FINANCIAL STATEMENTS

12/31/2022

smart fit

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
COFINS	Contribution for Social Security Financing
Company or Smartfit	Smartfit Escola de Ginástica e Dança S.A.
Covenants	Contractual Commitment Clauses
CPC	Accounting Pronouncements Committee
CRI	Certificates of Real Estate Receivables
CSLL	Social Contribution on Net Income
CVM	Securities and Exchange Commission of Brazil
Dec/21 or 12/31/2021	Financial Information as of and for the Year Ended December 31, 2021
Dec/22 or 12/31/2022	Financial Information as of and for the Year Ended December 31, 2022
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
Mex$	Mexican pesos – Official currency in Mexico
MOU	Memorandum of Understanding
Note	Note to the Financial Statements
PIS	Social Integration Program
R$	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

BALANCE SHEETS
At December 31, 2022
(In thousands of Brazilian reais - R$)

	Notes	Parent 12/31/2022	Parent 12/31/2021	Consolidated 12/31/2022	Consolidated 12/31/2021
ASSETS					
Current assets					
Cash and cash equivalents	6	234,037	340,929	1,251,418	1,957,828
Investments in financial assets	7	2,232,715	2,700,545	1,671,417	1,761,801
Trade receivables	9	117,245	104,413	271,728	195,777
Derivative financial instruments	8	-	-	8,132	-
Other receivables	10	209,512	141,627	313,464	254,547
Total current assets		**2,793,509**	**3,287,514**	**3,516,159**	**4,169,953**
Noncurrent assets					
Investments in financial assets	7	5,796	3,910	43,464	3,910
Derivative financial instruments	8	35	7,027	3,748	7,027
Other receivables	10	118,497	105,646	221,777	169,098
Deferred tax assets	18	-	-	204,562	150,081
Investments in subsidiaries and joint ventures	11	2,818,730	2,318,853	447,994	127,228
Right-of-use assets	14	1,029,761	1,015,072	3,067,369	2,810,405
Property and equipment	12	1,036,087	1,051,793	3,132,019	2,697,012
Intangible assets	13	133,482	121,179	1,412,458	1,519,758
Total noncurrent assets		**5,142,388**	**4,623,480**	**8,533,391**	**7,484,519**
TOTAL ASSETS		**7,935,897**	**7,910,994**	**12,049,550**	**11,654,472**
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables		87,589	82,069	241,227	200,936
Other liabilities	15	277,081	135,291	304,859	161,560
Borrowings	16	96,531	99,488	488,226	488,720
Lease liabilities	14	178,315	159,825	449,662	389,837
Deferred revenue	20	63,544	88,207	228,425	180,561
Current taxes payable		-	-	36,486	7,303
Total current liabilities		**703,060**	**564,880**	**1,748,885**	**1,428,917**
Noncurrent liabilities					
Other liabilities	15	189,120	16,984	199,208	12,899
Borrowings	16	1,903,499	2,003,502	2,931,668	3,101,775
Lease liabilities	14	911,555	907,901	2,879,785	2,631,222
Deferred revenue	20	662	1,478	662	1,561
Deferred tax liabilities	18	-	-	19,349	8,275
Derivative financial instruments	8	36,990	13,987	36,990	13,987
Provisions	17	4,625	5,757	24,888	26,544
Total noncurrent liabilities		**3,046,451**	**2,949,609**	**6,092,550**	**5,796,263**
TOTAL LIABILITIES AND EQUITY		**3,749,511**	**3,514,489**	**7,841,435**	**7,225,180**
EQUITY	19				
Share capital		2,970,443	2,970,443	2,970,443	2,970,443
Capital reserves		2,297,612	2,285,690	2,297,612	2,285,690
Accumulated losses		(1,375,832)	(1,286,401)	(1,375,832)	(1,286,401)
Other comprehensive income		294,163	426,773	294,163	426,773
Equity attributable to the owners of the Company		**4,186,386**	**4,396,505**	**4,186,386**	**4,396,505**
Noncontrolling interests		-	-	21,729	32,787
TOTAL EQUITY		**4,186,386**	**4,396,505**	**4,208,115**	**4,429,292**
TOTAL LIABILITIES AND EQUITY		**7,935,897**	**7,910,994**	**12,049,550**	**11,654,472**

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

STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

Year ended December 31, 2022

(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Notes	12/31/2022	12/31/2021	12/31/2022	12/31/2021
PROFIT (LOSS)					
Operating revenue	20	1,080,956	633,843	2,930,438	1,706,851
Costs	21	(860,857)	(694,602)	(2,018,417)	(1,593,010)
Gross profit (loss)		**220,099**	**(60,759)**	**912,021**	**113,841**
Selling expenses	21	(145,852)	(89,082)	(292,346)	(186,123)
General and administrative expenses	21	(182,552)	(146,802)	(347,991)	(275,816)
Other operating income (expenses), net	21	(12,627)	10,894	(12,838)	3,548
Share of profit (loss) of investees	11	110,829	(283,282)	6,570	(14,996)
Operating profit (loss) before finance income (costs)		**(10,103)**	**(569,031)**	**265,416**	**(359,546)**
Finance income	22	349,418	153,185	450,779	248,471
Finance costs	22	(428,746)	(222,208)	(798,510)	(543,711)
Finance income (costs), net	22	(79,328)	(69,023)	(347,731)	(295,240)
Loss before income tax and social contribution		**(89,431)**	**(638,054)**	**(82,315)**	**(654,786)**
Income tax and social contribution	18	-	3,473	(3,736)	21,769
LOSS FOR THE YEAR		**(89,431)**	**(634,581)**	**(86,051)**	**(633,017)**
Loss for the year attributable to:					
Owners of the Company				(89,431)	(634,581)
Noncontrolling interests				3,380	1,564
Loss per share attributable to owners of the Company:					
Basic and diluted	23	(0,15)	(1.21)	(0.15)	(1.21)
OTHER COMPREHENSIVE INCOME					
Items that may be subsequently reclassified to profit or loss					
Gains and losses arising from the translation of financial statements of foreign operations	11	(128,263)	(33,713)	(128,508)	(29,251)
Financial assets measured at fair value		(7,733)	-	(7,733)	-
Deferred income tax and social contribution		3,386	-	3,386	-
TOTAL OTHER COMPREHENSIVE INCOME		**(132,610)**	**(33,713)**	**(132,855)**	**(29,251)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(222,041)**	**(668,294)**	**(218,906)**	**(662,268)**
Comprehensive income for the year attributable to:					
Owners of the Company				(222,041)	(668,294)
Noncontrolling interests				3,135	6,026

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

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2022

(In thousands of Brazilian reais - R$)

	December 31, 2022								
		Capital reserves					Equity attributable to		
CHANGES IN EQUITY	Share capital	Capital reserve	Equity instruments	Transactions with shareholders	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 period	-	-	-	-	(89,431)	-	(89,431)	3,380	(86,051)
Other comprehensive income	-	-	-	-	-	(132,610)	(132,610)	(245)	(132,855)
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**(89,431)**	**(132,610)**	**(222,041)**	**3,135**	**(218,906)**
Share-based payments[2]	-	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**

	December 31, 2021								
		Capital reserves					Equity attributable to		
CHANGES IN EQUITY	Share capital	Capital reserve	Equity instruments	Transactions with shareholders	Accumulated losses	Other comprehensive income	Owners of the Company	Noncontrolling interests	Total equity
At December 31, 2020	**325,443**	**2,237,382**	**99,841**	**(25,196)**	**(651,820)**	**460,486**	**2,446,136**	**22,665**	**2,468,801**
Profit (loss) for the period	-	-	-	-	(634,581)	-	(634,581)	1,564	(633,017)
Other comprehensive income	-	-	-	-	-	(33,713)	(33,713)	4,462	(29,251)
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**(634,581)**	**(33,713)**	**(668,294)**	**6,026**	**(662,268)**
Capital increase[1]	2,645,000	64,343	-	-	-	-	2,709,343	-	2,709,343
Share issuance transaction costs[1]	-	(112,613)	-	-	-	-	(112,613)	-	(112,613)
Reversal of stock option	-	(228)	-	-	-	-	(228)	-	(228)
Share-based payments[2]	-	32,812	-	-	-	-	32,812	6	32,818
Increase (decrease) in equity interest in subsidiaries	-	-	-	(10,651)	-	-	(10,651)	(2,699)	(13,350)
Price complement on acquisition of subsidiary	-	-	-	-	-	-	-	6,789	6,789
Transactions with shareholders recognized directly in equity	**2,645,000**	**(15,686)**	**-**	**(10,651)**	**-**	**-**	**2,618,663**	**4,096**	**2,622,759**
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**

(1) See note 19.
(2) See note 26.

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

STATEMENTS OF CASH FLOWS

Year ended December 31, 2022

(In thousands of Brazilian reais - R$)

