120)
Tax credits on interest	-	5,984	5,984	-	7,262	7,262
Assignment of right of use[2]	-	(1,135)	(1,135)	-	-	-
FX effects	-	-	-	11,111	40,835	51,946
At December 31, 2023	**-**	**1,256,803**	**1,256,803**	**97,175**	**4,010,239**	**4,107,414**
Current	**-**	**186,655**	**186,655**	**48,597**	**493,585**	**542,182**
Noncurrent	**-**	**1,070,148**	**1,070,148**	**48,578**	**3,516,654**	**3,565,232**

(1) Due to one-off discounts obtained with property owners, the Group recognized R$3,073 in parent and R$9,033 in consolidated as discounts obtained with leases in the year ended December 31, 2023, and R$2,458 in parent and R$10,611 in consolidated in the year ended December 31, 2022 (see Note 23), which do not change the contracts' conditions.
(2) Refer to the assignment of rental contracts related to Company's units transferred to other Group companies in the year ended December 31, 2023.
(3) See note 3.

(In thousands of Brazilian reais - R$, unless otherwise stated)

ANALYSIS OF IMPAIRMENT INDICATORS FOR RIGHT-OF-USE ASSETS

The Group continuously monitors conditions that may indicate any risk of impairment of right-of-use assets. See note 12.

DISCOUNT RATES

Lease liabilities are discounted at average rates between 7.08% and 10.11% in parent and between 2.90% and 19.41% in consolidated.

FLOW OF LEASE MATURITIES

	Consolidated		
	Machinery and equipment	Buildings	Total
2024	48,597	493,585	542,182
2025	28,998	510,568	539,566
2026	12,766	510,527	523,293
2027 onwards	6,814	2,495,559	2,502,373
Total	**97,175**	**4,010,239**	**4,107,414**

The following table shows the potential right of PIS and COFINS recoverable embedded in the rental consideration, according to the periods foreseen for payment and show the following nominal balances and adjusted to present value:

	Consolidated	
	Par value (interest-free)	Adjusted to present value
Lease consideration of properties	5,855,011	4,010,239
PIS/COFINS – 9.25%(1)	170,827	125,733

(1) Levied on property lease contracts signed with legal entities, only in Brazil.

SHORT-TERM LEASES, LEASES OF LOW-VALUE ASSETS AND VARIABLE LEASES

At December 31, 2023, the Company did not incur variable lease expenses in parent and incurred R$7,025 in consolidated (R$323 and R$4,687 in parent and consolidated, respectively, at December 31, 2022).

The Group, in accordance with CPC 06 / IFRS 16 - Leases, in measuring and remeasuring its lease liabilities and right-of-use assets, used the discounted cash flow method without considering the future projected inflation in the flows to be discounted (actual flow and nominal discount rate). Although the accounting methodology used by the Group is in line with the rule set out in CPC 06 / IFRS 16, it generates distortions in the information to be provided, given the current reality of long-term interest rates in the Brazilian economic environment.

Pursuant to Circular Official Letter/CVM/SNC/SEP/No.02/2019, the Company presents below the comparative balances of lease liabilities, right-of-use assets, finance cost, and depreciation expense, taking into account the effect of the future inflation projected for five years based on the Consumer Price Index (IPC) disclosed by central banks of the countries where the Company operates (Brazil, Chile, Colombia, Mexico, Peru, Paraguay, Uruguay, Argentina, Panama and Costa Rica), and discounted at the applicable average rates:

	Consolidated	
	Actual flow	Flow w/ inflation
Right-of-use assets	**3,645,755**	**4,504,132**
Lease liabilities	2,089,587	2,149,230
Finance charges	1,920,652	2,734,663
Total lease liabilities	**4,010,239**	**4,883,893**
Finance costs	1,920,652	2,734,663
Depreciation expense	3,639,259	4,496,858
Total expenses(1)	**5,559,911**	**7,231,521**

(1) Total expense accrued since the beginning of CPC 06 / IFRS 16.

ACCOUNTING POLICY:

According to CPC 06 (R2)/IFRS 16 – Leases, the Group assesses at contract inception whether a contract is, or contains, a lease. The Group recognizes a right-of-use asset and a corresponding lease liability for all lease agreements in which it is the lessee, except for short-term leases (lease term of 12 months or less) or leases of low-value assets (such as computers and small items of office furniture). For these types of leases, the Group recognizes lease payments as operating expenses on a straight-line basis over the lease term, unless other systematic basis is more representative of the pattern of time over which economic benefits from the leased assets are consumed. Grace periods (that is, rent-free periods) are recognized as part of the measurement of right-of-use assets and lease liabilities. With the beginning of the use, depreciation is recognized, and in the course of the obligations, the interest accrued is recognized in profit or loss.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets refer to leases of real estate and machinery and equipment, and are depreciated on a straight-line basis over the lease term.

Right-of-use assets are tested for impairment. See note 13.

(In thousands of Brazilian reais - R$, unless otherwise stated)

Lease liabilities

The lease liability is initially measured at the present value of future lease payments, less the implicit lease rate. If this rate cannot be promptly determined, the Group uses its incremental borrowing rate.

Lease payments included when measuring lease liabilities comprise:

• Fixed payments (including in-substance fixed payments), less any lease incentives receivable;

• Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and

• Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease liabilities are subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (applying the effective interest rate method) and by reducing the carrying amount to reflect lease payments made.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

• Lease payments change due to changes in an index or rate. In these cases, the lease liability is remeasured by discounting the revised lease payments at an unchanged discount rate (unless the change results from changes to a floating interest rate, in which case a revised discount rate is used).

• A lease agreement is amended and that change is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the term of the amended lease agreement, by discounting the revised lease payments at a revised discount rate on the amendment date.

15. TRADE PAYABLES

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Trade payables				
Local currency	167,280	87,485	365,191	230,685
Foreign currency	169	104	33,981	10,542
Total	**167,449**	**87,589**	**399,172**	**241,227**

In general, the Company operates with an average payment term of 35 days (30 days at December 31, 2022) for its operating suppliers. For property and equipment, payments are made following the negotiation made for each operation.

ACCOUNTING POLICY:

Trade payables comprise obligations payable for goods or services acquired in the ordinary course of business, as well as investments made in the Company's projects. The amounts payable are initially recognized at fair value and subsequently measured at amortized cost by applying the effective interest method, if applicable, pursuant to CPC 40 (R1) / IFRS 7 – Financial Instruments: Disclosures).

16. OTHER LIABILITIES

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Other liabilities				
Salaries, accruals and social contributions	49,581	38,308	96,026	72,393
Investments in subsidiaries and joint ventures with negative equity[(1)]	4,802	2,437	-	-
Acquisition of control - Sporty Panama	163,745	309,601	163,745	309,601
Contingent consideration - MB Negócios Digitais	4,010	3,547	4,010	3,547
Contingent consideration – Latamfit Chile	4,560	5,461	4,560	5,461
Contingent consideration – Just Fit	2,767	2,767	2,767	2,767
Consideration for acquisition - Lake	4,895	-	4,895	-
Consideration for acquisition - Holandeses	3,997	-	3,997	-
Consideration for acquisition - Cohama	4,853	-	4,853	-
Increase in equity interest – ADV	-	-	-	9,838
Others	4,013	4,254	23,096	22,193
Total	**247,223**	**366,375**	**307,949**	**425,800**
Current	**235,299**	**177,721**	**283,619**	**226,592**
Noncurrent	**11,924**	**188,654**	**24,330**	**199,208**

(1) See note 11.

ACCOUNTING POLICY:

Financial liabilities

Financial liabilities are recognized in the balance sheet when the Group is a party to the contractual provisions, initially measured at fair value and subsequently measured at amortized cost by applying the effective interest method or at fair value through profit or loss.

The contingent consideration recognized in a business combination is subsequently measured at fair value through profit or loss.

Non-financial liabilities

Non-financial liabilities are initially measured at fair value and carried in the balance sheet at the known or estimated amounts, adjusted through the end of each reporting period, when applicable.

All obligations are derecognized only when they are discharged, canceled or expired.

(In thousands of Brazilian reais - R$, unless otherwise stated)

17. BORROWINGS

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Borrowings				
Debentures	2,205,130	1,696,072	2,205,130	1,696,072
Promissory notes	-	257,361	-	257,361
Working capital	43,774	46,597	1,614,769	1,466,461
Total	**2,248,904**	**2,000,030**	**3,819,899**	**3,419,894**
Current	**32,482**	**96,531**	**594,402**	**488,226**
Noncurrent	**2,216,422**	**1,903,499**	**3,225,497**	**2,931,668**
Local currency	**2,248,904**	**2,000,030**	**2,272,659**	**2,025,894**
Foreign currency	-	-	**1,547,601**	**1,394,000**

SUMMARY OF CHANGES IN BORROWINGS

	Parent	Consolidated
Borrowings		
At December 31, 2021	**2,102,990**	**3,590,495**
Fundraising	416,164	819,387
Accrued interest and cost amortization	292,031	422,840
Principal paid	(577,683)	(942,467)
Interest payment	(233,472)	(361,808)
Exchange differences	-	(108,553)
At December 31, 2022	**2,000,030**	**3,419,894**
Fundraising	597,500	1,099,507
Acquisitions of subsidiaries	-	42,196
Accrued interest and cost amortization	299,274	485,219
Principal paid	(369,544)	(802,587)
Interest payment	(278,356)	(452,962)
Exchange differences	-	28,632
At December 31, 2023	**2,248,904**	**3,819,899**

DESCRIPTION OF THE MAIN FINANCIAL AGREEMENTS

	Currency of the agreement	Par value in the currency of the agreement (in millions)	Charges (p.a.)	Maturity	12/31/2023	12/31/2022
PARENT						
DEBENTURES						
Fifth issue	BRL	250.0	CDI+1.90%	09/30/2028	140.323	252.133
Sixth issue	BRL	1,060.0	CDI+2.40%	12/20/2028	1.040.037	1.048.633
Seventh issue - 1st series	BRL	362.3	CDI+1.50%	10/10/2029	40.313	358.052
Seventh issue - 2nd series	BRL	37.3	IPCA+7.37%	10/10/2029	371.984	37.254
Eight issue - 1st series	BRL	600.0	CDI+1.95%	10/20/2030	612.473	-
COMMERCIAL NOTES (FORMERLY PROMISSORY NOTES)						
Single series	BRL	267.0	CDI+2.15%	03/08/2025	-	257.361
WORKING CAPITAL						
Smartfit Brasil	BRL	100.0	CDI+2.49%	08/15/2027	10.477	11.342
SUBSIDIARIES						
WORKING CAPITAL						
Latamgym México(1)	MXN	1,300.0	TIIE + 1.90%	03/17/2025	133,871	224,819
Latamgym México(2)	MXN	356.7	TIIE + 2.80%	2023-2024	18,843	37,620
Latamgym México	MXN	290.0	TIIE + 2.00%	05/31/2027	72,721	77,343
Latamgym México	MXN	100.0	TIIE + 2.00%	09/30/2027	28,346	26,670
Latamgym México	MXN	150.0	TIIE + 2.00%	12/31/2027	42,189	40,005
Latamgym México	MXN	100.0	TIIE + 2.00%	09/30/2027	28,346	26,172
Latamgym México	MXN	400.0	TIIE + 2.00%	07/24/2028	107,146	-
SportyCity Colômbia	COP	40,000.0	IBR + 4.95%	02/09/2027	39,583	43,120
SportyCity Colômbia	COP	36,000.0	IBR + 5.00%	04/01/2027	37,664	38,808
Latamfit Chile	CLP	25,218.6	7.22%	07/05/2024	33,217	77,476
Latamfit Chile	CLP	23,000.0	9.48%	12/29/2025	84,378	140,783
Latamfit Chile	CLP	11,091.2	5.67%	12/02/2024	17,498	39,397
Latamfit Chile	CLP	20,000.0	9.55%	08/17/2028	109,453	-
Smartfit Peru	PEN	66.0	8.00%	08/09/2024	16,994	40,775
Smartfit Peru	PEN	62.7	4.78%	07/15/2025	65,624	86,414
Smartfit Peru	PEN	119.1	10.65%	11/30/2025	156,500	163,135
Smartfit Peru	PEN	60.0	8.11%	09/30/2024	79,261	82,698

(1) Non-revolving credit agreement due in two installments, with final maturity on March 17, 2025, with monthly principal repayments beginning after the 25th month from the disbursement. The bonds are secured by a pledge unrelated to property on a bank account that Latamgym SAPI de CV holds in HSBC and is guaranteed by the Company. This agreement restricts any change of control of either the borrower or the payment of dividends and the distributions from the borrower to its parent company.

(2) Non-revolving credit agreement with monthly capital repayments starting after the 12th month from the disbursement. This agreement restricts any change of control of either the borrower or the guarantor and restricts the payment of dividends and distributions from the borrower to its parent company.

FOURTH ISSUE OF DEBENTURES

On April 20, 2022, the Company carried out the optional early redemption of all debentures of the 2nd and 4th issues. Accordingly, it paid in full the amount of R$498,728.

FIFTH ISSUE OF DEBENTURES

On March 10, 2022, the General Meeting of Debenture Holders approved the change in the term and maturity of debentures to April 30, 2025, and it also approved compensatory interest on the unit par value or the unit par value balance of the Debentures, corresponding to CDI + 2.25% p.a. up to April 30, 2023 (exclusive); from April 30, 2023 (inclusive) to April 30, 2024 (exclusive), 3.75%; from April 30, 2024 (inclusive) to the maturity date (exclusive) will be 4.50%, calculated as provided for in the Debentures Indenture. Interest payments are made on a quarterly basis up to July 30, 2024 and on a monthly basis after that date up to the maturity.

There was also an amendment to the early maturity clause, which may take place in the event the net debt to EBITDA ratio is not equal to or lower than 3.0, to be periodically calculated by the Company, starting in the 2nd quarter of 2022 ("Financial Ratio"). The net debt to EBITDA ratio will change to 3.5x when a legal representative of the Company certifies in writing to the trustee that less than 10% of the issuer's consolidated gross debt requires compliance with a net debt to EBITDA ratio equal to or lower than 3.0x.

On June 30 2022, the Company certified in writing to the trustee that less than 10% of the issuer's consolidated gross debt requires compliance with a net debt to EBITDA ratio equal to or lower than 3.0x. Therefore, the Net Debt to EBITDA ratio is now 3.5x.

On February 6, 2023, a meeting of the Board of Directors approved the execution of the 3rd amendment to change the interest rate, which corresponded to CDI + 2.25% p.a. until April 30, 2023 (exclusive); from April 30, 2023 (inclusive) to April 30, 2024 (exclusive) it will be 3.75%; from April 30, 2024 (inclusive) to the maturity date (exclusive) it will be 4.50%. It was changed to an annual rate of 2.15%.

The Company also received prior authorization to carry out an optional extraordinary amortization in the amount of R$100 million of the outstanding balance of the debentures, which occurred on February 15, 2023.

On September 28, 2023, a general meeting of debenture holders approved the execution of the 4th amendment to the issuance deed, to change the interest rate to CDI + 1.90% and to change the amortization schedule and interest to annual amortizations in 2026, 2027 and 2028 and payment of a fee in the amount of 0.05% of the unit par value on September 29, 2023.

According to the analysis made pursuant to IFRS 9, the renegotiations were classified as debt modification, positively impacting the finance result by R$6,872, of which R$2,367 refers to the first renegotiation and R$4,505 to the second renegotiation.

The Company fully complied with early maturity covenants, whether related to certain automatic or nonautomatic default events, as per the related Indenture.

SEVENTH ISSUE OF DEBENTURES

On October 11, 2022, the Board of Directors approved the 7th issue of simple, non-convertible debentures of the Company, for private distribution, in the amount of R$400,000. These debentures will be linked to certificates of real estate receivables (CRIs) to be submitted to a public offering with restricted distribution efforts, under firm placement guarantee, pursuant do CVM Instruction 476 of January 16, 2009, as amended ("Restricted Offer"). The purpose of the potential funding is to meet financial commitments arising from acquisitions and real estate investments, according to the Company's organic expansion plan.

On October 13, 2022, the debentures were issued in 2 series, with maturity on October 10, 2029, subject to optional early redemption and/or early maturity of obligations arising from these Debentures.

Principal will be amortized in 3 installments, payable on October 13, 2027, October 11, 2028 and October 10, 2029.

The interest on the unit par value of the 1st series debentures corresponds to CDI + 1.50% p.a., and of the 2nd series debentures, to IPCA + 7.3679%. Interest payments are made on a semiannual basis.

The early maturity clauses include the non-maintenance for 2 consecutive quarters, or 3 alternate quarters, of the net debt to EBITDA ratio equal to or lower than 3.5x, to be periodically calculated by the Company, starting in the 4th quarter of 2022, based on the Audited Consolidated Financial Statements or the consolidated Interim Financial Information for the period, as applicable.

The Company fully complied with early maturity covenants, whether related to certain automatic or nonautomatic default events, as per the related Indenture.

EIGHTH ISSUE OF DEBENTURES

On October 11, 2023, the Board of Directors approved the 8th issue of simple, non-convertible, unsecured debentures, in a single series, in the amount of R$600,000, for public distribution with automatic registration, intended for professional investors. The proceeds from this issue will be used for general corporate purposes and to strengthen the working capital. On October 20, 2023, commercial notes were issued in a single series, with maturity on October 20, 2030. Principal will be amortized in 2 installments, payable on October 20, 2029 and October 20, 2030. The interest on the unit par value corresponds to CDI + 1.95%, payable every six months.

The early maturity clauses include the non-maintenance for 2 consecutive quarters, or 3 alternate quarters, of the net debt to EBITDA ratio equal to or lower than 3.5x, to be periodically calculated by the Company, starting in the 3th quarter of 2023, based on the Audited Consolidated Financial Statements or the consolidated Interim Financial Information for the period, as applicable.

The Company fully complied with early maturity covenants, whether related to certain automatic or nonautomatic default events, as per the related Indenture.

COMMERCIAL NOTES

On February 13, 2023, the Board of Directors approved a fundraising through the 1st issue of commercial notes, in a single series, for private distribution, in the total amount of R$267 million. On February 28, 2023, the conditions of the transaction were renegotiated, in which the early redemption of all promissory notes and the issue of the commercial notes that will mature on March 8, 2025 were approved.

The nominal unit value of the commercial notes will be subject to interest equivalent to 100% of the accumulated variation of the daily average interest rates of DI (interbank deposits) of one day, "over extra group", expressed as a percentage p.a., exponentially increased by a spread of 2.15% p.a.

Among the maturity clauses, the total optional early redemption clauses and the optional extraordinary amortization clauses stand out.

According to the analysis made pursuant to IFRS 9, the renegotiation was classified as a debt modification.

On November 6, 2023, the Board of Directors approved the optional early redemption of all of the commercial notes from the 1st issue, in a single series, for private distribution, in the amount of R$223 million. The redemption premium is 0.30% p.a., applied to the amount of the early redemption multiplied by the remaining term of the Commercial Notes. The operation maturities were in 2023, 2024 and 2025, at a rate of CDI + 2.15% p.a. This redemption is part of the Company's strategy to extend the debt amortization schedule and reduce borrowing costs.

(In thousands of Brazilian reais - R$, unless otherwise stated)

SYNDICATED CREDIT FACILITY

On July 24, 2023, the Group obtained a syndicated credit facility in Mexico, amounting to MXN 1,750 million, equivalent to approximately R$500 million. The amounts will be disbursed in up to 18 months starting from the contract signing date for financing of the local expansion, with possibility of partial disbursement, up to the total debt amount. The term for the operation is 60 months, with a grace period of 24 months and variable interest rate of 28 days TIIE + spread of 2.00% per annum. In the year ended December 31, 2023, MXN 950 million of the total amount of the facility was disbursed, which is equivalent to approximately R$260 million.

COVENANTS

The Company made an analysis of the operating guarantees and at December 31, 2023 it was also compliant with the operating and financial covenants (covenants with non-financial clauses), the main ones related to compliance with the allocation of funds raised, disclosure of information, as well as any non-compliance with pecuniary obligations of the debts issued, among others.

ACCOUNTING POLICY:

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, plus charges, inflation adjustment and exchange differences contractually established, incurred through the end of each reporting period. Before each period closing, the Group monitors the compliance with covenants in order to assess which actions are necessary to avoid the early maturity of the debt, if necessary.

18. PROVISION FOR JUDICIAL LIABILITIES

BREAKDOWN OF AND VARIATIONS IN THE BALANCES

The Group was party to certain labor, civil and tax lawsuits for which the likelihood of loss was considered probable by its legal counsel and, thus, a provision was recognized as follows:

	Civil	Labor	Tax	Total
PARENT				
At December 31, 2021	**2,543**	**3,214**	**-**	**5,757**
Additions and increases	565	288	289	1,142
Write-offs and reversals	(1,428)	(846)	-	(2,274)
Transfers and reclassifications	-	(1,223)	1,223	-
At December 31, 2022	**1,680**	**1,433**	**1,512**	**4,625**
Additions and increases	5,042	1,624	205	6,871
Write-offs and reversals	(1,667)	(67)	(60)	(1,794)
At December 31, 2023	**5,055**	**2,990**	**1,657**	**9,702**
CONSOLIDATED				
At December 31, 2021	**8,867**	**4,864**	**12,813**	**26,544**
Additions and increases	2,940	785	2,762	6,487
Write-offs and reversals	(4,389)	(2,818)	(936)	(8,143)
Transfers and reclassifications	-	(1,223)	1,223	-
At December 31, 2022	**7,418**	**1,608**	**15,862**	**24,888**
Additions and increases	5,711	2,318	1,213	9,242
Write-offs and reversals	(2,183)	(684)	(60)	(2,927)
At December 31, 2023	**10,946**	**3,242**	**17,015**	**31,203**

LAWSUITS CLASSIFIED AS POSSIBLE LOSS

The Company's Management did not consider necessary to recognize a provision for losses on ongoing civil, labor and tax lawsuits, since the likelihood of loss is considered possible by its legal counsel, as presented in the following table:

	12/31/2023	12/31/2022
Consolidated		
Civil	9,933	8,485
Labor	1,813	1,865
Tax	8,986	8,681
Total	**20,732**	**19,031**

(In thousands of Brazilian reais - R$, unless otherwise stated)

ESCROW DEPOSITS

At December 31, 2023, the Group has escrow deposits of R$79,949 (R$69,647 in Dec/22) in parent and R$100,936 (R$79,840 in Dec/22) in consolidated related to administrative and judicial proceedings, mainly in the tax (IRRF withholdings) and social security (INSS contributions) areas, which are included under "Other receivables".