	Notes	Parent 12/31/2022	Parent 12/31/2021	Consolidated 12/31/2022	Consolidated 12/31/2021
CASH FLOW FROM OPERATING ACTIVITIES					
Loss for the period		(89,431)	(634,581)	(86,051)	(633,017)
Adjustments to reconcile loss for the period to net cash used in operating activities:					
Income tax and social contribution	18	-	(3,473)	3,736	(21,769)
Depreciation and amortization	12,13,14	369,677	311,086	902,255	791,120
Allowance for expected credit losses	9	-	330	(141)	1,637
Share of profit (loss) of investees	11	(110,829)	283,282	(6,570)	14,996
Write-off of intangible assets, property and equipment, and leases		31,958	6,383	49,753	23,565
Interest on borrowings	22	289,031	125,253	419,840	223,473
Interest on leases	22	86,526	77,161	277,941	248,685
Discounts obtained on leases	22	(2,458)	(33,193)	(10,611)	(111,508)
Income from financial investments	22	(283,930)	(87,654)	(328,127)	(93,531)
Gain (loss) on derivative financial instruments	22	29,995	(12,364)	18,115	(12,364)
Foreign exchange gains (losses) and other finance income (costs)		(38,886)	3,035	(28,794)	29,251
Share-based payment plan	26	13,578	30,726	15,933	32,590
Provisions	17	(1,132)	1,233	(1,656)	1,431
Deferred revenue		(25,479)	31,186	46,965	44,013
Changes in operating assets and liabilities:					
Trade receivables		(12,832)	(21,627)	(75,810)	(36,421)
Other receivables		(79,556)	(34,947)	(122,704)	(76,517)
Trade payables		6,852	1,525	39,795	9,490
Other liabilities		76,205	(19,217)	80,789	7,416
Cash generated by operating activities		**259,289**	**24,144**	**1,194,658**	**442,540**
Interest paid on borrowings	16	(233,472)	(97,316)	(361,808)	(187,384)
Interest paid on leases	14	(85,704)	(65,536)	(273,576)	(202,489)
Income tax and social contribution paid		-	-	(25,444)	(19,139)
Net cash generated by (used in) operating activities		**(59,887)**	**(138,708)**	**533,830**	**33,528**
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to property and equipment	12	(215,124)	(169,498)	(1,004,561)	(475,897)
Additions to intangible assets	13	(6,688)	(2,109)	(17,049)	(5,938)
Direct initial costs of right-of-use assets	14	(14,449)	(21,750)	(18,223)	(21,750)
Proceeds from sale of property and equipment		-	-	19,177	-
Dividends received from subsidiaries		20,902	-	-	-
Capital decrease in subsidiaries		500	-	-	-
Loans from third parties		(7,654)	(3,947)	(7,654)	(10,883)
Financial investments		749,874	(2,569,197)	378,957	(1,612,143)
Acquisition of group of assets, net of cash received		-	(164,911)	-	(164,911)
Acquisition of subsidiaries, net of cash received		-	(15,000)	-	(11,334)
Acquisition of joint venture		-	(39,542)	-	(39,542)
Capital increase in subsidiaries and joint venture	11	(233,448)	(378,981)	(5,258)	(15,860)
Related parties		(753)	1,510	8,604	9,989
Payment of contingent consideration		(1,328)	-	(1,328)	-
Net cash generated by (used in) investing activities		**291,832**	**(3,363,425)**	**(647,335)**	**(2,348,269)**
CASH FLOW FROM FINANCING ACTIVITIES					
Capital increase, net of transaction costs		-	2,596,730	-	2,596,730
Proceeds from borrowings	16	416,164	1,511,811	819,387	1,930,372
Repayments of borrowings	16	(577,683)	(758,259)	(942,467)	(974,741)
Payment of lease	14	(170,705)	(121,582)	(391,403)	(286,280)
Capital decrease in subsidiaries		-	-	(976)	-
Acquisition of noncontrolling interests		(6,613)	(6,737)	(6,613)	(6,737)
Capital increase in subsidiaries		-	-	11,792	-
Dividends paid to noncontrolling interests		-	-	(8,116)	-
Other amounts paid to noncontrolling interests		-	-	(9,839)	-
Net cash generated by (used in) financing activities		**(338,837)**	**3,221,963**	**(528,235)**	**3,259,344**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(106,892)**	**(280,170)**	**(641,740)**	**944,603**
CHANGES IN CASH AND CASH EQUIVALENTS					
Opening balance		340,929	621,099	1,957,828	1,019,611
Exchange differences on cash and cash equivalents		-	-	(64,670)	(6,386)
Closing balance		234,037	340,929	1,251,418	1,957,828
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(106,892)**	**(280,170)**	**(641,740)**	**944,603**
NON-CASH TRANSACTIONS					
Additions of right-of-use assets	14	242,665	201,797	868,616	432,367
Acquisition of subsidiaries and joint ventures	3	311,085	40,016	311,085	40,016
Transfers between property and equipment, intangible assets, and right-of-use assets		12,795	17,412	16,090	23,580
Increase in equity interest in subsidiary		16,864	-	-	-
Dividends receivable from subsidiaries		9,004	-	-	-
Dividends payable to noncontrolling interests		-	-	1,227	-
Amount payable to noncontrolling interests		-	-	9,838	-
Acquisition of noncontrolling interests		-	6,613	-	6,613
Offsetting of investments and other receivables		-	-	3,862	-

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

STATEMENTS OF VALUE ADDED

Year ended December 31, 2022

(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Notes	12/31/2022	12/31/2021	12/31/2022	12/31/2021
WEALTH CREATED					
REVENUES					
Service revenue	20	1,240,182	725,409	3,151,797	1,841,067
Allowance for expected credit losses, net of reversals	9	-	(330)	141	(1,637)
Other operating income		(12,627)	10,894	(12,838)	3,548
INPUTS PURCHASED FROM THIRD PARTIES					
Cost of sales and services		(286,984)	(206,181)	(655,574)	(409,705)
Materials, electric power, outside services and others		(69,520)	(83,676)	(122,442)	(129,087)
Advertising materials, marketing, promotion funds and others related to sales		(145,550)	(88,792)	(263,063)	(184,477)
GROSS VALUE ADDED		**725,501**	**357,324**	**2,098,021**	**1,119,709**
RETENTIONS					
Depreciation and amortization	12,13,14	(369,677)	(311,086)	(902,255)	(791,120)
WEALTH CREATED BY THE COMPANY		**355,824**	**46,238**	**1,195,766**	**328,589**
WEALTH RECEIVED IN TRANSFER					
Share of profit (loss) of investees	11	110,829	(283,282)	6,570	(14,996)
Finance income	22	349,418	153,185	450,779	248,471
TOTAL WEALTH FOR DISTRIBUTION		**816,071**	(83,859)	**1,653,115**	**562,064**
WEALTH DISTRIBUTED					
PERSONNEL					
Salaries and wages		208,153	133,129	466,407	319,247
Benefits		24,474	17,333	53,454	33,223
Social security costs		14,826	11,246	23,778	22,073
TAXES, FEES AND CONTRIBUTIONS:					
Federal		100,393	56,243	176,278	84,504
State		6	7	1,572	726
Municipal		46,463	26,290	62,761	37,467
LENDERS AND LESSORS:					
Interest	22	428,746	222,208	798,510	543,711
Leases		82,441	84,266	156,406	154,130
SHAREHOLDERS:					
Owners' share of losses		(89,431)	(634,581)	(89,431)	(634,581)
Noncontrolling interests' share of losses		-	-	3,380	1,564
WEALTH DISTRIBUTED		**816,071**	**(83,859)**	**1,653,115**	**562,064**

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, quality of life and well-being. Through company owned operations and franchised units, the Company is present in fourteen countries, namely Brazil, Mexico, Colombia, Chile, Peru, Argentina, Paraguay, 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 24 and the main subsidiaries and joint ventures are disclosed in note 11.

COVID-19 AND GOING CONCERN

The high level of immunization rates of the population, the sanitation measures adopted in the clubs since the beginning of the pandemic and the gradual attenuation of the negative impacts caused by the COVID-19 pandemic contributed for clubs to remain open throughout 2022. During this period, the clubs continued to reduce restrictions on the working hours of the clubs in the different regions where the Group operates and the use of masks in closed spaces is no longer mandatory in any of these regions.

The Group continues to follow its expansion plans, advancing in the construction of new clubs and maintaining its clubs in operation. As at December 31, 2022, the Group had a total of 1,223 units in operation (1,065 at December 31, 2021), with a solid cash position.

Management continues to monitor the current scenario in order to properly reflect any possible impacts on the Group's financial information. No events or conditions that would impact the Group's ability to continue as a going concern or that would modify the measurement of its assets or liabilities in the financial statements have been identified.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

The financial statements for the year ended December 31, 2022 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, 2022 were concluded and authorized for issue by the Company's Board of Directors on March 15, 2023.

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 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 7.

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 being presented in thousands of Brazilian reais (R$). The Company's functional currency is the Brazilian Real. The functional currency of foreign subsidiaries and joint ventures is the local currency of each jurisdiction in which they operate, the currency in Mexico is the Mexican pesos; in Colombia the Colombian pesos; in Peru the Peruvian sol; in Chile the Chilean pesos; in Argentina the Argentine pesos; in Paraguay the Guarani; Panama (referring to Sporty Panama SA) and United States of America (referring to FitMaster LLC) in US dollars.

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 period. 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 the Group's functional currency using the exchange rates prevailing at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of these transactions and the translation of monetary assets and liabilities denominated in foreign currency are recognized in profit or loss, as finance income or costs.

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	17
Measurement of deferred taxes	18
Measurement of fair value of derivative financial instruments	8
Measurement of fair value of stock options	26

NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED AND EFFETIVE

The following standards, which became effective on January 1, 2022, had no significant impact to the Group:

Standard	Description
Amendments to IAS 16	Property, Plant and Equipment – Proceeds Before Intended Use
Amendments to IFRS 3	References to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1 – First Time Adoption of International Financial Reporting Standards, IFRS 9 – Financial Instruments, IFRS 16 – Leases, and IAS 41 - Agriculture

NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFETIVE

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 1	Classification of Liabilities as Current or Noncurrent	01/01/2023
Amendments to IAS 8	Definition of Accounting Estimates	01/01/2024
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	01/01/2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023
IFRS 17	Insurance	01/01/2023

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

3. ACQUISITIONS AND SALES

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.

ACQUISITION OF SPORTY PANAMA S.A. (“SPORTY PANAMÁ”)

On January 21, 2020, the Group acquired a 50% stake in Sporty Panamá, located in the Republic of Panama, in connection with its strategic objective of expanding its operations to Latin America

In December 2022, Sporty Holding informed the Company that it had exercised the put option for all of its shares. With the exercise of the put option, the Group, which already held 50% of the shares of Sporty Panamá, will now hold 100% of the company’s share capital.

As a result of this exercise, the Company will make a payment in the estimated amount of US$59.3 million to Sporty Holding, in two installments: the first installment of US$25.0 million to be paid on January 20, 2023 and the second one in the remaining amount to be paid on January 3, 2024. The exercise price of the put option is still subject to adjustments usual to this type of transaction, which will be defined and agreed upon prior to the payment of the 2nd installment.

After the company exercised the put option, the Group recorded a liability for the acquisition of shares held by Sporty Holding, against the line item “Investments”, in the amount of R$311,085.

As set forth in the agreement, on January 1, 2023, the shares that grant control to the Group will be transferred. At that time, Sporty Holding will resign the 2 positions it holds on the board of directors and the Group will have full control. Until December 31, 2022, the shareholders' agreement remains in effect, as does the joint decision-making.

Based on the analyses performed, the Group concluded that there is no control over Sporty Panama at December 31, 2022 and until this date, it is still presented as a joint venture. The business combination and consolidation of Sporty Panama will take place in 2023. See note 28.

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

On December 10, 2021, the Group acquired 5.88% of the shares of ADV, and now holds a 79% interest in the company. The total acquisition amount was R$13,350. Based on CPC 36 (R3) / IFRS 10, the Group concluded that this operation qualifies as a subsequent increase in interest in a subsidiary that does not result in change of control. Accordingly, the surplus of R$10,651 identified, when comparing the percentage acquired and the amount paid, was recognized in equity.

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 (see Note 11). The Group recorded the amount payable of R$ 19,677 under “Other liabilities”, of which R$ 9,839 have been paid until December 31, 2022 (see Note 15).

ACQUISITION OF JUST FIT PARTICIPAÇÕES EM EMPREENDIMENTOS S.A. ("JUST FIT")

On June 16, 2021, after compliance with certain conditions precedent, the Group acquired 100% of the shares of Just Fit, a company that operated 27 clubs in the state of São Paulo, Brazil. The purchase price was determined based on the gross profit of these units in the 12 months following the quarter in which Smart Fit's IPO was held (see note 19), less net debt.