	12/31/2023			12/31/2022		
	Provisions	Escrow deposits	Subtotal	Provisions	Escrow deposits	Subtotal
PARENT						
Civil	(5,055)	843	(4,212)	(1,680)	951	(729)
Labor	(2,990)	508	(2,482)	(1,433)	352	(1,081)
Tax	(1,657)	78,243	76,586	(1,512)	67,989	66,477
Court-frozen deposits	-	355	355	-	355	355
Total in parent	**(9,702)**	**79,949**	**70,247**	**(4,625)**	**69,647**	**65,022**

	12/31/2023			12/31/2022		
	Provisions	Escrow deposits	Subtotal	Provisions	Escrow deposits	Subtotal
CONSOLIDATED						
Civil	(10,946)	1,369	(9,577)	(7,418)	1,319	(6,099)
Labor	(3,242)	726	(2,516)	(1,608)	531	(1,077)
Tax	(17,015)	98,484	81,469	(15,862)	77,634	61,772
Court-frozen deposits	-	357	357	-	356	356
Total in consolidated	**(31,203)**	**100,936**	**69,733**	**(24,888)**	**79,840**	**54,952**

"RES JUDICATA" DECISION IN TAX MATTERS

The Group does not have final and unappealable court decisions on taxes collected on a continuous basis, which are impacted by the recent decision of the Brazilian Federal Supreme Court (STF). As a result, it will not be necessary to review the likelihood of loss or the ongoing lawsuits and/or lawsuits already settled, which involve the discussion of taxes collected on a continuous basis.

ARBITRATION ON THE PRICE PAYABLE FOR THE ACQUISITION OF JUST FIT

On February 6, 2023, the Company received a notification regarding the request for initiation of arbitration submitted by the sellers of Just Fit, in relation to the Share Purchase and Sale Agreement and Other Covenants, entered into on March 5, 2021 ("Agreement"). The controversy relates to the determination of the acquisition price under the Contract. Up to the date of publication of these financial statements, the procedure is in progress at the Center for Arbitration and Mediation of the Chamber of Commerce Brazil-Canada ("CAM-CCBC") and, after the signing of the arbitration, it is currently at the pleading stage, with terms for the parties to submit their statements.

ACCOUNTING POLICY:

According to CPC 25 / IAS 37 – Provisions, contingent liabilities and contingent assets, 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 surrounding the obligation.

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 Group's 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 Group's service agreements. In addition, certain ongoing lawsuits against the Group challenge significant elements of its business model, such as the price structure of its plans and the collection predominantly through electronic means.

Taw lawsuits: consist mainly of judicial and administrative proceedings related to taxes, mostly related to the IRPJ and CSLL calculation base.

(In thousands of Brazilian reais - R$, unless otherwise stated)

19. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

BREAKDOWN OF PROFIT OR LOSS

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Income tax and social contribution				
Current	(12,324)	-	(127,831)	(63,093)
Deferred	430,115	-	600,421	59,357
Total	**417,791**	**-**	**472,590**	**(3,736)**

RECONCILIATION OF EFFECTIVE INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Income tax and social contribution				
Profit (loss) before income tax and social contribution	618,763	(89,431)	571,586	(82,315)
Statutory rate in Brazil	34%	34%	34%	34%
Expected tax assets	**(210,379)**	**30,406**	**(194,339)**	**27,987**
Share of profit (loss) of investees	167,749	37,682	(370)	2,234
Unrecognized deferred tax – temporary differences	-	(30,371)	-	(35,273)
Unrecognized deferred tax – tax loss carryforwards	-	(2,207)	-	(814)
Temporary differences	10,558	-	23,311	-
Deferred tax	430,115	-	600,421	-
Adjustment of companies taxed on the presumed profit	-	-	11,364	9,557
Difference in rates of foreign subsidiaries	-	-	19,008	37,646
Revaluation of equity interest(1)	60,044	-	60,044	-
Others	(40,296)	(35,510)	(46,849)	(45,073)
Total	**417,791**	**-**	**472,590**	**(3,736)**

(1) See note 3.

VARIATIONS AND BREAKDOWN OF DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

	12/31/2021	Profit (loss)	Other comprehensive income	Effect of foreign exchange on translation	12/31/2022
PARENT					
Deferred assets					
Leases	25,816	1,768	-	-	27,584
Tax losses	263,863	2,207	-	-	266,070
Provisions	36,165	28,603	-	-	64,768
Subtotal	**325,844**	**32,578**	**-**	**-**	**358,422**
Unrecognized deferred tax	(325,844)	(32,578)	-	-	(358,422)
Total	**-**	**-**	**-**	**-**	**-**
CONSOLIDATED					
Deferred assets					
Property and equipment	41,276	55,507	-	1,139	97,922
Leases	71,571	15,018	-	(1,887)	84,702
Tax losses	432,710	814	-	(14,720)	418,804
Provisions	56,620	28,014	-	(1,367)	83,267
Deferred revenue	4,595	5,228	-	73	9,896
Investments in financial assets	-	-	3,386	-	3,386
Others	3,028	1,704	-	(176)	4,556
Deferred liabilities					
Derivative financial instruments	-	(3,436)	-	(117)	(3,553)
Deferred liabilities generated by business combinations	(7,774)	4,164	-	507	(3,103)
Property and equipment	(18,926)	(1,861)	-	(2,717)	(23,504)
Others	(894)	(3,547)	-	(71)	(4,512)
Subtotal	**582,206**	**101,605**	**3,386**	**(19,336)**	**667,861**
Unrecognized deferred tax	(440,400)	(42,248)	-	-	(482,648)
Total	**141,806**	**59,357**	**3,386**	**(19,336)**	**185,213**

(In thousands of Brazilian reais - R$, unless otherwise stated)

	12/31/2022	Profit (loss)	Acquisition of subsidiaries	Reclassifications	Other comprehensive income	Foreign exchange effect on translation	12/31/2023
PARENT							
Deferred assets							
Leases	27,584	(3,766)	-	-	-	-	23,818
Tax losses	266,070	86,919	-	-	-	-	352,989
Provisions	64,768	(11,460)	-	-	-	-	53,308
Subtotal	**358,422**	**71,693**	**-**	**-**	**-**	**-**	**430,115**
Unrecognized deferred tax	(358,422)	358,422	-	-	-	-	-
Total	**-**	**430,115**	**-**	**-**	**-**	**-**	**430,115**
CONSOLIDATED							
Deferred assets							
Property and equipment	97,922	16,857	1,929	57,386	-	5,068	179,162
Leases	84,702	35,794	4,141	94,510	-	(286)	218,861
Tax losses	418,804	65,733	2,791	(4,161)	-	(2,863)	480,304
Provisions	83,267	(12,261)	-	1,748	-	34	72,788
Deferred revenue	9,896	(560)	-	3,290	-	640	13,266
Investments in financial assets	3,386	-	-	589	(3,114)	(357)	504
Others	4,556	12,084	-	545	-	442	17,627
Deferred liabilities		-	-	-	-	-	-
Derivative financial instruments	(3,553)	2,391	-	-	-	(245)	(1,407)
Deferred liabilities generated by business combinations	(3,103)	9,439	(10,897)	-	-	743	(3,818)
Property and equipment	(23,504)	(8,263)	-	(65,045)	-	3,967	(92,845)
Leases	-	(1,275)	-	(95,164)	-	1,713	(94,726)
Others	(4,512)	(2,166)	-	6,302	-	1,199	823
Subtotal	**667,861**	**117,773**	**(2,036)**	**-**	**(3,114)**	**10,055**	**790,539**
Unrecognized deferred tax	(482,648)	482,648	-	-	-	-	-
Total	**185,213**	**600,421**	**(2,036)**	**-**	**(3,114)**	**10,055**	**790,539**

Up to the year ended December 31, 2022, the Company choose not to record deferred tax related to tax losses for companies in Brazil, as they are not expected to be realized. However, these expectations were reviewed in 2023, resulting in full recognition of this deferred tax. This change reflects a more updated analysis of the economic and tax perspectives, evidencing a change in expectation regarding the use of accumulated tax losses for future tax benefits. The decision to recognize the deferred tax in 2023 is in line with the accounting standards in effect and aims to provide a more faithful and updated representation of the obligations related to tax losses. This non-retroactive updating maintains the integrity of the financial statements, ensuring transparency and compliance.

For foreign entities, deferred taxes on temporary differences and tax losses are accounted for in accordance with legislation and expected local realization.

ACCOUNTING POLICY:

In accordance with CPC 32 / IAS 12 – Income Taxes, the Company calculates current and deferred income tax and social contribution based on the taxable profit for the year.

Current tax liabilities (assets) are measured at the amount expected to be paid to (recovered from) the tax authorities, based on tax rates (and laws) that have been enacted by the end of the reporting period. Income tax is recognized in the statement of profit and loss, except to the extent that it relates to items recognized directly in equity, if applicable.

Deferred tax assets and liabilities are measured at the tax rates expected to apply when the asset is realized or the liability is settled, based on tax rates (and laws) that are effective at the end of the reporting period.

Deferred taxes are recognized based on temporary differences or tax losses when there is reasonable certainty that they will be recoverable. The carrying amount is reviewed at each balance sheet date and modified to the extent that it is probable that taxable income will be available to allow all or part of the deferred income tax asset to be utilized.

(In thousands of Brazilian reais - R$, unless otherwise stated)

20. EQUITY

SHARE CAPITAL

At December 31, 2023, the Company's subscribed and paid-up capital totals R$2,970,443 (R$2,970,443 at December 31, 2022), comprising 586,242,289 (586,242,289 at December 31, 2022) registered, book-entry common shares, with no par value, held as follows:

	12/31/2023		12/31/2022	
	Common shares	%	Common shares	%
Shareholder				
Corona family	87,015,094	14.84%	87,013,794	14.84%
Pátria	191,821,477	32.72%	240,423,729	41.01%
Shares held by owners of the Company	**278,836,571**	**47.56%**	**327,437,523**	**55.85%**
Canada Pension Plan Investment Board – CPPIB[(1)]	70,851,035	12.09%	70,851,035	12.09%
Novastar Investment Pte. Ltd – GIC[(1)]	52,673,584	8.98%	52,673,584	8.98%
Other shareholders[(2)]	183,881,099	31.37%	135,280,147	23.08%
Shares publicly traded in the market	**307,405,718**	**52.44%**	**258,804,766**	**44.15%**
Total	**586,242,289**	**100.00%**	**586,242,289**	**100.00%**

(1) Shareholders abroad.
(2) Shareholders with less than 5% interest.

In 2023, the shareholder Pátria carried out a public offering of 48,602,252 of the Company common shares it held, and now holds 32.72% of Smartfit's share capital; the shares sold were made available for trading in the market.

CAPITAL RESERVE

Capital reserves are set up with amounts received by the Company and that do not pass through profit or loss. These reserves reflect the contributions made by shareholders that are directly related to the setting up or to the capital increase and also the long-term incentive plans, duly approved in General Meetings, which grant stock options (see note 26).

In the year ended December 31, 2023, the capital reserve was managed according to the accounting standards in effect and to the Company's internal guidelines.

On September 25, 2023, an absorption of accumulated losses in the amount of R$1,375,832 was approved, using proceeds from the Company's capital reserve. This strategic decision aims to strengthen the Company's financial stability by mitigating the impacts of accumulated losses on equity. The use of the capital reserve to absorb losses is in line with the accounting policies adopted by the Company.

OTHER COMPREHENSIVE INCOME

These are the cumulative translation adjustments of financial statements of foreign operations. The amount represents a cumulative gain of R$373,844 at December 31, 2023 (gain of R$294,163 at December 31, 2022).

ALLOCATION OF PROFIT FOR THE YEAR

LEGAL RESERVE

The legal reserve is set up according to the requirements of the Brazilian corporate law, with allocation of 5% of the profit for the year, limited to 20% of the share capital. This reserve aims to ensure the integrity of the share capital and may only be used to offset losses or increase capital.

STATUTORY RESERVE

Pursuant to Smartfit's Bylaws, all remaining profit for the year will be allocated to a statutory reserve, which may be used for investments and to constitute funds for the proper development of the Group's activities. The total amount allocated to this reserve may not exceed the Company's share capital.

If the Board of Directors considers the reserve amount sufficient to fulfill its purposes, it may propose to the Meeting the setting-up of a reserve at a percentage lower than established and/or propose that the amounts be reversed for distribution to the Company's shareholders.

At December 31, 2023, Management proposed, for approval by the Annual General Meeting, the allocation of 100% of the remaining profit for 2023 in the amount of R$730,365.

(In thousands of Brazilian reais - R$, unless otherwise stated)

INTEREST ON CAPITAL

The Company adopts the procedure of recording interest on capital paid to shareholders for compliance with the tax rules, the amounts related to interest on capital are recognized against "finance costs" and, for purposes of preparation of the financial statements, are reversed from profit or loss to retained earnings, less the amount of the minimum mandatory dividend.

Pursuant to its Bylaws, the Company distributes minimum mandatory dividend to shareholders equivalent to 25% of the profit for the year, decreased or increased by the amount allocated to the legal reserve.

The profit distribution for 2023 is disclosed below and will be submitted for approval to the Annual General Meeting to be held on April 25, 2024, together with the accounts for the year.

	12/31/2023
Profit for the year	1,036,554
Legal reserve - 5%	51,828
Profit for the year, basis for dividends proposal	**984,726**
Minimum dividend - 25%	246,182
Interest on capital paid	266,000
Withholding income tax on interest on capital	(13,023)
Total	**252,977**
Percentage of profit for the year, less the legal reserve	25,690%
Statutory reserve	**718,726**

21. OPERATING REVENUE AND DEFERRED REVENUE

BREAKDOWN OF OPERATING REVENUE

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Operating revenue by type of service				
Gym plans	1,517,269	1,111,808	4,037,161	2,770,709
Annual fees	76,614	119,607	303,272	265,244
Membership fees	4,346	833	32,996	28,193
Others	42,458	7,934	165,893	87,651
Gross operating revenue	**1,640,687**	**1,240,182**	**4,539,322**	**3,151,797**
Taxes on revenue	(212,748)	(159,226)	(294,579)	(221,359)
Net operating revenue	**1,427,939**	**1,080,956**	**4,244,743**	**2,930,438**

Operating revenues by geographic region are disclosed in note 25.

The sales revenue, leveraged by the gym plans, is recognized in this line item as the service is provided, on an accrual basis. Based on the characteristics of the Group's services, operating revenue is mainly transferred over time.

The Group monitors the rate of cancelation of services billed but not provided and concluded that the amount of refund of monthly fees to members is irrelevant, and that annual and membership fees are not required to be refunded to members.

BREAKDOWN OF DEFERRED REVENUE

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Deferred revenue				
Gym plans	6,370	4,765	56,589	43,072
Annual fees	17,978	56,954	141,823	174,548
Membership fees	2,718	1,008	5,834	9,989
Others	662	1,479	1,969	1,478
Total	**27,728**	**64,206**	**206,215**	**229,087**
Current	**27,596**	**63,544**	**206,083**	**228,425**
Noncurrent	**132**	**662**	**132**	**662**

ACCOUNTING POLICY:

According to CPC 47 / IFRS 15 – Revenue from Contracts with Customers, revenues from services provided are recognized on an accrual basis in accordance with the fulfillment of the contractual obligations to customers, net of taxes, discounts and rebates granted. Revenues from services provided have the following origin:

- The amounts related to fitness activities and digital channels are recognized monthly according to the terms established in the service agreements, including the membership, annual and monthly fees.
- 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.

(In thousands of Brazilian reais - R$, unless otherwise stated)

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.

The types of services offered are the following:

- Gym plans. Agreements entered into with gym members, under plans contracted directly by the customers.
- Membership fees. Revenues arising from the member entry into the unit, which are deferred and recognized in profit or loss for a period of one year as from the entry of the member.
- Annual fees. Revenues charged from members periodically, which are deferred and recognized in profit or loss for a period of one year as from the entry of the member.
- Others. Refer to royalties for the Group's franchises and amounts received for loyalty fines for the Black and Smart plans acquired during the promotion period.

22. COST AND EXPENSES BY NATURE

The Group 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:

	12/31/2023			12/31/2022		
	Costs	Expenses	Total	Costs	Expenses	Total
PARENT						
Personnel and related taxes	226,685	116,643	343,328	188,444	99,910	288,354
Depreciation and amortization, net of PIS and COFINS	369,443	11,723	381,166	341,238	11,314	352,552
Utilities expenses	150,845	5,689	156,534	130,025	5,377	135,402
Operational support services	80,956	62,329	143,285	101,171	42,064	143,235
Opening of new units	7,292	6,997	14,289	9,495	5,102	14,597
Variable lease of real estate, common area maintenance fees and occupancy expenses	49,563	2,215	51,778	55,137	1,396	56,533
Maintenance	33,695	626	34,321	23,712	212	23,924
Media and commercials	-	130,040	130,040	-	130,102	130,102
Credit card management fee	-	18,094	18,094	-	10,648	10,648
Allocation to stock option plans	-	35,557	35,557	-	13,640	13,640
Remeasurement of previously held interest	-	(176,599)	(176,599)	-	-	-
Others	15,522	66,119	81,641	11,635	21,266	32,901
Total	**934,001**	**279,433**	**1,213,434**	**860,857**	**341,031**	**1,201,888**
CONSOLIDATED						
Personnel and related taxes	554,652	250,218	804,870	427,228	198,827	626,055
Depreciation and amortization, net of PIS and COFINS	1,112,337	25,230	1,137,567	858,753	22,624	881,377
Utilities expenses	379,928	14,099	394,027	298,021	12,393	310,414
Operational support services	176,540	110,167	286,707	186,092	73,777	259,869
Opening of new units	31,906	26,651	58,557	26,294	17,822	44,116
Variable lease of real estate, common area maintenance fees and occupancy expenses	124,165	5,238	129,403	113,556	2,945	116,501
Maintenance	108,949	1,108	110,057	77,367	501	77,868
Media and commercials	-	247,097	247,097	-	224,927	224,927
Credit card management fee	-	72,870	72,870	-	49,003	49,003
Allocation to stock option plans	-	37,019	37,019	-	16,166	16,166
Remeasurement of previously held interest	-	(176,599)	(176,599)	-	-	-
Others	45,377	51,828	97,205	31,106	34,190	65,296
Total	**2,533,854**	**664,926**	**3,198,780**	**2,018,417**	**653,175**	**2,671,592**

ACCOUNTING POLICY:

Costs

Includes costs for the provision of services in clubs, generated in each unit. These refer mainly to depreciation and amortization, salaries and other charges of the operation employees, and utilities expenses.

Expenses

Mainly comprise investment in marketing, related to creating and maintaining brand value and awareness (media, advertising and promotional materials) and overhead, related to general expenses (costs with personnel for core positions, such as finance team and human resources).

(In thousands of Brazilian reais - R$, unless otherwise stated)

23. FINANCE INCOME (COSTS)

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
FINANCE INCOME				
Interest income	21,506	18,712	37,153	25,134
Exchange differences	27,897	1,755	43,707	29,213
Income from financial investments	271,347	283,930	326,247	328,127
Gain (loss) on derivative financial instruments(1)	34,196	-	35,422	11,880
Discounts obtained on leases	3,073	2,458	9,033	10,611
Other finance income	1,778	42,563	8,979	45,814
Total finance income	**359,797**	**349,418**	**460,541**	**450,779**
FINANCE COSTS				
Interest on borrowings	(296,827)	(289,031)	(481,158)	(419,840)
Interest on leases	(92,462)	(86,526)	(342,611)	(277,941)
Exchange differences	(13,890)	(3,577)	(42,889)	(37,443)
Loss on derivative financial instruments(1)	(11,966)	(29,995)	(21,093)	(29,995)
Other finance costs	(33,774)	(19,617)	(46,078)	(33,291)
Total finance costs	**(448,919)**	**(428,746)**	**(933,829)**	**(798,510)**
Total finance income (costs), net	**(89,122)**	**(79,328)**	**(473,288)**	**(347,731)**

(1) See note 9.

ACCOUNTING POLICY:

Finance income mainly includes income from cash and cash equivalents and investments in financial assets. Finance costs mainly include interest expenses related to financial liabilities (borrowings and lease liabilities). Borrowing costs are recognized based on the effective interest rate method.

24. EARNINGS (LOSS) PER SHARE

CALCULATION OF EARNINGS (LOSS) PER SHARE

The Company calculates earnings (loss) per share by dividing the profit (loss) for the period by the weighted average number 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 (loss) per share.

The table below presents the calculation of profit (loss) for the period available to shareholders and the weighted average number of shares outstanding used to calculate basic and diluted earnings per share for each period presented:

	Basic		Diluted	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Earnings (loss) per share				
Earnings (loss) attributable to owners of the Company	1,036,554	(89,431)	1,036,554	(89,431)
Weighted average number of shares during the year	586,242,289	586,242,289	609,258,913	586,242,289
Earnings (loss) per share	**1.7681**	**(0.1525)**	**1.7013**	**(0.1525)**

ACCOUNTING POLICY:

Basic earnings per share are calculated based on the weighted average number of shares outstanding during the period, 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 period and the equity instruments issued by the Company that may possibly dilute the interest of its shareholders in future periods, such as stock options which are included in the calculation when their settlement have a dilutive impact on the earnings per share.

25. SEGMENT INFORMATION

Management analyzes its operations based on the following business segments:

Operating segments	Description
Smartfit	HVLP services, with a more restricted service offer at a lower cost.
Bio Ritmo	Premium service, which offers a greater variety and a more customized service offer.
Others	Includes other businesses related to fitness services, such as the operations of franchised units and the digital services of Queima Diária, among others.

Management also analyzes its businesses based on a geographic segmentation, considering the following main markets:

Markets	Description
Brazil	Company owned units in Brazil.
Mexico	Company owned units in Mexico.
Other LATAM	Considers company owned units in Peru, Colombia, Chile, Argentina, Paraguay, Uruguay, Panama and Costa Rica.