The following table summarizes the fair value of the assets acquired and liabilities assumed (based on the appraisal report prepared by an independent expert), the contingent consideration and goodwill at the acquisition date.

	Just Fit
Business combination	
Financial assets at amortized cost:	
Cash and cash equivalents	3,666
Trade receivables	2,039
Other receivables	2,464
Deferred tax assets	281
Right-of-use assets	39,586
Property and equipment	50,659
Intangible assets	1,020
Liabilities	
Trade payables	(1,827)
Other liabilities	(4,137)
Borrowings	(14,028)
Lease liabilities	(44,428)
Deferred tax liabilities	(2,001)
Deferred revenue	(394)
Provisions	(182)
Contingent liabilities recognized in the business combination	(10,718)
Total identifiable assets acquired and liabilities assumed at fair value	**22,000**
Contingent payment	40,016
Goodwill	**18,016**

Goodwill is attributable to the future profitability of the acquired business.

At December 31, 2022, based on the actual figures for the reporting period, the final amount to be paid was determined at R$2,767. This change in fair value was not considered as measurement period adjustment and was recognized in profit or loss for the year, as this refers to changes for events occurred after the acquisition date, such as variations in gross profit of the acquired units.

ACQUISITION OF SHARES OF SPORTS WORLD, SAB DE CV ("SPORTS WORLD")

On October 28, 2021, the Group conducted a private subscription of 11,900,000 shares issued by Sports World via Latamgym Mexico, representing 10.92% of the share capital, for 77,35 million Mexican pesos (approximately R$21,256). The subscription is part of the Group's strategy to expand its presence in Mexico. As at December 31, 2022, the Group's interest is 9.73% .

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.

ACQUISITION OF SMARTEXP ESCOLA DE GINÁSTICA E DANÇA S.A. ("SMARTEXP")

On August 4, 2021, after Smartfit's IPO (see note 19), the Group, which already held 50% of the shares of the joint venture SmartEXP, became the holder of 100% of this company's share capital, acquiring the control with the proceeds from the offering. SmartEXP operated 29 clubs in the state of Sao Paulo, Brazil. The price paid was R$232,327.

The following table shows SmartEXP's assets, liabilities and equity at the acquisition date:

	SmartEXP
Acquisition of assets	
Financial assets at amortized cost:	
Cash and cash equivalents	67,416
Property and equipment	134,043
Right-of-use assets	101,697
Other assets	8,394
Liabilities	
Lease liabilities	(108,654)
Other liabilities	(26,339)
Equity	**(176,557)**

The Group conducted the optional concentration test defined in CPC 15 (R1) / IFRS 3 to determine whether the acquisition of SmartEXP 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.

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 represents more than 90% of total assets (excluding cash and cash equivalents), thus it was concluded that the acquisition of SmartEXP is not considered a business. 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: R$31,711 to property and equipment and R$24,059 to right-of-use assets.

On November 30, 2021, SmartEXP was merged into the Company, with no accounting impacts.

4. FINANCIAL RISK MANAGEMENT

The Groups' activities expose it to a variety of financial risks:

- Market risk (including foreign exchange risk and interest rate risk)
- Credit risk
- Liquidity risk
- Capital risk

Within the Group, risk management activities are performed in relation to financial risks arising from financial instruments to which the Group is exposed during a specific period or at a specific date. This management is carried out by the Company's Management in accordance with the policies approved by the Board of Executive Officers. The Company's Treasury department identifies, measures and hedges it against possible financial risks in cooperation with the Company's operating units.

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.

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 sensitivity 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.

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, Argentina and Paraguay 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 16.

The sensitivity analyses below have been established based on interest rate exposures at the reporting date. 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:

	Impact on profit or loss	
	10% increase	10% decrease
PARENT		
Interest rate sensitivity		
Variable interest	6,485	(6,485)
CONSOLIDATED		
Interest rate sensitivity		
Variable interest	2,086	(2,086)

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$ 11,880, is recognized 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 ongoing 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 results:.

	Impact on profit or loss	
	10% increase	10% decrease
CONSOLIDATED		
Price sensitivity		
Shares of listed company	917	(917)

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 assets and operating 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, 2022				
Trade payables	87,589	-	-	87,589
Other liabilities	277,081	189,120	-	466,201
Borrowings(1)	378,223	1,009,985	1,990,777	3,378,985
Lease liabilities(1)	264,486	230,237	976,797	1,471,520
Derivative financial instruments	-	-	36,990	36,990
Total	**1,007,379**	**1,429,342**	**3,004,564**	**5,441,285**
CONSOLIDATED				
At December 31, 2022				
Trade payables	241,227	-	-	241,227
Other liabilities	304,859	199,208	-	504,067
Borrowings(1)	891,861	1,514,492	2,647,295	5,053,648
Lease liabilities(1)	840,249	791,049	1,827,539	3,458,837
Derivative financial instruments	-	-	36,990	36,990
Total	**2,278,196**	**2,504,749**	**4,511,824**	**9,294,769**

(1) Includes interest to be accrued.

As at December 31, 2022, 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$65,036 (R$65,952 at December 31, 2021).

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 16).

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 6, 7, 8, 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 and financial bills.

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 write-offs, 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 discharge 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 using 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	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Customer list by late payment range				
Current	116,097	103,570	267,277	194,026
Past due:				
Up to 30 days	135	120	486	353
From 31 to 60 days	157	140	590	428
From 61 to 90 days	163	145	540	392
From 91 to 180 days	677	604	2,470	1,793
From 181 to 360 days	779	695	2,451	1,779
More than 361 days	914	816	2,799	2,032
Total	**118,922**	**106,090**	**276,613**	**200,803**

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 6), investments in financial assets (note 7), trade receivables (note 9), other receivables (note 10), trade payables, other liabilities (note 15), borrowings (note 16) and equity (note 19).

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.

5. FINANCIAL INSTRUMENTS BY CATEGORY

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.

Debt instruments

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:

- Amortized cost

  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.

- Fair value through other comprehensive income

  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.

- Fair value through profit or loss

  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.

Equity instruments

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:

- Amortized cost

  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.
- Fair value through profit or loss

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

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.

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, 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
Other receivables	21,539	130,162	151,701	176,308 (2)	328,009
Derivative financial instruments	35	-	35	-	35
Total	**2,260,085**	**483,121**	**2,743,206**	**176,308**	**2,919,514**
At December 31, 2021					
Cash and cash equivalents	-	340,929	340,929	-	340,929
Investments in financial assets	2,631,819	72,636	2,704,455	-	2,704,455
Trade receivables(1)	-	106,090	106,090	-	106,090
Other receivables	13,873	97,797	111,670	135,603 (2)	247,273
Derivative financial instruments	7,027	-	7,027	-	7,027
Total	**2,652,719**	**617,452**	**3,270,171**	**135,603**	**3,405,774**
CONSOLIDATED					
At December 31, 2022					
Cash and cash equivalents	403,477	847,941	1,251,418	-	1,251,418
Investments in financial assets	1,686,385	28,496	1,714,881	-	1,714,881
Trade receivables(1)	-	276,613	276,613	-	276,613
Other receivables	21,539	50,073	71,612	463,629 (2)	535,241
Derivative financial instruments	11,880	-	11,880	-	11,880
Total	**2,123,281**	**1,203,123**	**3,326,404**	**463,629**	**3,790,033**
At December 31, 2021					
Cash and cash equivalents	735,456	1,222,372	1,957,828	-	1,957,828
Investments in financial assets	1,662,542	103,169	1,765,711	-	1,765,711
Trade receivables(1)	-	200,803	200,803	-	200,803
Other receivables	13,873	45,688	59,561	364,084 (2)	423,645
Derivative financial instruments	7,027	-	7,027	-	7,027
Total	**2,418,898**	**1,572,032**	**3,990,930**	**364,084**	**4,355,014**

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

	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, 2022					
Trade payables	-	87,589	87,589	-	87,589
Other liabilities	-	375,332	375,332	90,869 (1)	466,201
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**	**90,869**	**3,680,680**
At December 31, 2021					
Trade payables	-	82,069	82,069	-	82,069
Other liabilities	40,016	51,475	91,491	60,784 (1)	152,275
Borrowings	-	2,102,990	2,102,990	-	2,102,990
Lease liabilities	-	1,067,726	1,067,726	-	1,067,726
Derivative financial instruments	13,987	-	13,987	-	13,987
Total	**54,003**	**3,304,260**	**3,358,263**	**60,784**	**3,419,047**
CONSOLIDATED					
At December 31, 2022					
Trade payables	-	241,227	241,227	-	241,227
Other liabilities	-	333,687	333,687	170,380 (1)	504,067
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**	**170,380**	**7,531,625**
At December 31, 2021					
Trade payables	-	200,936	200,936	-	200,936
Other liabilities	40,016	16,583	56,599	117,860 (1)	174,459
Borrowings	-	3,590,495	3,590,495	-	3,590,495
Lease liabilities	-	3,021,059	3,021,059	-	3,021,059
Derivative financial instruments	13,987	-	13,987	-	13,987
Total	**54,003**	**6,829,073**	**6,883,076**	**117,860**	**7,000,936**

(1) Includes taxes and contributions payable, 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:

	12/31/2022			12/31/2021		
	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	-	18,712	18,712	-	13,743	13,743
Foreign exchange losses, net	-	(1,822)	(1,822)	-	(3,035)	(3,035)
Income from financial investments	266,820	17,110	283,930	62,695	24,959	87,654
Gain (loss) on derivative financial instruments	(29,995)	-	(29,995)	12,364	-	12,364
Discounts obtained on leases	-	2,458	2,458	-	33,193	33,193
Interest on borrowings	-	(289,031)	(289,031)	-	(125,253)	(125,253)
Interest on leases	-	(86,526)	(86,526)	-	(77,161)	(77,161)
Other finance income (costs), net	37,249	(14,303)	22,946	-	(10,528)	(10,528)
Total	**274,074**	**(353,402)**	**(79,328)**	**75,059**	**(144,082)**	**(69,023)**
CONSOLIDATED						
Interest income	-	25,134	25,134	-	20,386	20,386
Foreign exchange losses, net	-	(8,230)	(8,230)	-	(29,251)	(29,251)
Income from financial investments	266,847	61,280	328,127	62,695	30,836	93,531
Gain (loss) on derivative financial instruments	(18,115)	-	(18,115)	12,364	-	12,364
Discounts obtained on leases	-	10,611	10,611	-	111,508	111,508
Interest on borrowings	-	(419,840)	(419,840)	-	(223,473)	(223,473)
Interest on leases	-	(277,941)	(277,941)	-	(248,685)	(248,685)
Other finance income (costs), net	37,249	(24,726)	12,523	-	(31,620)	(31,620)
Total	**285,981**	**(633,712)**	**(347,731)**	**75,059**	**(370,299)**	**(295,240)**

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 or liabilities measured at fair value at December 31, 2022 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	-	2,238,511 (1)	-	2,238,511
Other receivables				
N2B loan	-	-	21,539	21,539
Derivative financial instruments				
Smartfit call option - MB Negócios Digitais	-	-	35	35
Total	**-**	**2,238,511**	**21,574**	**2,260,085**
Liabilities				
Derivative financial instruments				
Sale obligation of noncontrolling interest – MB Negócios Digitais	-	-	(36,990)	(36,990)
Total	**-**	**-**	**(36,990)**	**(36,990)**
CONSOLIDATED				
Assets				
Cash and cash equivalents				
Repurchase agreements	-	403,477	-	403,477
Investments in financial assets				
Exclusive investment funds and other financial investments	-	1,677,213	-	1,677,213
Interests in publicly-held company	9,172	-	-	9,172
Other receivables				
N2B loan	-	-	21,539	21,539
Derivative financial instruments				
Smartfit call option - MB Negócios Digitais	-	-	35	35
Interest rate swap – Smartfit Mexico	-	11,845	-	11,845
Total	**9,172**	**2,092,535**	**21,574**	**2,123,281**
Liabilities				
Derivative financial instruments				
Sale obligation of noncontrolling interest – MB Negócios Digitais	-	-	(36,990)	(36,990)
Total	**-**	**-**	**(36,990)**	**(36,990)**

(1) Includes CDB in the amount of R$157,821.