	December 31, 2023									
	Brazil				Mexico	Other LATAM				
	Smartfit	Bio Ritmo	Others	Total	Smartfit	Smartfit	Others	Total	Share of profit (loss) of investees	Consolidated
SEGMENTS										
Operating revenue	1,627,366	131,249	243,163	2,001,778	1,001,823	1,233,698	7,444	1,241,142	-	4,244,743
Costs	(1,038,799)	(87,868)	(76,203)	(1,202,870)	(651,696)	(674,361)	(4,927)	(679,288)	-	(2,533,854)
Gross profit	**588,567**	**43,381**	**166,960**	**798,908**	**350,127**	**559,337**	**2,517**	**561,854**	**-**	**1,710,889**
Selling expenses				(195,686)	(89,529)			(59,567)	-	(344,782)
General and administrative expenses				(335,694)	(45,034)			(87,633)	-	(468,361)
Other operating income (expenses), net				132,625	6,157			9,435	-	148,217
Share of profit (loss) of investees				-	-			-	(1,089)	(1,089)
Operating profit (loss) before finance income (costs)				**400,153**	**221,721**			**424,089**	**(1,089)**	**1,044,874**
OTHER INFORMATION										
Costs	(431,287)	(27,957)	(37,795)	(497,039)	(334,160)	(298,685)	(2,280)	(300,965)	-	(1,132,164)
Expenses	(674)	-	(15,700)	(16,374)	(3,495)	(5,362)	-	(5,362)	-	(25,231)
Depreciation and amortization	**(431,961)**	**(27,957)**	**(53,495)**	**(513,413)**	**(337,655)**	**(304,047)**	**(2,280)**	**(306,327)**	**-**	**(1,157,395)**
Costs	(286,354)	(19,994)	(5,260)	(311,608)	(230,094)	(170,917)	(1,883)	(172,800)	-	(714,502)
Expenses	(799)	-	(3,173)	(3,972)	(2,056)	(2,853)	-	(2,853)	-	(8,881)
Fixed lease	**(287,153)**	**(19,994)**	**(8,433)**	**(315,580)**	**(232,150)**	**(173,770)**	**(1,883)**	**(175,653)**	**-**	**(723,383)**
Costs	(7,292)	(822)	(1,429)	(9,543)	(8,654)	(13,709)	-	(13,709)	-	(31,906)
Expenses	(6,997)	(219)	-	(7,216)	(15,642)	(3,793)	-	(3,793)	-	(26,651)
Opening of new units	**(14,289)**	**(1,041)**	**(1,429)**	**(16,759)**	**(24,296)**	**(17,502)**	**-**	**(17,502)**	**-**	**(58,557)**

	December 31, 2022									
	Brazil				Mexico	Other LATAM				
	Smartfit	Bio Ritmo	Others	Total	Smartfit	Smartfit	Others	Total	Share of profit (loss) of investees	Consolidated
SEGMENTS										
Operating revenue	1,224,300	99,603	189,103	1,513,006	635,144	775,612	6,676	782,288	-	2,930,438
Costs	(980,451)	(80,013)	(45,009)	(1,105,473)	(453,656)	(454,629)	(4,659)	(459,288)	-	(2,018,417)
Gross profit	**243,849**	**19,590**	**144,094**	**407,533**	**181,488**	**320,983**	**2,017**	**323,000**	**-**	**912,021**
Selling expenses				(196,860)	(49,650)			(45,836)	-	(292,346)
General and administrative expenses				(255,009)	(30,976)			(62,006)	-	(347,991)
Other operating income (expenses), net				(9,627)	(2,517)			(694)	-	(12,838)
Share of profit (loss) of investees				-	-			-	6,570	6,570
Operating profit (loss) before finance income (costs)				**(53,963)**	**98,345**			**214,464**	**6,570**	**265,416**
OTHER INFORMATION										
Costs	(415,260)	(24,392)	(9,183)	(448,835)	(229,875)	(198,278)	(2,643)	(200,921)	-	(879,631)
Expenses	(2,558)	-	(14,164)	(16,722)	(1,915)	(3,987)	-	(3,987)	-	(22,624)
Depreciation and amortization	**(417,818)**	**(24,392)**	**(23,347)**	**(465,557)**	**(231,790)**	**(202,265)**	**(2,643)**	**(204,908)**	**-**	**(902,255)**
Costs	(264,109)	(19,361)	(4,528)	(287,998)	(160,264)	(118,204)	(2,110)	(120,314)	-	(568,576)
Expenses	(762)	-	(3,387)	(4,149)	(1,685)	(2,019)	-	(2,019)	-	(7,853)
Fixed lease	**(264,871)**	**(19,361)**	**(7,915)**	**(292,147)**	**(161,949)**	**(120,223)**	**(2,110)**	**(122,333)**	**-**	**(576,429)**
Costs	(9,495)	(444)	(1,010)	(10,949)	(4,386)	(10,959)	-	(10,959)	-	(26,294)
Expenses	(5,091)	(10)	(100)	(5,201)	(10,156)	(2,465)	-	(2,465)	-	(17,822)
Opening of new units	**(14,586)**	**(454)**	**(1,110)**	**(16,150)**	**(14,542)**	**(13,424)**	**-**	**(13,424)**	**-**	**(44,116)**

ACCOUNTING POLICY:

Segment information is presented consistently with the internal report provided to the chief operating decision-maker. The chief operating decision-maker, 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 together with the Board of Directors.

The chief operating decision-maker uses mainly the gross profit to monitor the results and performance of the operating segment, which is calculated in accordance with the accounting practices adopted by the Group.

The assets and liabilities by segment are not being presented, in line with CPC 22 and IFRS 8, since this information is not regularly presented to the chief decision maker.

26. FINANCIAL RISK MANAGEMENT

The sensitivity analyses to market risk below are based on variations in one of the factors while all of the others remain constant. In practice, this is unlikely to occur and changes in several factors may be correlated; for example, changes in interest rates and foreign exchange rates. The analysis provides only a limited overview, at a given point in time. The actual impact on the Group's financial instruments may vary significantly in relation to the impact presented in the sensitivity analysis.

Risk management is carried out by the Company's Management in accordance with the policies approved by the Board of Executive Officers.

The main financial risks that could have a significant adverse impact on the Group's strategy, performance, results of operations and financial situation are described below. The risks listed below are not presented in a particular order of relative importance or probability of occurrence.

MARKET RISK MANAGEMENT

The market risk to which the Group is exposed consists of the possibility of fluctuations in foreign exchange and interest rates impacting the valuation of financial assets or liabilities, as well as of certain expected cash flows being negatively impacted by changes in interest rates, foreign exchange rates or other price variables.

We present below a description of the risks mentioned above, as well as a breakdown of the extent to which the Group is exposed and an analysis of the sensitivity to changes in each of the relevant market variables.

FOREIGN EXCHANGE RISK MANAGEMENT

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will vary as a result of changes in exchange rates. The Group's exposure to foreign exchange risk mainly arises from its operating activities (when revenues or expenses are denominated in a currency other than the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Company and its Brazilian subsidiaries are not exposed to significant foreign exchange risks for transactions carried out in currencies other than the Brazilian real, as the amounts of transactions in other currencies are not material.

The Company is exposed to foreign exchange risk on its investments in foreign subsidiaries and joint ventures, mainly in its operations in Mexico, Colombia, Chile, Peru, Panama, Costa Rica, Argentina, Paraguay and Uruguay due to the transactions carried out in currencies other than the local currency of these countries. 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 believes that the interest rate risk is limited, since all revenues (and nearly all expenses) are incurred in the local currency in the country in which the Group operates. Therefore, there is no significant exposure to fluctuations in foreign currency.

INTEREST RATE RISK MANAGEMENT

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in the market interest rates. The Group's exposure to interest rate risk mainly arises from its long-term obligations subject to variable interest rates.

The Company raises borrowings in local currency with the financial institutions, at fixed and variable interest rates, among which there is the CDI, to cover the cash requirements for financial investments and customer financing. Concurrently, the Company makes financial investments linked to CDI, aiming at partially offsetting the impacts on profit or loss.. Additionally, foreign subsidiaries also have borrowings in their local currencies, mainly at variable rates for Mexico and Colombia and fixed rates for Chile and Peru. The Group's main borrowings are described in note 17.

The sensitivity analyses below have been established based on interest rate exposures at December 31, 2023. A 10% increase or decrease represents management's assessment of a reasonably possible change in interest rates. A positive number below would indicate an increase in results (finance income) and a negative number would indicate a decrease in results (finance costs). If interest rates were 10% higher/lower, with no changes in other variables, the effects would be as follows:

(In thousands of Brazilian reais - R$, unless otherwise stated)

	Impact on profit or loss	
	10% increase	10% decrease
PARENT		
Interest rate sensitivity		
Variable interest	(2,054)	2,054
CONSOLIDATED		
Interest rate sensitivity		
Variable interest	(9,101)	9,101

In Mexico, the Group contracted an interest rate swap with a bank to hedge the total exposure of a borrowing, swapping the variable interest rate (TIIE) for a fixed rate. The instruments have terms similar to those of the hedged item. The mark-to-market, in the amount of R$7,901, is recognized as costs in finance income (costs), and the Group has not applied hedge accounting for this instrument.

In Brazil, the Group contracted an interest rate swap to hedge the total exposure of the 2nd series of the 7th issue of debentures, swapping the IPCA index for the CDI. The instrument has a structure similar to that of the hedged item. The mark-to-market, in the amount of R$999, is recognized as income in finance income (costs), and the Group has not applied hedge accounting for this instrument.

PRICE RISK MANAGEMENT

Investments in shares of listed companies are subject to market price risk arising from uncertainties regarding the future values of such equity investments. The Group manages the share price risk through an monitoring of the changes in prices in order to identify significant movements.

The Group holds investments in shares of Sports World, a company listed on the Mexican Stock Exchange. The table below details the effect that a 10% variation in the prices of this company’s shares would have on the Group’s other comprehensive income:

	Impact on profit or loss	
	10% increase	10% decrease
CONSOLIDATED		
Price sensitivity		
Shares of listed company	3,545	(3,545)

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the inability to have the necessary resources to meet obligations in the short, medium and long term.

The Group manages the liquidity risk by continuously monitoring budgeted and actual cash flows, combining the maturity profiles of financial and operating assets and liabilities, and maintaining adequate cash reserves. Because of the dynamics of its business, the Group maintains borrowing flexibility by maintaining bank credit facilities with some financial institutions.

The table below shows the maturity of the financial liabilities contracted by the Group:

	Maturity			
	Between 0 and 1 year	Between 1 and 2 years	Over 2 years	Total
PARENT				
At December 31, 2023				
Trade payables	167,449	-	-	**167,449**
Related parties	42,332	291	-	**42,623**
Taxes and contributions payable	84,397	-	-	**84,397**
Other liabilities	235,299	11,924	-	**247,223**
Borrowings(1)	46,504	21,911	4,433,750	**4,502,165**
Lease liabilities(1)	286,653	267,982	1,163,701	**1,718,336**
Derivative financial instruments	-	32,749	3,449	**36,198**
Total	**862,634**	**334,857**	**5,600,900**	**6,798,391**
CONSOLIDATED				
At December 31, 2023				
Trade payables	399,172	-	-	**399,172**
Related parties	2,603	-	-	**2,603**
Taxes and contributions payable	216,171	-	-	**216,171**
Other liabilities	283,619	24,330	-	**307,949**
Borrowings(1)	650,138	543,866	5,262,465	**6,456,469**
Lease liabilities(1)	869,231	893,162	4,169,074	**5,931,467**
Derivative financial instruments	-	32,749	3,449	**36,198**
Total	**2,420,934**	**1,494,107**	**9,434,988**	**13,350,029**

(1) Includes interest to be accrued.