CHANGES IN LEVEL 3 ASSETS AND LIABILITIES

	Parent		Consolidated	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Financial instruments - Level 3				
At December 31, 2020	**12,098**	**(14,178)**	**12,098**	**(14,178)**
Purchases	3,732	(40,016)	3,732	(40,016)
Price complement on acquisition of subsidiary - MB Negócios Digitais	-	(13,000)	-	(13,000)
Write-off of fair value of purchase and sale obligation - SmartEXP	-	5,756	-	5,756
Gains and losses recognized in profit or loss	5,070	7,435	5,070	7,435
At December 31, 2021	**20,900**	**(54,003)**	**20,900**	**(54,003)**
Purchases	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)**

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, 2022, 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
Smartfit call option - MB Negócios Digitais	Option pricing model	Acquisition value of Smartfit interest, projection of MB and market indicators: EBITDA, share value, volatility of EBITDA and share value, correlation between EBITDA and share value, interest rate and CDI.	Level 3
Sale obligation of noncontrolling interest – MB Negócios Digitais	Option pricing model	Acquisition value of Smartfit interest, projection of MB and market indicators: EBITDA, 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

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST

The balance of "Borrowings" is monetarily adjusted based on market indexes and contractual rates (note 16) and, due to market conditions, the fair value of borrowings is R$2,017,639 in Parent and R$3,465,021 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.

6. CASH AND CASH EQUIVALENTS

These comprise cash on hand and in banks and financial investments.
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.

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cash and cash equivalents				
Cash and banks	1,284	6,084	182,749	244,327
CDB(1)(4)	228,731	314,084	595,675	952,415
Non-exclusive investment funds(2)	4,022	20,761	69,517	20,760
Repurchase agreements(3)	-	-	403,477	735,456
Other financial investments	-	-	-	4,870
Total	**234,037**	**340,929**	**1,251,418**	**1,957,828**

(1) They are remunerated at a weighted average rate of 101.55% of the CDI (102.90% in Dec/21) and managed by independent financial institutions. The maturities are variable, however, they are highly liquid, with no loss of remuneration upon redemption.
(2) These are distributed into subsidiaries Latamgym Mexico with an average annual rate of 10.06% (3.55% in Dec/21), Sporty City Colombia with an average annual rate of 12.5% (2.26% in Dec/21), and Latamfit Chile with an average annual rate of 7.57% (0.63% in Dec/21).
(3) Includes repurchase agreements that are part of the portfolio of the exclusive investment funds mentioned in note 7. These refer to transactions involving the purchase of securities with repurchase commitment by issuers of the securities, which are classified in Parent under the line item Investments in financial assets in the line "Exclusive investment funds", and are remunerated mainly at a rate of 100.00% of the CDI (97.20% in Dec/21).
(4) In Consolidated, includes the consolidated balance of the CDBs that compose the portfolio of the Santo Amaro exclusive investment fund remunerated at a weighted average rate of 103.51% of the CDI (103.28% in Dec/21). The maturities are variable, however, they are highly liquid, with no loss of remuneration upon redemption.

7. INVESTMENTS IN FINANCIAL ASSETS

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. See note 5.

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Investments in financial assets				
CDB[1]	-	72,636	-	78,573
Non-exclusive investment funds[2]	-	15,756	-	16,015
Exclusive investment funds[3]	2,232,715	2,612,153	-	-
Government securities[4]	-	-	921,123	1,207,304
Financial bills[5]	-	-	750,294	417,835
Interests in publicly-held company[6]	-	-	9,172	17,478
Other financial investments	5,796	3,910	34,292	28,506
Total	**2,238,511**	**2,704,455**	**1,714,881**	**1,765,711**
Current	**2,232,715**	**2,700,545**	**1,671,417**	**1,761,801**
Noncurrent	**5,796**	**3,910**	**43,464**	**3,910**

(1) At December 31, 2021, the balance referred mainly to guarantees related to the 2nd series of the 4th issue of debentures, as set forth in the agreement (see Note 16), invested in CDB. On April 20, 2022, the Company carried out the optional early redemption of all these debentures. In Consolidated, the remaining balance refers to CDB given in guarantee of certain loans remunerated at a rate of 99.50% of the CDI in Dec/21 and managed by independent financial institutions.

(2) At December 31, 2021, the balance referred to guarantees related to the 2nd series of the 4th issue of debentures, as set forth in agreement (see Note 16), invested in the non-exclusive fixed income investment fund Soberano. On April 20, 2022, the Company carried out the optional early redemption of all these debentures.

(3) Refer to the private credit exclusive fixed income investment funds Átila RF CP FI remunerated at a weighted average rate of 107.40% of the CDI (104.57% in Dec/21) and Santo Amaro RF CP remunerated at a weighted average rate of 103.18% of the CDI (99.95 in Dec/21). These funds were established for the sole purpose of the Parent's participation. In the Parent, the amounts of the quotas held by the Company are presented under the line item Investments in financial assets in the line Exclusive investment funds. In consolidated, the financial investment of the funds was fully consolidated into these Financial Statements, in accordance with CVM Instruction 408/04, and their balances were presented by each financial component.

(4) Represented by government securities (LFT) remunerated at a weighted average rate of 101.05% of the CDI (100.58% of the CDI in Dec/21) for the securities of Santo Amaro and Atila funds remunerated at a weighted average rate of 100.54% of the CDI (98.60% in Dec/21).

(5) Refer to private credit securities by financial institutions of Atila fund remunerated at a weighted average rate of 113.03% of the CDI (118.07% of the CDI in Dec/21) and Santo Amaro fund remunerated at a weighted average rate of 111.86% of the CDI (112.5% of the CDI in Dec/21).

(6) Refers to the investment in shares of Sports World.

8. DERIVATIVE FINANCIAL INSTRUMENTS

These are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured at fair values. These 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.

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Derivative financial investments				
Assets				
Smartfit call option - MB Negócios Digitais	35	7,027	35	7,027
Interest rate swap – Smartfit Mexico	-	-	11,845	-
Total	**35**	**7,027**	**11,880**	**7,027**
Current	**-**	**-**	**8,132**	**-**
Noncurrent	**35**	**7,027**	**3,748**	**7,027**
Liabilities				
Sale obligation of noncontrolling interest – MB Negócios Digitais	36,990	13,987	36,990	13,987
Total	**36,990**	**13,987**	**36,990**	**13,987**

9. TRADE RECEIVABLES

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost by applying the effective interest method, less an allowance for expected credit losses.

Credit risks are disclosed in note 4.

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Trade receivables				
Trade receivables arising from contracts with customers[1]	118,922	106,090	276,613	200,803
Allowance for expected credit losses	(1,677)	(1,677)	(4,885)	(5,026)
Total	**117,245**	**104,413**	**271,728**	**195,777**

(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.

10. OTHER RECEIVABLES

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.

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Other receivables				
Related parties[1]	124,901	95,042	20,881	22,997
Security deposits[2]	197	239	28,944	33,025
Loans to third parties[3]	26,800	16,628	50,731	36,564
Taxes recoverable[4]	93,552	44,897	292,880	201,618
Escrow deposits[5]	69,647	58,756	79,840	67,883
Prepaid expenses	11,147	6,868	40,972	22,545
Others	1,765	24,843	20,993	39,013
Total	**328,009**	**247,273**	**535,241**	**423,645**
Current	**209,512**	**141,627**	**313,464**	**254,547**
Noncurrent	**118,497**	**105,646**	**221,777**	**169,098**

(1) See note 25.
(2) In Consolidated, refers substantially to security deposits for lease contracts in Mexico.
(3) Includes the loan with N2B Nutrição Empresarial Ltda. ("N2B", a startup that operates in the nutrition industry) in the amount of R$21,539 (R$13,873 in Dec/21), indexed to the positive IPCA variation, with maturity in February 2025, which will entitle Smartfit to hold a 64.4% interest in N2B in the event of conversion of this loan into common shares.
(4) In Consolidated, includes mainly PIS/COFINS of R$8,451 (R$10,360 in Dec/21), IRPJ/CSLL of R$66,084 (R$38,806 in Dec/21) IRRF on financial investments of R$70,024 (R$21,330 in Dec/2021) and IGV of R$111,885 (R$110,461 in Dec/21).
(5) These are related to administrative and judicial proceedings, mainly in the tax (IRRF withholdings) and social security areas (INSS contributions).

11. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

Subsidiaries and joint ventures

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.

MAIN SUBSIDIARIES

	Country of incorporation	Equity interest held by the Group		Equity interest held by noncontrolling interests	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Subsidiaries					
Latamgym SAPI de CV	Mexico	100.00%	100.00%	-	-
Sporty City SAS	Colombia	100.00%	100.00%	-	-
Latamfit Chile SPA	Chile	100.00%	100.00%	-	-
Smartfit Peru SAC	Peru	90.00%	90.00%	10.00%	10.00%
MB Negócios Digitais S.A.	Brazil	70.00%	70.00%	30.00%	30.00%
ADV Esporte e Saúde LTDA(1)	Brazil	100.00%	79.00%	-	21.00%

(1) See note 3.

The Group does not have investments in subsidiaries with significant noncontrolling interests.