(In thousands of Brazilian reais - R$, unless otherwise stated)

At December 31, 2023, there are guarantees granted by the Group by means of letters of guarantee from independent financial institutions related to the payment of lease agreements and several accounts payable in the amount of R$49,004 (R$67,289 at December 31, 2022). Additionally, in the parent, there are guarantees granted by the Company through SBLC for borrowing agreements of certain subsidiaries, in the amount of R$317,888 (R$455,717 at December 31, 2022).

Fund raising may contain operational and financial covenants. Generally, financial covenants are related to the liquidity level in respect of the ratio of cash and cash equivalents and short-term debt, and to the gearing ratio in respect of the ratio of net debt and EBITDA accumulated for the last 12 months (see note 17).

The estimated budget for the following years was approved by Management and demonstrates capacity to fulfill obligations.

CREDIT RISK MANAGEMENT

Credit risk is the risk that the counterparty to a business transaction will fail to fulfill an obligation under a financial instrument or customer contract, which would lead to the recognition of losses. The operations of the Group comprise the provision of services related to physical fitness activities. Services are legally supported by agreements and other legal instruments that may be necessary. The Group is exposed to credit risk for cash and cash equivalents, financial investments and derivative financial instruments held with financial institutions and for the position of receivables generated in trading transactions. The carrying amounts of these financial instruments, as disclosed in notes 4, 5, 6, 9 and 10, represent the Group's maximum credit exposure.

For the balances of cash and cash equivalents, financial investments and derivative financial Instruments, in order to minimize the credit risk, the Group presents investment strategies in meetings of the Board of Directors, which are restricted to banking relationships in validated financial institutions. In these meetings, monetary limits and risk concentration are also established, which are regularly updated. The Group's exclusive investment funds contain a portfolio based mainly on federal government securities, financial bills and repurchase agreements.

For the balances of trade receivables, the credit risk is mitigated by the fact that a large part of the sales are made using as means of payment the credit card, and are substantially securitized with the credit card companies. The Group assesses the concentration of risk related to trade receivables as low, since its customers are located in several jurisdictions/countries.

On the other hand, the Group'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 settlement of the amounts pending payment. With this operating model, the Group does not record trade receivables (and its revenue) for the members while they do not regularize the plan and return to use the gym. For this reason, the amounts provisioned for expected credit losses are not material.

We present below trade receivables arising from contracts with customers, by maturity:

	Parent		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Customer list by late payment range				
Current	135,138	116,097	327,333	267,277
Past due:				
Up to 30 days	12,112	135	16,480	486
From 31 to 60 days	488	157	2,312	590
From 61 to 90 days	155	163	411	540
From 91 to 180 days	815	677	1,949	2,470
From 181 to 360 days	174	779	2,727	2,451
More than 361 days	88	914	836	2,799
Total	**148,970**	**118,922**	**352,048**	**276,613**

Other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, the Group expects these amounts to be received on maturity.

The Group has no guarantee for trade receivables and other receivables.

CAPITAL RISK MANAGEMENT

The Group 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 Group's capital structure consists of cash and cash equivalents (note 4), investments in financial assets (note 5), trade receivables (note 6), other receivables (note 10), trade payables (note 15), other liabilities (note 16), borrowings (note 17) and equity (note 20).

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.

Net debt is as follows:

(In thousands of Brazilian reais - R$, unless otherwise stated)

	12/31/2023	12/31/2022
Consolidated		
Cash and cash equivalents	1,103,433	1,251,418
Investments in financial assets	1,579,092	1,714,881
Borrowings	(3,819,899)	(3,419,894)
Lease liabilities	(4,107,414)	(3,329,447)
Net debt	**(5,244,788)**	**(3,783,042)**
Equity	5,068,262	4,186,386
Net debt	**(1.03)**	**(0.90)**

FINANCIAL INSTRUMENTS BY CATEGORY

CATEGORIES OF FINANCIAL INSTRUMENTS

The tables below present financial assets and liabilities by category of financial instruments and a reconciliation with the line disclosed in the balance sheet, as applicable. As line items “Other receivables” and “Other liabilities” include both financial instruments and non-financial assets or liabilities (such as tax assets and tax liabilities, among others), the reconciliation is presented in the columns “Non-financial assets” and “Non-financial liabilities”.

	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	Subtotal financial assets	Nonfinancial assets	Total
PARENT					
At December 31, 2023					
Cash and cash equivalents	-	46,505	46,505	-	46,505
Investments in financial assets	2,056,414	-	2,056,414	-	2,056,414
Trade receivables[1]	-	148,970	148,970	-	148,970
Related parties	-	99,458	99,458	-	99,458
Other receivables	22,476	2,892	25,368	115,636 [2]	141,004
Derivative financial instruments	23,244	-	23,244	-	23,244
Total	**2,102,134**	**297,825**	**2,399,959**	**115,636**	**2,515,595**
At December 31, 2022					
Cash and cash equivalents	-	234,037	234,037	-	234,037
Investments in financial assets	2,238,511	-	2,238,511	-	2,238,511
Trade receivables[1]	-	118,922	118,922	-	118,922
Related parties	-	124,901	124,901	-	124,901
Other receivables	21,539	5,261	26,800	82,756 [2]	109,556
Derivative financial instruments	35	-	35	-	35
Total	**2,260,085**	**483,121**	**2,743,206**	**82,756**	**2,825,962**
CONSOLIDATED					
At December 31, 2023					
Cash and cash equivalents	390,985	712,448	1,103,433	-	1,103,433
Investments in financial assets	1,549,568	29,524	1,579,092	-	1,579,092
Trade receivables[1]	-	352,048	352,048	-	352,048
Related parties	-	32,962	32,962	-	32,962
Other receivables	22,476	33,309	55,785	268,634 [2]	324,419
Derivative financial instruments	27,936	-	27,936	-	27,936
Total	**1,990,965**	**1,160,291**	**3,151,256**	**268,634**	**3,419,890**
At December 31, 2022					
Cash and cash equivalents	-	690,119	690,119	-	690,119
Investments in financial assets	2,247,684	28,496	2,276,180	-	2,276,180
Trade receivables[1]	-	276,613	276,613	-	276,613
Related parties	-	20,881	20,881	-	20,881
Other receivables	21,539	29,192	50,731	170,749 [2]	221,480
Derivative financial instruments	11,880	-	11,880	-	11,880
Total	**2,281,103**	**1,045,301**	**3,326,404**	**170,749**	**3,497,153**

(1) Does not include the allowance for expected credit losses.
(2) Includes security deposits, escrow deposits, prepaid expenses, advances to suppliers, and others.

(In thousands of Brazilian reais - R$, unless otherwise stated)

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Subtotal financial liabilities	Non-financial liabilities	Total
PARENT					
At December 31, 2023					
Trade payables	-	167,449	167,449	-	167,449
Related parties	-	42,623	42,623	-	42,623
Other liabilities	-	188,827	188,827	58,396 (1)	247,223
Borrowings	-	2,248,904	2,248,904	-	2,248,904
Lease liabilities	-	1,256,803	1,256,803	-	1,256,803
Derivative financial instruments	36,198	-	36,198	-	36,198
Total	**36,198**	**3,904,606**	**3,940,804**	**58,396**	**3,999,200**
At December 31, 2022					
Trade payables	-	87,589	87,589	-	87,589
Related parties	-	53,956	53,956	-	53,956
Other liabilities	-	321,376	321,376	44,999 (1)	366,375
Borrowings	-	2,000,030	2,000,030	-	2,000,030
Lease liabilities	-	1,089,870	1,089,870	-	1,089,870
Derivative financial instruments	36,990	-	36,990	-	36,990
Total	**36,990**	**3,552,821**	**3,589,811**	**44,999**	167,449
CONSOLIDATED					
At December 31, 2023					
Trade payables	-	399,172	399,172	-	399,172
Related parties	-	2,603	2,603	-	2,603
Other liabilities	-	188,827	188,827	119,122 (1)	307,949
Borrowings	-	3,819,899	3,819,899	-	3,819,899
Lease liabilities	-	4,107,414	4,107,414	-	4,107,414
Derivative financial instruments	36,198	-	36,198	-	36,198
Total	**36,198**	**8,517,915**	**8,554,113**	**119,122**	**8,673,235**
At December 31, 2022					
Trade payables	-	241,227	241,227	-	241,227
Related parties	-	2,473	2,473	-	2,473
Other liabilities	-	331,214	331,214	94,586 (1)	425,800
Borrowings	-	3,419,894	3,419,894	-	3,419,894
Lease liabilities	-	3,329,447	3,329,447	-	3,329,447
Derivative financial instruments	36,990	-	36,990	-	36,990
Total	**36,990**	**7,324,255**	**7,361,245**	**94,586**	**7,455,831**

(1) Includes salaries, accruals and social contributions, investments in subsidiaries and joint ventures with negative equity, and others.

Gains and losses on financial instruments and non-financial instruments are allocated to the following categories:

	12/31/2023			12/31/2022		
	Financial and non-financial assets / liabilities measured at fair value	Financial and non-financial assets / liabilities measured at amortized cost	Total	Financial and non-financial assets / liabilities measured at fair value	Financial and non-financial assets / liabilities measured at amortized cost	Total
PARENT						
Interest income	-	21,506	21,506	-	18,712	18,712
Foreign exchange losses, net	-	14,007	14,007	-	(1,822)	(1,822)
Income from financial investments	261,432	9,915	271,347	266,820	17,110	283,930
Gain (loss) on derivative financial instruments	22,230	-	22,230	(29,995)	-	(29,995)
Discounts obtained on leases	-	3,073	3,073	-	2,458	2,458
Interest on borrowings	-	(296,827)	(296,827)	-	(289,031)	(289,031)
Interest on leases	-	(92,462)	(92,462)	-	(86,526)	(86,526)
Other finance income (costs), net	-	(31,996)	(31,996)	37,249	(14,303)	22,946
Total	**283,662**	**(372,784)**	**(89,122)**	**274,074**	**(353,402)**	**(79,328)**
CONSOLIDATED						
Interest income	-	37,153	37,153	-	25,134	25,134
Foreign exchange losses, net	-	818	818	-	(8,230)	(8,230)
Income from financial investments	262,703	63,544	326,247	266,847	61,280	328,127
Gain (loss) on derivative financial instruments	14,329	-	14,329	(18,115)	-	(18,115)
Discounts obtained on leases	-	9,033	9,033	-	10,611	10,611
Interest on borrowings	-	(481,158)	(481,158)	-	(419,840)	(419,840)
Interest on leases	-	(342,611)	(342,611)	-	(277,941)	(277,941)
Other finance income (costs), net	-	(37,099)	(37,099)	37,249	(24,726)	12,523
Total	**277,032**	**(750,320)**	**(473,288)**	**285,981**	**(633,712)**	**(347,731)**

(In thousands of Brazilian reais - R$, unless otherwise stated)

FAIR VALUE HIERARCHY 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 Group 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 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.
- Level 3: inputs for the asset or liability that are not based on observable market inputs (unobservable inputs).

The tables below present the Group's financial assets and liabilities measured at fair value at December 31, 2023 and their allocation to the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
PARENT				
Assets				
Investments in financial assets				
Exclusive investment funds and other financial investments	-	2,056,414	-	2,056,414
Other receivables				
N2B loan	-	-	22,476	22,476
Derivative financial instruments				
Call option of noncontrolling interest – M2 Academia de Ginástica	-	-	5,690	5,690
Call option of noncontrolling interest – ASN Smart	-	-	868	868
Call option of noncontrolling interest – End Fit	-	-	13,916	13,916
Interest rate swap – 7th issue of debentures	-	2,770	-	2,770
Total	**-**	**2,059,184**	**42,950**	**2,102,134**
Liabilities				
Derivative financial instruments				
Put option of noncontrolling interest – MB Negócios Digitais	-	-	(30,305)	(30,305)
Put option of noncontrolling interest – ASN Smart	-	-	(1,328)	(1,328)
Put option of noncontrolling interest – End Fit	-	-	(3,449)	(3,449)
Put option of noncontrolling interest – Fit Master	-	-	(1,116)	(1,116)
Total	**-**	**-**	**(36,198)**	**(36,198)**
CONSOLIDATED				
Assets				
Cash and cash equivalents				
Repurchase agreements	-	390,985	-	390,985
Investments in financial assets				
Exclusive investment funds and other financial investments	-	1,514,115	-	1,514,115
Interests in publicly-held company	35,453	-	-	35,453
Other receivables				
N2B loan	-	-	22,476	22,476
Derivative financial instruments				
Call option of the noncontrolling shareholder – M2 Academia de Ginástica	-	-	5,690	5,690
Call option of noncontrolling interest – ASN Smart	-	-	868	868
Call option of noncontrolling interest – End Fit	-	-	13,916	13,916
Interest rate swap – Smartfit Mexico	-	4,692	-	4,692
Interest rate swap – 7th issue of debentures	-	2,770	-	2,770
Total	**35,453**	**1,912,562**	**42,950**	**1,990,965**
Liabilities				
Derivative financial instruments				
Sale obligation of noncontrolling interest – MB Negócios Digitais	-	-	(30,305)	(30,305)
Sale obligation of noncontrolling interest – ASN	-	-	(1,328)	(1,328)
Sale obligation of noncontrolling interest – End Fit	-	-	(3,449)	(3,449)
Sale obligation of noncontrolling interest – Fit Master	-	-	(1,116)	(1,116)
Total	**-**	**-**	**(36,198)**	**(36,198)**

(In thousands of Brazilian reais - R$, unless otherwise stated)

CHANGES IN LEVEL 3 ASSETS AND LIABILITIES

	Parent		Consolidated	
Financial instruments - Level 3	Financial assets	Financial liabilities	Financial assets	Financial liabilities
At December 31, 2021	**20,900**	**(54,003)**	**20,900**	**(54,003)**
Additions	5,000	-	5,000	-
Gains and losses recognized in profit or loss	(4,326)	14,246	(4,326)	14,246
Reclassification	-	2,767	-	2,767
At December 31, 2022	**21,574**	**(36,990)**	**21,574**	**(36,990)**
Gains and losses recognized in profit or loss	21,443	792	21,443	792
At December 31, 2023	**43,017**	**(36,198)**	**43,017**	**(36,198)**

The Group's policy is to recognize transfers between the different categories of the fair value hierarchy when they occur or when there are changes in circumstances causing the transfer. In the year ended December 31, 2023, there were no transfers between the different hierarchies used to determine the fair value of the Group's financial instruments.

When quoted prices are not available in an active market, fair values (especially derivative instruments) are based on recognized valuation methods. The Group uses various valuation models to measure Level 3 instruments, the details of which are presented in the following table:

Description	Price model/method	Assumptions	Fair value hierarchy
Put option of the noncontrolling shareholder – MB Negócios Digitais	Option pricing model with Monte Carlo simulation	EBITDA, share value, average cost of capital, dividend rate, volatility of EBITDA and share value, correlation between EBITDA and share value, interest rate and CDI.	Level 3
N2B loan	Discounted cash flow	Projected future result in the N2B business, discounted with a specific WACC for this transaction.	Level 3
Put option of the noncontrolling shareholder – ASN Smart	Option pricing model with Monte Carlo simulation	EBITDA, share value, average cost of capital, volatility of EBITDA and share value, correlation between EBITDA and share value, and interest rate.	Level 3
Put option of noncontrolling interest – End Fit	Option pricing model with Monte Carlo simulation	EBITDA, share value, average cost of capital, volatility of EBITDA and share value, correlation between EBITDA and share value, and interest rate.	Level 3
Put option of noncontrolling interest – Fit Master	Option pricing model with Monte Carlo simulation	EBITDA, share value, average cost of capital, volatility of EBITDA and share value, correlation between EBITDA and share value, and interest rate.	Level 3
Put option of noncontrolling interest – M2	Option pricing model with Monte Carlo simulation	EBITDA, share value, average cost of capital, volatility of EBITDA and share value, correlation between EBITDA and share value, interest rate.	Level 3

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST

The balance of "Borrowings" is monetarily adjusted based on market indexes (CDI) and contractual rates (note 17) and, due to market conditions, the fair value of borrowings is R$2,217,185 in parent and R$3,771,305 in consolidated.

The fair value of cash and cash equivalents, trade receivables, other receivables, trade payables, and other liabilities does not differ significantly from their carrying amount.

ACCOUNTING POLICY:

Financial assets and financial liabilities are recognized when the Group 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.

Financial assets

All financial assets are either debt instruments or equity instruments. Debt instruments are those that confer the Group the contractual right to receive cash or other asset. Equity instruments are those for which the Group has no contractual right to receive cash or other asset.

<u>Debt instruments</u>

The Group classifies its financial assets into the following measurement categories. The classification depends on the Group's business model for managing financial assets and the contractual terms of cash flows:

- <u>Amortized cost</u>

  Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest on specific dates are measured at amortized cost. Any gain or loss arising on derecognition or impairment is recognized directly in profit or loss. Interest income is recognized in finance income, using the effective interest rate method.

- <u>Fair value through other comprehensive income</u>

  Assets that are held for collection of contractual cash flows, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are recognized in OCI, except for the recognition of impairment, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income is recognized in finance income, using the effective interest rate method.

- <u>Fair value through profit or loss</u>

  Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. Transaction-related costs are recognized in profit or loss as incurred. Unless they are part of a hedging relationship, these assets are held at fair value, and their respective changes are recognized in profit or loss. The interest income from these assets in recorded as finance income.

<u>Equity instruments</u>

The Group subsequently measures all equity instruments at fair value. Where the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as follows:

- <u>Amortized cost</u>

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

- <u>Fair value through profit or loss</u>

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

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.

27. SHARE-BASED PAYMENT

On May 14 and June 17, 2021, the Board of Directors approved the grant of 1,036,528 options under the current Stock Option plan approved at an Extraordinary General Meeting held on October 17, 2019. The options were granted prior to the stock split approved at the Board of Directors' Meeting.

Two types of stock option agreements were executed: a regular agreement and a performance agreement. Under both agreements, in order for the exercise to be possible, participants must remain within the Company for the vesting period, and the exercise is also linked to the occurrence of a liquidity event. Under the performance agreement, the achievement of a certain rate of return on the share value is also required. The liquidity event (the IPO on July 14, 2021) was considered a nonmarket performance condition and, thus, it was not included in the calculation of fair value of stock options at the grant date.

The fair value of the regular stock options was assessed using the Black & Scholes pricing model, and the fair value of the performance stock options was assessed using the Monte Carlo model, given the need to estimate the probability of achieving the rate of return on the share value. As to the performance stock options, the condition of achievement of a certain rate of return is regarded as a market condition, which was taken into account upon calculation of these options.

In addition, as a way of creating a long-term incentive for certain members of management of the subsidiaries in Mexico, Colombia and Peru, during the third quarter of 2021, 869,400 phantom shares were granted, with an exercise price of R$21.11. In 2023, after review of the compensation method for this incentive, the phantom shares were reclassified to liabilities under "Other Liabilities" and are now accounted for as equity instrument included in Equity.

(In thousands of Brazilian reais - R$, unless otherwise stated)

On July 4, 2023, the Company's Board of Directors approved the modification of the regular and performance grants delivered to executives in 2021, which changed some assumptions of the prior contract, such as the exercise price currently set at R$19.57 to R$18.95, the vesting period that would end at December 31, 2024 was extended to 2025, the number of options was reduced by approximately 30%, and all options were changed to the regular format, with the modification being optional for participants. In accordance with CPC 10 (R1) / IFRS 2, the fair value of the current options and of the options considering the new modified assumptions was recalculated, and due to the reduction in the number of options, the fair value of the two plans was equivalent, with no material impact on the Company's results.

Additionally, on the same date, the Board of Directors approved an additional grant of 5,862,423 stock options under the same conditions of the modified plan.

For the modification and for the new grant, the fair value was calculated for each of the vesting tranches using the Hull & White binominal model and presented as a weighted average. The following table presents the main assumptions used to calculate the fair value of the options granted on the grant date and modification:

	Regular Grant 2021	Performance Grant 2021	Modified Cotracts	New Grant 2023	Total
Vesting of the options:					
December 31, 2021	757,995	482,013	-	-	**1,240,008**
December 31, 2022	382,158	68,859	-	-	**451,017**
December 31, 2023	-	6,300	6,325,444	2,931,212	**9,262,956**
December 31, 2024	-	-	3,162,722	1,465,606	**4,628,328**
December 31, 2025	-	-	3,162,722	1,465,605	**4,628,327**
Total	**1,140,153**	**557,172**	**12,650,888**	**5,862,423**	**20,210,636**
Fair value on the grant date (in R$ thousand)	6,622	1,443	47,376	48,878	**104,319**
Average fair value per share (in R$)	5.81	2.59	3.74	8.34	**5.16**
Exercise price on the grant date	19.57	19.57	18.95	18.95	n/a
Risk-free interest rate	6.0%	4.0%	10.1%	10.1%	n/a
Volatility of shares in the market	36.2%	42.6%	51.2%	51.2%	n/a

Variations in options and phantom shares granted during the year ended December 31, 2023 are presented below:

	Regular Grant 2021	Performance Grant 2021	Modified Cotracts	New Grant 2023	Phantom Shares	Total
At December 31, 2021	**12,741,057**	**8,998,731**	-	-	**869,400**	**22,609,188**
Granted	-	-	-	-	-	-
Canceled	(1,017,324)	(172,148)	-	-	(25,200)	(1,214,672)
At December 31, 2022	**11,723,733**	**8,826,583**	**-**	**-**	**844,200**	**21,394,516**
Granted	-	-	-	5,862,423	-	5,862,423
Canceled	(6,300)	-	-	-	-	(6,300)
Modification	(10,577,280)	(8,269,411)	12,650,888	-	-	(6,195,803)
Reclassification (1)	-	-	-	-	(844,200)	(844,200)
At December 31, 2023	**1,140,153**	**557,172**	**12,650,888**	**5,862,423**	**-**	**20,210,636**

(1) Reclassified to "Other liabilities".

At December 31, 2023, the amount recognized in profit or loss was R$35,557 (R$13,640 in Dec/22), against a capital reserve. Up to this date, R$296 (R$25 in Dec/22) has been paid by the beneficiaries to the Company for the right to acquire the options, and R$6 (R$87 in Dec/22) has been paid by the Company to beneficiaries for repurchase. Regarding the phantom shares, the amount recognized in profit or loss, against a capital reserve, was R$1,462 (R$2,347 in Dec/22). After review of the compensation method, the balance of R$5,668 related to phantom shares was reclassified to "Other liabilities". The expense is recognized by plan and number of options linked to each vesting period, in accordance with CPC 10 (R1) / IFRS 2.