JOINT VENTURES

	Country of incorporation	Equity interest held by the Group	
		12/31/2022	12/31/2021
Joint ventures			
FitMaster LLC	United States	55.00%	55.00%
Sporty Panamá AS(1)	Panama	50.00%	50.00%
Total Pass SA de CV(2)	Mexico	33.33%	33.33%

(1) See notes 3 and 28.
(2) Indirect joint venture through subsidiary Latamgym SAPI de CV.

BREAKDOWN OF BALANCES

	12/31/2022	12/31/2022		12/31/2021	12/31/2021	
	Investment balance	Share of profit (loss) of investees	Other comprehensive income	Investment balance	Share of profit (loss) of investees	Other comprehensive income
PARENT						
Subsidiaries						
Latamgym SAPI de CV	1,206,139	42,213	(22,701)	1,054,955	(157,251)	41,127
Sporty City SAS	401,400	36,702	(104,863)	468,957	4,760	(50,491)
Latamfit Chile SPA	231,274	16,389	(13,645)	228,529	(33,920)	(23,412)
Smartfit Peru SAC	41,970	(19,601)	(2,029)	33,000	(33,226)	1,149
MB Negócios Digitais S.A.	106,318	10,582	(43)	116,430	19,816	-
ADV Esporte e Saúde Ltda.	68,490	8,341	-	34,248	(4,476)	-
Other subsidiaries	312,708	9,035	13,416	245,568	(65,928)	(6,969)
Joint ventures						
FitMaster LLC	41,346	298	(3,611)	39,405	(5,751)	4,935
Sporty Panamá SA	406,648	6,870	866	87,823	(7,306)	(52)
Total	**2,816,293**	**110,829**	**(132,610)**	**2,308,915**	**(283,282)**	**(33,713)**
Included in assets	**2,818,730**			**2,318,853**		
Included in liabilities[1]	**(2,437)**			**(9,938)**		
CONSOLIDATED						
Joint ventures						
FitMaster LLC	41,346	298	(3,611)	39,405	(5,751)	4,935
Sporty Panamá AS	406,648	6,870	866	87,823	(7,306)	(52)
Total Pass SA de CV	-	(598)	116	(3,380)	(1,939)	54
Total	**447,994**	**6,570**	**(2,629)**	**123,848**	**(14,996)**	**4,937**
Included in assets	**447,994**			**127,228**		
Included in liabilities[1]	**-**			**(3,380)**		

(1) See note 15.

CHANGES FOR THE YEAR

Investments in subsidiaries and joint ventures	Parent	Consolidated
At December 31, 2020	**2,192,814**	**123,716**
Capital increases	378,981	15,860
Acquisition of subsidiary – Just Fit	40,016	-
Acquisition of shares – ADV	2,699	-
Write-off of purchase and sale obligation - SmartEXP	(5,756)	(5,756)
Price complement on acquisition of subsidiary - MB Negócios Digitais	15,136	-
Monetary adjustment of capital contribution – MB Negócios Digitais	68	-
Share-based payments in subsidiaries	1,858	-
Share of profit (loss) of investees	(283,282)	(14,996)
Other comprehensive income in subsidiaries	(3,554)	-
FX effects	(30,159)	4,937
Others	94	87
At December 31, 2021	**2,308,915**	**123,848**
Capital increase[(1)]	250,312	5,258
Acquisition of interest in subsidiary - Sporty Panama	311,085	311,085
Capital decrease in subsidiary	(676)	-
Dividends and interest on capital[(2)]	(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)	-
FX effects	(128,263)	(2,629)
At December 31, 2022	**2,816,293**	**447,994**

(1) As at December 31, 2022, in Parent, this refers mainly to the capital increase in subsidiaries Smartfit Argentina (R$108), Latamgym Mexico (R$130,000), Smartfit Peru (R$30,529), Smartfit Paraguay (R$10,401), Plonay Uruguay (R$7,552), Biomorum (R$12,100), ADV (R$31,600), Just Fit (R$5,800), Microsul (R$600), Racebootcamp (R$100), Totalpass (R$16,264) and in the joint venture FitMaster (R$5,258).

(2) Balance of dividends and interest on capital received from subsidiaries MB Negócios Digitais (R$20,650), Bio Pauli (R$3,343), M2 (R$493), ADV (R$2,511), SmartMNG (R$1,742) and SmartRFE (R$1,167).

SUMMARIZED AGGREGATED FINANCIAL INFORMATION ON JOINT VENTURES

BALANCE SHEETS	12/31/2021	12/31/2021
Current assets	68,233	2,484
Noncurrent assets	384,938	120,836
Total assets	**453,171**	**123,320**
Current liabilities	134,043	1,872
Noncurrent liabilities	89,284	21,152
Total liabilities	**223,327**	**23,024**
Total equity	**229,844**	**100,296**

STATEMENT OF PROFIT AND LOSS	12/31/2022	12/31/2021
Operating revenue	183,534	19,768
Costs and expenses	(161,919)	(48,431)
Operating profit (loss)	**21,615**	**(28,663)**
Finance income (costs)	(9,994)	(4,739)
Income taxes	835	(18)
Profit (loss) for the period	**12,456**	**(33,420)**

12. PROPERTY 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).

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, 2020							
Cost	867,265	397,156	87,591	31,178	32,505	73,905	1,489,600
Accumulated depreciation	(399,558)	(123,176)	(32,968)	(13,036)	-	(34,148)	(602,886)
Net value	**467,707**	**273,980**	**54,623**	**18,142**	**32,505**	**39,757**	**886,714**
Additions(3)	51,648	7,332	3,984	5,924	97,729	4,290	170,907
Acquisition of assets	63,449	34,739	16,147	2,400	39,030	9,989	165,754
Write-offs	(6,132)	(4,262)	-	(67)	(1,902)	-	(12,363)
Depreciation	(84,242)	(41,080)	(9,608)	(6,209)	-	(15,304)	(156,443)
Transfers and reclassifications(2)	45,873	35,553	6,105	1,004	(96,937)	5,626	(2,776)
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(1)	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**
CONSOLIDATED							
At December 31, 2020							
Cost	2,258,657	803,533	193,216	105,928	188,258	93,147	3,642,739
Accumulated depreciation	(790,089)	(250,165)	(77,570)	(56,287)	-	(43,496)	(1,217,607)
Net value	**1,468,568**	**553,368**	**115,646**	**49,641**	**188,258**	**49,651**	**2,425,132**
Additions(3)	119,304	34,344	6,656	14,021	290,313	12,668	477,306
Acquisition of subsidiary	23,241	21,177	3,240	392	14	2,595	50,659
Acquisition of assets	63,449	34,739	16,147	2,400	39,030	9,989	165,754
Write-offs	(21,279)	(10,108)	(627)	(669)	(6,663)	-	(39,346)
Depreciation	(216,293)	(107,941)	(21,377)	(17,450)	-	(18,321)	(381,382)
FX effects	10,967	(7,666)	(3,160)	(1,532)	(30,869)	(827)	(33,087)
Transfers and reclassifications(2)	151,870	53,567	27,324	3,581	(208,718)	4,352	31,976
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(1)	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**

(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$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).

(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$23,580 (see note 13) and Right-of-use assets reclassified to Property and equipment in the amount of R$55,556 (see note 14).

(3) As at December 31, 2022, this includes finance costs, capitalized at R$3,000 (R$1,409 in Dec/21).

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, and Paraguay. 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, 2022, there was no indication of impairment of property and equipment, intangible assets with finite useful lives and right-of-use assets.

ASSETS PLEDGED AS COLLATERAL

As at December 31, 2022, the Group has assets pledged as collateral for finance leases with third parties (equipment formerly stated in property and equipment and included in borrowings, which were reclassified to Right-of-use assets against Lease liabilities), as mentioned in note 14.

13. INTANGIBLE ASSETS

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%

BREAKDOWN OF AND VARIATIONS IN THE BALANCES

	Goodwill[2]	Assignment of right of use	Software	Customer list	Trademarks and patents	Total
PARENT						
At December 31, 2020						
Cost	82,320	42,773	11,454	-	8,478	145,025
Accumulated amortization	-	(33,437)	(4,891)	-	-	(38,328)
Net value	**82,320**	**9,336**	**6,563**	**-**	**8,478**	**106,697**
Additions	-	-	2,109	-	-	2,109
Acquisitions of assets	-	-	102	-	-	102
Write-offs	-	-	(88)	-	-	(88)
Amortization	-	(1,687)	(3,366)	-	-	(5,053)
Transfers and reclassifications[1]	-	-	17,412	-	-	17,412
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**

	Goodwill[2]	Assignment of right of use	Software	Customer list	Trademarks and patents	Total
CONSOLIDATED						
At December 31, 2020						
Cost	1,450,751	65,032	48,689	38,037	26,919	1,629,428
Accumulated amortization	-	(44,186)	(21,974)	(21,598)	(790)	(88,548)
Net value	**1,450,751**	**20,846**	**26,715**	**16,439**	**26,129**	**1,540,880**
Additions	-	-	4,665	145	1,128	5,938
Acquisitions of subsidiaries	18,016	457	563	-	-	19,036
Acquisitions of assets	-	-	102	-	-	102
Write-offs	(706)	(128)	(418)	-	(407)	(1,659)
Amortization	-	(4,803)	(11,806)	(11,087)	(4,616)	(32,312)
FX effects	(34,876)	1,374	242	(3,400)	853	(35,807)
Transfers and reclassifications[1]	-	5,658	18,244	-	(322)	23,580
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**

(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 and Just Fit.

IMPAIRMENT TESTING – GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The Groups 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, and Peru.

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.

The discount rates for each CGU are as follows:

CGU	Discount rate
Brazil	11.50%
Mexico	13.78%
Colombia	15.03%
Chile	14.04%
Peru	14.48%

Based on the analysis performed at December 31, 2022, 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.

14. 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.

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.

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, 2020	**17,223**	**906,620**	**923,843**	**248,092**	**2,478,796**	**2,726,888**
Additions and remeasurements	(49)	223,989	223,940	11,703	450,662	462,365
Write-offs	-	(39,630)	(39,630)	-	(47,077)	(47,077)
Acquisition of assets	-	125,756	125,756	-	125,756	125,756
Acquisitions of subsidiaries	-	-	-	2,735	36,851	39,586
Depreciation	(2,538)	(147,052)	(149,590)	(33,915)	(343,511)	(377,426)
Tax credits on depreciation	-	(11,613)	(11,613)	-	(13,831)	(13,831)
Assignment of right of use	-	(42,998)	(42,998)	-	(45,592)	(45,592)
FX effects	-	-	-	(1,521)	(3,187)	(4,708)
Transfers and reclassifications	(14,636)	-	(14,636)	(56,300)	744	(55,556)
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**

(1) Refer to the assignment of rental contracts related to Company's units transferred to other Group companies in the year ended December 31, 2022.
(2) Refer to reclassifications to Property and equipment (see note 12).
(3) Includes R$ 14,449 in Parent and R$ 18,223 in Consolidated for initial direct costs (R$ 21,750 in Dec/22).
(4) The main terms of real estate contracts are: Brazil, with an average of 10 years, and Mexico, with an average of 30 years.

BREAKDOWN OF AND VARIATIONS IN THE BALANCES OF LEASE LIABILITIES

	Parent			Consolidated		
Lease liabilities	Machinery and equipment	Buildings	Total	Machinery and equipment	Buildings	Total
At December 31, 2020	**3,612**	**979,550**	**983,162**	**217,298**	**2,656,486**	**2,873,784**
Additions and remeasurements	-	201,797	201,797	9,829	422,538	432,367
Write-offs	-	(43,441)	(43,441)	-	(52,775)	(52,775)
Acquisitions of subsidiaries	-	-	-	1,159	43,269	44,428
Liabilities assumed with the purchase of assets	-	108,654	108,654	-	108,654	108,654
Interest incurred	61	77,100	77,161	17,860	230,825	248,685
Considerations[1]	(3,673)	(216,638)	(220,311)	(78,904)	(521,373)	(600,277)
Tax credits on interest	-	5,566	5,566	-	7,138	7,138
Assignment of right of use	-	(44,862)	(44,862)	-	(47,820)	(47,820)
FX effects	-	-	-	(2,470)	9,345	6,875
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**
Current	**-**	**178,315**	**178,315**	**54,091**	**395,571**	**449,662**
Noncurrent	**-**	**911,555**	**911,555**	**63,680**	**2,816,105**	**2,879,785**

(1) Due to the discounts obtained in renegotiations with property owners, the Group recognized R$2,458 in Parent and R$10,611 in Consolidated as discounts obtained with leases in the year ended December 31, 2022, and R$33,193 in Parent and R$111,508 in Consolidated in the year ended December 31, 2021.

(2) Refer to the assignment of rental contracts related to Company's units transferred to other Group companies in the year ended December 31, 2022.

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
2023	54,091	395,571	449,662
2024	37,309	366,068	403,377
2025	18,316	363,608	381,924
2026 onwards	8,055	2,086,429	2,094,484
Total	**117,771**	**3,211,676**	**3,329,447**

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	4,708,138	3,211,676
PIS/COFINS – 9.25%[1]	147,632	109,428

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

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

As at December 31, 2022, the Company incurred expenses of R$323 in Parent and R$4,687 in Consolidated (R$115 and R$1,098 in Parent and Consolidated, respectively, for the year ended December 31, 2021).

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 Group 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 and Argentina), and discounted at the applicable average rates:

	Consolidated	
	Actual flow	Flow w/ inflation
Right-of-use assets	**2,941,246**	**3,884,937**
Lease liabilities	1,704,518	1,512,498
Finance charges	1,507,158	2,647,622
Total Lease liabilities	**3,211,676**	**4,160,120**
Finance costs	1,507,158	2,647,622
Depreciation expense	1,697,176	3,883,328
Total expenses(1)	**3,204,334**	**6,530,950**

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

15. OTHER LIABILITIES

Financial liabilities

Financial liabilities are recognized in the balance sheet when the Company 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. See note 5.

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.

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Other liabilities				
Related parties(1)	53,956	34,892	2,473	-
Taxes and contributions payable(2)	45,870	14,494	75,794	35,072
Salaries, accruals and social contributions	38,308	28,362	72,393	59,180
Investments in subsidiaries and joint ventures with negative equity(3)	2,437	9,938	-	3,380
Acquisition of interest in subsidiary - Sporty Panama	309,601	-	309,601	-
Contingent consideration - MB Negócios Digitais	3,547	3,155	3,547	3,155
Contingent consideration – Latamfit Chile	5,461	6,815	5,461	6,815
Contingent consideration – Just Fit(4)	2,767	40,016	2,767	40,016
Acquisition of shares – ADV	-	6,613	-	6,613
Increase in equity interest – ADV(5)	-	-	9,838	-
Others	4,254	7,990	22,193	20,228
Total	**466,201**	**152,275**	**504,067**	**174,459**
Current	**277,081**	**135,291**	**304,859**	**161,560**
Noncurrent	**189,120**	**16,984**	**199,208**	**12,899**

(1) See note 25.
(2) In Consolidated, this includes mainly ISS of R$8,967 (R$18,579 in Dec/21) and PIS/COFINS of R$40,071.
(3) See note 11.
(4) Final acquisition price estimated based on the purchase and sale agreement (see note 3).
(5) See note 3.

16. BORROWINGS

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 Company monitors the compliance with covenants in order to assess which actions are necessary to avoid the early maturity of the debt, if necessary.

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Borrowings				
Debentures	1,696,072	1,776,798	1,696,072	1,776,798
Promissory notes	257,361	240,803	257,361	240,803
Working capital	46,597	85,389	1,466,461	1,572,894
Total	**2,000,030**	**2,102,990**	**3,419,894**	**3,590,495**
Current	**96,531**	**99,488**	**488,226**	**488,720**
Noncurrent	**1,903,499**	**2,003,502**	**2,931,668**	**3,101,775**

CHANGES FOR THE YEAR

	Parent	Consolidated
Borrowings		
At December 31, 2020	**1,320,092**	**2,616,073**
Fundraising	1,511,811	1,930,372
Acquisitions of subsidiaries	-	14,028
Accrued interest and cost amortization	126,662	224,882
Principal paid	(758,259)	(974,741)
Interest payment	(97,316)	(187,384)
Exchange differences	-	(32,735)
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**

DESCRIPTION OF THE MAIN FINANCIAL AGREEMENTS

	Currency of the agreement	Par value in the currency of the agreement (in millions)	Charges (p.a.)	Maturity	12/31/2022	12/31/2021
PARENT						
DEBENTURES						
Fourth issue	BRL	745.0	CDI + 3.10%	04/20/2026	-	485,592
Fifth issue	BRL	250.0	CDI + 2.25%	04/30/2025	252,133	247,067
Sixth issue	BRL	1,060.0	CDI + 2.40%	12/20/2028	1,048,633	1,044,139
Seventh issue - 1st series	BRL	362.0	CDI + 1.50%	10/10/2029	358,052	-
Seventh issue - 2nd series	BRL	38.0	IPCA + 7.37%	10/10/2029	37,254	-
PROMISSORY NOTES						
Promissory notes - 1st to 10th series	BRL	240.0	CDI + 2.50%	2023-2025	257,361	240,803
WORKING CAPITAL						
Smartfit Brasil(1)	BRL	100.0	CDI + 2.49%	08/15/2027	11,342	39,021
Smartfit Brasil	BRL	50.4	CDI + 2.90%	10/17/2022	-	15,994
SUBSIDIARIES						
WORKING CAPITAL						
Latamgym Mexico(2)	MXN	1,300.0	TIIE + 1.90%	03/17/2025	224,819	306,594
Latamgym Mexico(3)	MXN	356.7	TIIE + 2.80%	2023-2024	37,620	69,714
Latamgym Mexico	MXN	290.0	TIIE + 2.00%	05/31/2027	77,343	-
Latamgym Mexico	MXN	100.0	TIIE + 2.00%	09/30/2027	26,670	-
Latamgym Mexico	MXN	150.0	TIIE + 2.00%	12/31/2027	40,005	-
Latamgym Mexico	MXN	100.0	TIIE + 2.00%	10/30/2027	26,172	-
Sporty City Colombia	COP	66,281.9	9.60%	08/17/2022	-	52,041
Sporty City Colombia	COP	40,000.0	IBR + 5.93%	02/09/2027	43,120	-
Sporty City Colombia	COP	36,000.0	IBR + 5.75%	04/01/2027	38,808	-
Latamfit Chile	CLP	25,218.6	7.22%	07/05/2024	77,476	145,939
Latamfit Chile	CLP	23,000.0	9.48%	12/29/2025	140,783	150,949
Latamfit Chile	CLP	11,091.2	5.67%	12/02/2024	39,397	62,540
Smartfit Peru	PEN	54.6	8.00%	10/17/2022	-	58,281
Smartfit Peru	PEN	66.0	8.00%	08/09/2024	40,775	76,448
Smartfit Peru	PEN	62.7	4.78%	07/15/2025	86,414	87,902
Smartfit Peru	PEN	119.1	10.65%	11/30/2025	163,135	166,146
Smartfit Peru	PEN	60.0	8.11%	09/30/2024	82,698	-

(1) This has as guarantee: (i) fiduciary assignment of credit rights, present and future, arising from sales made through credit cards of the Visa and/or Mastercard brands; (ii) fiduciary assignment of financial investments, represented by fixed income investment fund and/or CDB issued by the creditor; (iii) fiduciary assignment of credit rights arising from the Company's checking account.

(2) Non-revolving credit agreement due in two installments, with final maturity on March 17, 2023, 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.

(3) 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.

PROMISSORY NOTES

On January 6, 2022, the General Meeting of Promissory Notes Holders of the 3rd Issue approved the 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 3.5 starting in the 4th quarter of 2022.

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

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.

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

SIXTH ISSUE OF DEBENTURES

On December 23, 2021, the Company concluded the 6th issue of simple, non-convertible, unsecured debentures in a single series, in the amount of R$1,060,000, for public distribution, with a unit par value of R$1 on the issue date.

Sixth series’ debentures mature on December 20, 2028, subject to optional early redemption, early maturity and/or unavailability of the DI Rate, under the terms and conditions provided for.

The compensatory interest on the unit par value (or the unit par value balance, as the case may be) of the Debentures corresponds to: CDI + 2.40% p.a., calculated as provided for in the Debentures Indenture. Interest payments are made on a semiannual basis.

The early maturity clauses include the non-maintenance for 2 consecutive quarters or 3 alternate quarters, the net debt to EBITDA ratio equal to or lower than 3.50, to be periodically calculated by the Company, starting in the 2nd quarter of 2022, based on the audited consolidated financial statements or the consolidated 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.

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.

COVENANTS

The Company made an analysis of the operating guarantees and as at December 31, 2022 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.

17. PROVISIONS

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.

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 was follows:

	Civil	Labor	Tax	Total
PARENT				
At December 31, 2020	1,480	2,756	288	4,524
Additions and increases	1,347	652	-	1,999
Write-offs and reversals	(284)	(194)	(288)	(766)
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**
CONSOLIDATED				
At December 31, 2020	2,411	3,023	335	5,769
Additions and increases	1,715	717	145	2,577
Acquisition of subsidiary(1)	5,209	1,467	4,224	10,900
Write-offs and reversals	(468)	(343)	(335)	(1,146)
Transfers and reclassifications(2)	-	-	8,444	8,444
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**

(1) See note 3.
(2) The remaining balance in the Transfers and reclassifications column refers to reclassifications to other liabilities.