ACCOUNTING POLICY:

An instrument's fair value at the grant date is calculated based on the observable market price. This amount is recognized in profit or loss as expenses during the vesting period, and the corresponding credit is recognized in equity under "Capital reserve".

28. EMPLOYEE BENEFITS

The Company grants the following benefits to employees: healthcare, dental care, life insurance, profit sharing (for management positions), educational benefits for fitness professionals and other employees through partnerships, VIP gym plans for all employees to use Smartfit clubs and to use products of the Group brands and share-based compensation for executives, in addition to the benefits required by law (meal, transportation, and meal and food vouchers).

These benefits are recorded on an accrual basis and are discontinued once the employment relationship with the Group ceases to exist.

The Group does not grant employees any post-employment benefits, defined contribution plans, defined benefit plans or multiemployer plans.

(In thousands of Brazilian reais - R$, unless otherwise stated)

29. ADDITIONAL INFORMATION

INSURANCE

The policy adopted by the Group considers mainly the concentration of risks and their materiality, taking into consideration the nature of their activities and the advice of their insurance brokers. At December 31, 2023, the basic insurance coverage is R$9,343,184 and the coverage for loss of profits is R$18,000.

30. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

According to CPC 03 (R2) / IAS 7 - Statement of Cash Flows, certain investing and financing activities do not have direct impact on the current cash flows, although they affect the Company's asset and cash structure.

The exclusion of transactions that do not involve cash or cash equivalents from the statement of cash flows is consistent with the purpose of this statement, since these items do not involve cash flows in the current period.

NON-CASH TRANSACTIONS					
Additions of right-of-use assets	14	363,944	242,665	1,160,847	868,616
Acquisition of subsidiaries and joint ventures	3	-	311,085	-	311,085
Transfers between property and equipment, intangible assets, and right-of-use assets		25,063	12,795	38,208	16,090
Dividends receivable from subsidiaries		449	9,004	-	-
Dividends payable to noncontrolling interests		-	-	192	1,227
Amount payable to noncontrolling interests		-	-	-	9,838
Increase in equity interest in subsidiary		-	16,864	-	-
Offset against loan granted		-	-	2,864	3,862

31. EVENTS AFTER THE REPORTING PERIOD

PAYMENT OF THE REMAINING INSTALLMENT FOR THE ACQUISITION OF SPORTY PANAMÁ

On January 3, 2024, the Company paid the 2nd installment related to the remaining amount for the acquisition of Sporty Panamá, of USD33,822, equivalent to R$165,810.

INCREASE IN EQUITY INTEREST IN SPORTS WORLD

On February 12, 2024, the Group carried out a private subscription of 17,946,256 shares in Sports World by Latamgym Mexico, for MXN 89.73 million (approximately R$26,084), and now holds a 19.46% interest in the company, which represents 47,154,122 shares.

32. MANAGEMENT

BOARD OF DIRECTORS

CHAIRMAN

Daniel Rizardi Sorrentino

DIRECTORS

Edgard Gomes Corona
Soraya Teixeira Lopes Corona
Diogo Ferraz de Andrade Corona
Luis Felipe Françoso Pereira da Cruz
Leonardo Lujan Gonzalez
Wolfgang Stephan Schwerdtle
Ricardo Lerner Castro

SUPERVISORY BOARD

Helena Turola de Araújo Pena
Evelyn Veloso Trindade
Rubens Approbato Machado Junior

AUDIT COMMITTEE

Edward Ruiz
Ricardo Lerner Castro
Welerson Cavalieri

EXECUTIVE BOARD

Edgard Gomes Corona	Chief Executive Officer
Thiago Borges	Chief Financial Officer
André Pezeta	VP of Latin American Operations and Development of New Businesses
Diogo Corona	Chief Operating Officer
Juana Melo Pimentel	Chief Legal, Compliance, Data Protection and ESG Officer
Alexandre Gregianin	Chief Technology Officer
Nassim Miguel Hueb Neto	Chief People and Management Officer

Wellington de Oliveira
Controller Director

Alyne Quinalha Amorim
Accountant - CRC SP340782/O-0

Building a better
working world

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A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)

INDEPENDENT AUDITOR'S REPORT ON INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Shareholders, Board of Directors and Officers
Smartfit Escola de Ginástica e Dança S.A.
São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of Smartfit Escola de Ginástica e Dança S.A. (Company), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2023 and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements 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, 2023, and its individual and consolidated financial performance and individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and with the 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 principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (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 opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<u>Revenue recognition</u>

The process for recognizing the Company's and its subsidiaries' revenue involves a high level of control to ensure that these revenues have been accurately measured and are duly recorded on an accrual basis, including revenues corresponding to services not provided yet. As mentioned in note 20 to the individual and consolidated financial statements, net operating income recorded by the Company and its subsidiaries as at December 31, 2022 amounted to R$1,427,939 thousand and R$4,244,743 thousand – individual and consolidated, respectively. This was considered a key audit matter based on the complexity of the revenue recognition process, mainly due to the large volume of transactions, and of the items considered in the calculation of estimated deferred revenue for correctly recognizing the Company's and its subsidiaries' revenues.

How our audit addressed this matter

Our audit procedures included, among others: (i) obtaining an understanding of significant internal controls relating to the revenue process, including significant IT systems, for which we involved on IT professionals, who assisted us in conducting tests relating to information security, data and system access management and system change management; (ii) conducting documentary tests on billed revenue, on a sample basis, (iii) testing the reports extracted from the system and used for calculating deferred revenue and recalculating estimated deferred revenue; and (iv) analyzing adequacy of the disclosures presented in the notes.

Based on the result of the audit procedures performed, which is consistent with the executive board's assessment, we believe that the Company's revenue recognition and measurement policies derived from contracts to support the judgments, estimates and information included in the context of the financial statements taken as whole.

Impairment test of the balances of intangible assets with indefinite useful life

As disclosed in Note 13 to the individual and consolidated financial statements, as at December 31, 2023, the Company recognized balances of intangible assets with indefinite useful life, including goodwill, in the amount of R$1,767,880 thousand.

The accounting practices adopted in Brasil and the IFRS require that intangible assets with indefinite useful life be tested for impairment by the Company's executive board at least annually, unless there is evidence that might indicate the need to anticipate the test. The executive board conducted the impairment test using the discounted cash flow method, applied to each one of the cash-generating units (CGUs) to determine the value in use, and no need to record a provision for impairment of intangible assets with indefinite useful life was identified.

This matter was considered a key audit matter in our audit due to: (i) the materiality of the amounts involved; (ii) the cash flow projections used for purposes of these tests, which are performed individually, by CGU, and take into account estimates and assumptions sensitive to the current economic environment; and (iii) the use of operating assumptions in the future cash flow projections and discount rates that require certain level of judgment by the executive board.

How our audit addressed this matter

Our audit procedures included, among others: (i) understanding and testing the design of the annual control related to the impairment test; (ii) assessing the reasonableness of the assumptions and methodologies used by the Company, including the reasonableness in the determination of the CGU; (iii) comparing the recoverable amount determined by the executive board, based on discounted cash flows, with the respective carrying amount of the CGU; (iv) using internal specialists to assess the discount rate; and (v) assessing the appropriateness of the disclosure on the impairment test of assets. Based on the evidence obtained and the result of the audit procedures summarized above, which are consistent with the executive board's assessment, we understand that the policies and assumptions related to impairment of intangible assets with indefinite useful life, as well as the related disclosures in the explanatory notes, are acceptable in the context of the individual and consolidated financial statements.

Realization of deferred income and social contribution taxes

The Company and its subsidiaries record deferred income and social contribution tax assets on temporary differences and income and social contribution tax losses, to the extent that there is future taxable profit, as described in Note 19. On December 31, 2023, the net amount of deferred tax assets totaled R$430,115 thousand and R$790,539 thousand, individual and consolidated, respectively.

This issue was considered a key audit matter due to subjectivity and judgment involved in estimating future taxable profit, which takes into consideration income projections prepared and grounded on internal assumptions and estimated economic scenarios.

How our audit addressed this matter

Our audit procedures included the following, among others: (i) analyzing the calculation of deferred taxes assets, with the assistance of our tax specialists; (ii) analyzing P&L projections, prepared by the executive board, which support the future realization of deferred taxes assets; (iii) analyzing the adequacy of the methodology and assumptions used by the executive board in the preparation of P&L projections; (iv) mathematical testing of P&L projections; (v) analyzing the consistency between the data used in the preparation of P&L projections and accounting data, when applicable; (vi) confirming that the information used in the preparation of P&L projections derives from the Company's business plan approved by those charged with governance; and (vii) assessing the adequacy of the disclosures presented by the Company.

Based on the results of the audit procedures performed on the recognition, measurement and recoverability of deferred income tax assets through availability of future taxable profit, which is consistent with the executive board's evaluation, we consider that the criteria and assumptions of the recoverable amount of deferred income tax assets adopted by the executive board, as well as the respective disclosures in explanatory note, are acceptable, in the context of the financial statements taken as a whole.

Business combination

In the year ended December 31, 2023, the Company completed the acquisition of Sporty Panamá S.A., as described in Note 3. This transaction was accounted for by applying the acquisition method.

The application of the acquisition method requires, among other procedures, that the Company determine the date of the effective acquisition of control, the fair value of the consideration transferred, the fair value of the assets acquired, and the liabilities assumed, and the calculation of goodwill in the transaction. These procedures usually involve a high level of judgment and the need to develop fair value estimates based on calculations and assumptions related to the future performance of the business acquired, which are subject to a high level of uncertainty.

Given the related high level of judgment and the impact that any changes to assumptions could have on the interim financial statements, this was considered a key audit matter.

How our audit addressed this matter

Our audit procedures included the following, among others: reading of the transaction-related documents, such as contracts and minutes; (ii) obtaining evidence that supported the determination of the date of acquisition of control and the determination of the fair value of the consideration transferred.

In addition, the following procedures were carried out with the assistance of our corporate finance specialists: (i) analyzing the methodology used to measure the fair value of the assets acquired and liabilities assumed; (ii) evaluating the reasonableness of the assumptions used and calculations made, comparing with market information, when available; (iii) evaluating the sensitivity analysis of the main assumptions used and the impacts of possible changes in such assumptions on the fair values determined and their relevance in relation to the interim financial statements as a whole; (iv) recalculating the determination of goodwill in the business combinations; and (v) assessing the adequacy of the disclosures presented by the Company. In performing our audit procedures, an audit difference was identified and was adjusted by the Company given its materiality.

Based on the audit procedures carried out on the accounting effects of the business combinations, we consider that the Company's business combination accounting policies adopted to support judgments and information included in the context of the individual and consolidated financial statements taken as a whole are acceptable.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2023, prepared under the responsibility of the Company's executive board and presented as supplementary information for IFRS purposes, were submitted to audit procedures conducted jointly with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Pronouncement NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the abovementioned accounting 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 auditor's report

The executive board is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management 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 of the Management Report, we are required to report that fact. We have nothing to report in this regard.

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

The executive board is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as it 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, the executive board 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 the executive board either intends to liquidate the Company and/or its subsidiaries or to cease their operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's 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:

- Identified and assessed risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.

- Concluded on the appropriateness of the executive board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated 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.

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit and, consequently, for the 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, including applicable independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year 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.

São Paulo, March 13, 2024

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