LAWSUITS CLASSIFIED AS POSSIBLE LOSS

The Company's Management did not consider it 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:

	12/31/2022	12/31/2021
Consolidated		
Civil	8,485	6,172
Labor	1,865	1,686
Tax	8,681	7,548
Total	**19,031**	**15,406**

ESCROW DEPOSITS

As at December 31, 2022, the Group has escrow deposits of R$69,647 (R$58,756 in Dec/21) in parent and R$79,840(R$67,883 in Dec/21) 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".

18. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

Current taxes

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 taxes

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.

BREAKDOWN OF PROFIT OR LOSS

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Income tax and social contribution				
Current	-	-	(63,093)	(24,400)
Deferred	-	3,473	59,357	46,169
Total	**-**	**3,473**	**(3,736)**	**21,769**

RECONCILIATION OF EFFECTIVE INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Income tax and social contribution				
Profit (loss) before income tax and social contribution	(89.431)	(638.054)	(82.315)	(654.786)
Statutory rate in Brazil	34%	34%	34%	34%
Expected tax assets	**30.406**	**216.938**	**27.987**	**222.627**
Share of profit (loss) of investees	37,682	(96,316)	2,234	(5,099)
Unrecognized deferred tax – temporary differences	(30,371)	(27,828)	(35,273)	(29,754)
Unrecognized deferred tax – tax loss carryforwards	(2,207)	(95,674)	(814)	(73,822)
Adjustment of companies taxed on the presumed profit	-	-	9,557	3,964
Difference in rates of foreign subsidiaries	-	-	37,646	(86,252)
Others	(35,510)	6,353	(45,073)	(9,895)
Total	**-**	**3,473**	**(3,736)**	**21,769**

VARIATIONS IN AND BREAKDOWN OF DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

	12/31/2021	Income	Other comprehensive income	Exchange differences	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**

DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION – NOT RECOGNIZED

The Company is in process of operational expansion; accordingly, no deferred income tax and social contribution was set up as a result of the temporary differences and income tax and social contribution losses of the Company and its subsidiaries in Brazil.

As at December 31, 2022, the balance of income tax and social contribution losses amounted to R$1,105,972 (R$1,076,972 in Dec/21), for companies in Brazil. These tax losses can be carried forward indefinitely, limited to 30% of the adjusted annual profit for tax purposes in accordance with prevailing tax legislation and temporary differences, and is being controlled in the LALUR. For foreign entities, deferred taxes on temporary differences and tax losses are accounted for in accordance with legislation and expected local realization.

19. EQUITY

SHARE CAPITAL AND CAPITAL RESERVE

On May 18, 2021, the EGM approved the voluntary conversion of the 1,216,546 Class B preferred shares into common shares, at a conversion ratio of 1:1.129369 (i.e. each 1 Class B preferred share was converted into 1.129369 common share).

On June 22, 2021, the EGM approved the split of the Company's shares, in the proportion of 1:21, with no change to the Company's share capital, which is now divided into 471,242,289 registered, book-entry common shares with no par value, distributed among the shareholders in the same proportion held by each shareholder before the stock split.

On July 12, 2021, the Board of Directors, in connection with the initial public offering, decided to:

i. approve the price of R$23.00 per common share;

ii. declare that the condition of conversion of Class B preferred shares into common shares has been verified, stating that the Company's share capital is now comprised exclusively of common shares.

iii. declare that the condition of stock split of common shares issued by the Company in the proportion of 1:21 has been verified, with no change to the Company's share capital. As a result, the Company's share capital is now comprised of 471,242,289 registered, book-entry common shares with no par value, which were distributed among the shareholders in the same proportion held by each shareholder before the stock split;

iv. approve the increase to the Company's capital, within the limit of its authorized capital, in the amount of R$2,300,000 through issue of 100,000,000 registered, book-entry common shares with no par value, at the price per share, increasing the Company's share capital from R$325,443, fully subscribed and paid-up, divided into 471,242,289 registered, book-entry common shares with no par value, to R$2,625,443, divided into 571,242,289 registered, book-entry common shares with no par value, excluding the preemptive right to subscription of the Company's current shareholders.

On July 14, 2021, the IPO was concluded, and the Company is now listed on B3 under ticker SMFT3. The amount of R$2,300,000 was recognized as capital increase.

Pursuant to article 24 of CVM Instruction 400, on July 28, 2021 the total number of shares initially offered was increased by over-allotment options equivalent to up to 15% of the total shares initially offered, i.e. up to 15,000,000 common shares issued by the Company, which were fully sold by the Company, in the amount of R$345,000, under the same conditions and at the same price as the shares initially offered. On August 2, 2021, the Company announced the closing of the IPO.

Thus, at December 31, 2022 and 2021 the share capital totals R$2,970,443, comprising 586,242,289 common shares, all registered, book-entry and with no par value.

Expenses incurred with this offer of R$112,613 were classified as a decrease in equity as indicated in CPC 08 (R1) / IAS 39.

The following table considers the distribution of shares prior to the Offering and after the Offering, as well as the over-allotment options.

	Prior to the Offering		After the Offering and over-allotment options	
	Common shares	%	Common shares	%
Shareholder				
Corona family	87,013,794	18.46%	87,013,794	14.84%
Pátria	240,423,729	51.02%	240,423,729	41.01%
Shares held by owners of the Company	**327,437,523**	**69.48%**	**327,437,523**	**55.85%**
Canada Pension Plan Investment Board(1) – CPPIB	58,448,061	12.40%	70,851,035	12.09%
Novastar Investment Pte. Ltd(1) – GIC	43,617,063	9.26%	52,673,584	8.98%
Other shareholders(1)	41,739,642	8.86%	135,280,147	23.08%
Shares publicly traded in the market	**-** (1)	**-**	**258,804,766**	**44.15%**
Total	**471,242,289**	**100.00%**	**586,242,289**	**100.00%**

(1) After the Offering, the shareholders' agreements between the owners of the Company and its noncontrolling interests were terminated, and all shares held by all noncontrolling interests are now free float shares.

EARNINGS RESERVE

As at December 31, 2022 and December 31, 2021, the Company did not report profits and dividends were neither recognized nor distributed.

OTHER COMPREHENSIVE INCOME

These are the cumulative translation adjustments of financial statements of foreign operations. The amount represents a cumulative gain of R$294,163 at December 31, 2022 (gain of R$426,773 at December 31, 2021).

20. OPERATING REVENUE AND DEFERRED REVENUE

Operating revenue

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

- The amounts related to fitness activities 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.

Deferred revenue

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.

BREAKDOWN OF OPERATING REVENUE

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Operating revenue by type of service				
Gym plans	1,111,808	634,112	2,770,709	1,533,361
Annual fees	119,607	81,361	265,244	186,296
Membership fees	833	290	28,193	37,317
Others	7,934	9,646	87,651	84,093
Gross operating revenue	**1,240,182**	**725,409**	**3,151,797**	**1,841,067**
Taxes on revenue	(159,226)	(91,566)	(221,359)	(134,216)
Net operating revenue	**1,080,956**	**633,843**	**2,930,438**	**1,706,851**

Operating revenues by geographic region are disclosed in note 24.

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	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Deferred revenue				
Gym plans	4,765	21,045	43,072	84,812
Annual fees	56,954	66,126	174,548	94,477
Membership fees	1,008	221	9,989	540
Others	1,479	2,293	1,478	2,293
Total	**64,206**	**89,685**	**229,087**	**182,122**
Current	**63,544**	**88,207**	**228,425**	**180,561**
Noncurrent	**662**	**1,478**	**662**	**1,561**

21. COST AND EXPENSES BY NATURE

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).
- Overhead, related to general expenses (costs with personnel for core positions, such as finance team and human resources).

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

	12/31/2022			12/31/2021		
	Costs	Expenses	Total	Costs	Expenses	Total
PARENT						
Personnel and related taxes	188,444	99,910	288,354	135,683	60,293	195,976
Depreciation and amortization, net of PIS and COFINS	341,238	11,314	352,552	295,357	1,996	297,353
Utilities expenses	130,025	5,377	135,402	96,719	5,082	101,801
Operational support services	101,171	42,064	143,235	71,180	41,375	112,555
Opening of new units	9,495	5,102	14,597	4,329	2,371	6,700
Variable lease of real estate, common area maintenance fees and occupancy expenses	55,137	1,396	56,533	65,750	495	66,245
Maintenance	23,712	212	23,924	17,480	-	17,480
Media and commercials	-	130,102	130,102	-	79,985	79,985
Credit card management fee	-	10,648	10,648	-	7,013	7,013
Allocation to stock option plans	-	13,640	13,640	-	29,204	29,204
Others	11,635	21,266	32,901	8,104	(2,824)	5,280
Total	**860,857**	**341,031**	**1,201,888**	**694,602**	**224,990**	**919,592**
CONSOLIDATED						
Personnel and related taxes	427,228	198,827	626,055	303,886	134,020	437,906
Depreciation and amortization, net of PIS and COFINS	858,753	22,624	881,377	764,034	10,419	774,453
Utilities expenses	298,021	12,393	310,414	199,751	10,463	210,214
Operational support services	186,092	73,777	259,869	125,417	69,361	194,778
Opening of new units	26,294	17,822	44,116	14,793	8,105	22,898
Variable lease of real estate, common area maintenance fees and occupancy expenses	113,556	2,945	116,501	124,779	1,807	126,586
Maintenance	77,367	501	77,868	41,471	-	41,471
Media and commercials	-	224,927	224,927	-	154,204	154,204
Credit card management fee	-	49,003	49,003	-	24,160	24,160
Allocation to stock option plans	-	16,166	16,166	-	31,066	31,066
Others	31,106	34,190	65,296	18,879	14,786	33,665
Total	**2,018,417**	**653,175**	**2,671,592**	**1,593,010**	**458,391**	**2,051,401**

22. FINANCE INCOME (COSTS)

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.

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
FINANCE INCOME				
Interest income	18,712	13,743	25,134	20,386
Exchange differences	1,755	913	29,213	4,730
Income from financial investments	283,930	87,654	328,127	93,531
Gain (loss) on derivative financial instruments	-	12,364	11,880	12,364
Discounts obtained on leases	2,458	33,193	10,611	111,508
Other finance income	42,563	5,318	45,814	5,952
Total finance income	**349,418**	**153,185**	**450,779**	**248,471**
FINANCE COSTS				
Interest on borrowings	(289,031)	(125,253)	(419,840)	(223,473)
Interest on leases	(86,526)	(77,161)	(277,941)	(248,685)
Exchange differences	(3,577)	(3,948)	(37,443)	(33,981)
Gain (loss) on derivative financial instruments	(29,995)	-	(29,995)	-
Other finance costs	(19,617)	(15,846)	(33,291)	(37,572)
Total finance costs	**(428,746)**	**(222,208)**	**(798,510)**	**(543,711)**
Total finance income (costs), net	**(79,328)**	**(69,023)**	**(347,731)**	**(295,240)**

23. EARNINGS PER SHARE

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.

CALCULATION OF EARNINGS PER SHARE

The Company calculates earnings per share by dividing the profit 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 per share. As at December 31, 2022 and 2021, stock options had no dilutive effect on earnings 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:

	Parent	
	12/31/2022	12/31/2021
Loss per share		
Loss attributable to owners of the Company	(89,431)	(634,581)
Weighted average number of shares during the year	586,242,289	525,091,604
Basic and diluted loss per share	**(0,15)**	**(1.21)**

24. SEGMENT INFORMATION

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.

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 Latin America	Considers company owned units in Peru, Colombia, Chile, Argentina and Paraguay.

	December 31, 2022									
	Brazil				Mexico	Other Latin America				
	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 (loss)	**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)**

	December 31, 2021									
	Brazil				Mexico	Other Latin America				
	Smartfit	Bio Ritmo	Others	Total	Smartfit	Smartfit	Others	Total	Share of profit (loss) of investees	Consolidated
SEGMENTS										
Operating revenue	727,512	57,381	159,225	944,118	349,242	407,528	5,963	413,491	-	1,706,851
Costs	(768,405)	(66,691)	(67,072)	(902,168)	(318,490)	(360,483)	(11,869)	(372,352)	-	(1,593,010)
Gross profit (loss)	**(40,893)**	**(9,310)**	**92,153**	**41,950**	**30,752**	**47,045**	**(5,906)**	**41,139**	**-**	**113,841**
Selling expenses				(136,689)	(25,114)			(24,320)	-	(186,123)
General and administrative expenses				(196,538)	(29,954)			(49,324)	-	(275,816)
Other operating income (expenses), net				2,835	(3,194)			3,907	-	3,548
Share of profit (loss) of investees				-	-			-	(14,996)	(14,996)
Operating profit (loss) before finance income (costs)				**(288,442)**	**(27,510)**			**(28,598)**	**(14,996)**	**(359,546)**
OTHER INFORMATION										
Costs	(342,452)	(23,843)	(33,403)	(399,698)	(186,122)	(190,324)	(4,557)	(194,881)	-	(780,701)
Expenses	(356)	-	(2,223)	(2,579)	(2,236)	(5,604)	-	(5,604)	-	(10,419)
Depreciation and amortization	**(342,808)**	**(23,843)**	**(35,626)**	**(402,277)**	**(188,358)**	**(195,928)**	**(4,557)**	**(200,485)**	**-**	**(791,120)**
Costs	(183,700)	(13,039)	(1,634)	(198,373)	(110,667)	(67,612)	(1,487)	(69,099)	-	(378,139)
Expenses	(220)	-	(2,936)	(3,156)	(1,502)	(1,551)	-	(1,551)	-	(6,209)
Fixed lease	**(183,920)**	**(13,039)**	**(4,570)**	**(201,529)**	**(112,169)**	**(69,163)**	**(1,487)**	**(70,650)**	**-**	**(384,348)**
Costs	(4,329)	(433)	(91)	(4,853)	(3,682)	(6,258)	-	(6,258)	-	(14,793)
Expenses	(2,371)	-	(1)	(2,372)	(1,661)	(4,072)	-	(4,072)	-	(8,105)
Opening of new units	**(6,700)**	**(433)**	**(92)**	**(7,225)**	**(5,343)**	**(10,330)**	**-**	**(10,330)**	**-**	**(22,898)**

25. RELATED PARTIES

A related party is an individual or entity that is related to the Group. This includes individuals and entities that have control over, or are subject to the influence of, the Group.

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, interest and amortization arising from lease liabilities for the year ended Dec/22 are recognized in profit or loss in the amount of R$576 (R$434 in Dec/21); and (ii) two agreements for property lease by noncontrolling interests of a subsidiary, signed in 2009 and 2011, are recognized in profit or loss in the amount of R$1,143 (R$1,444 in Dec/21).

In addition, the Company has made financial investments in investment funds where it has exclusive participation (100% of the quotas), which are detailed in note 7.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

On April 27, 2022, at the AEGM, the limit of the annual global compensation of the Company's Officers of R$17,297 for 2022 was approved. The global amount of Management compensation approved in 2021 was ratified to R$17,369.

The compensation of the Company's officers, composed of management fees and other amounts, recognized in line item "General and administrative expenses" amounted to R$10,416 in Dec/22 (R$8,211 in Dec/21). The expense on the stock option plan for Company officers was R$5,294.

RELATED-PARTY BALANCES

	12/31/2022				12/31/2021			
	Other receivables		Other liabilities		Other receivables		Other liabilities	
	Trading transactions(1)	Loans, interest on capital and dividends(2)	Trading transactions(1)	Loans, interest on capital and dividends(2)	Trading transactions(1)	Loans, interest on capital and dividends(2)	Trading transactions(1)	Loans, interest on capital and dividends(2)
PARENT								
Subsidiaries								
ADV Esportes	11,937	2,135	458	-	9,827	8,066	675	-
Smartfin	34,867	-	3,708	-	20,983	-	3,225	-
Smartdom	37	8,791	3	-	531	9,267	20	-
Bio Plaza	109	4,288	595	-	2,219	3,450	41	-
Asnsmart	92	3,973	543	-	1,661	3,065	44	-
Bioswim	29,050	660	35,858 (3)	-	12,031	660	26,174 (3)	-
Biosanta	-	2,696	12	-	625	2,404	17	-
Microsul	1,162	-	-	-	1,055	-	7	-
Smartrfe	2,484	992	17	-	946	-	225	-
Centrale	757	-	1,048	-	764	-	176	-
M2	34	307	666	-	304	-	207	-
SmartMNG	785	1,480	10	-	186	-	380	-
Biomorum	86	-	8,764	-	207	-	3,671	-
Racebootcamp	1,730	-	-	-	105	-	30	-
TotalPass	13,560	-	1,751	-	16,686	-	-	-
Just Fit	28	-	-	-	-	-	-	-
Bio Pauli	-	-	-	518	-	-	-	-
Bio Franqueadora	-	-	5	-	-	-	-	-
MB Negócios Digitais	-	2,861	-	-	-	-	-	-
Total balances with related parties	**96,718**	**28,183**	**53,438**	**518**	**68,130**	**26,912**	**34,892**	**-**
CONSOLIDATED								
Joint ventures								
TotalPass Mexico	12,368	8,513	1,246	-	5,880	17,117	-	-
Noncontrolling interests								
Noncontrolling interests	-	-	-	1,227	-	-	-	-
Total balances with related parties	**12,368**	**8,513**	**1,246**	**1,227**	**5,880**	**17,117**	**-**	**-**

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

RELATED-PARTY TRANSACTIONS

	12/31/2022				12/31/2021			
	Operating revenue	Costs	Expenses	Finance income (costs)	Operating revenue	Costs	Expenses	Finance income (costs)
PARENT								
Subsidiaries								
ADV Esportes	2,294	(8)	-	1,198	6,649	(17)	-	568
Smartfin	-	-	(1,363)	-	22	-	(3,140)	-
Smartdom	328	(2)	-	1,302	296	(3)	-	707
Bio Plaza	547	(46)	-	570	348	(29)	-	201
Asnsmart	919	(2)	-	551	758	(1)	-	226
Bioswim	-	(3,934)	-	-	-	(2,340)	-	-
Biosanta	-	(10)	-	383	-	(6)	-	176
Microsul	-	-	-	-	-	-	-	6
Smartrfe	-	(1)	-	-	871	(3)	-	-
M2	360	(9)	-	-	267	(128)	-	-
SmartMNG	-	(8)	-	-	-	(8)	-	-
Biomorum	-	(11,832)	-	-	-	(3,542)	(409)	-
Joint ventures								
SmartEXP	-	-	-	-	582	-	-	(3,483)
Total balances with related parties	**4,448**	**(15,852)**	**(1,363)**	**4,004**	**9,793**	**(6,077)**	**(3,549)**	**(1,599)**
CONSOLIDATED								
Joint ventures								
SmartEXP[(1)]	-	-	-	-	582	-	-	(2,893)
Total balances with related parties	**-**	**-**	**-**	**-**	**582**	**-**	**-**	**(2,893)**

(1) Smartfit acquired the assets and assumed the liabilities of SmartEXP. See note 3.

26. SHARE-BASED PAYMENT

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, with a corresponding credit to equity.

VARIATIONS IN PLANS

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 mentioned in note 19.

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 took place on July 14, 2021, see note 19) 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.

For both grants, as they qualify as "graded vesting", the fair value was calculated for each of the vesting tranches and presented by the weighted average. The following table presents the main assumptions used to calculate the fair value of options granted on the grant date:

	Before stock split			After stock split		
	Regular Options	Performance Options	Total	Regular Options	Performance Options	Total
Vesting of the options:						
December 31, 2021	230,494	169,359	399,853	4,840,362	3,556,515	8,396,877
December 31, 2022	125,841	86,384	212,225	2,642,665	1,814,072	4,456,737
December 31, 2023	125,841	86,384	212,225	2,642,665	1,814,072	4,456,737
December 31, 2024	125,841	86,384	212,225	2,642,665	1,814,072	4,456,737
Total	**608,017**	**428,511**	**1,036,528**	**12,768,357**	**8,998,731**	**21,767,088**
Exercise price at the grant date	411.00	411.00	411.00	19.57	19.57	19.57
Risk free interest rate	6.00%	4.00%	5.20%	6.00%	4.00%	5.20%
Volatility of shares in the market	36.22%	42.55%	38.80%	36.22%	42.55%	38.80%
Fair value at the grant date (weighted average)	68.28	35.37	54.67	3.25	1.68	2.60

The expected volatility was calculated based on companies from the same sector with shares traded in the United States and Europe, not taking into account the effects of the pandemic, which significantly impact the market volatility, given that the Company did not trade its shares in the open market at the grant date and given that there are no listed companies from the same sector in Brazil.

On December 7, 2021, 123,900 additional stock options were granted. The fair value measurement methodology and the assumptions adopted were the same as those previously mentioned.

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. The fair value measurement methodology and the assumptions adopted were the same as those previously mentioned.

As at December 31, 2022, the amount recognized in profit or loss was R$13,640 (R$29,204 in Dec/21), against a capital reserve. Up to this date, R$25 (R$1,750 in Dec/21) have been paid by the beneficiaries to the Company for the right to acquire the options, and R$87 have been paid for repurchases to beneficiaries made by the Company. Regarding the phantom shares, the amount recognized in profit or loss, in accordance with CPC 10 (R1) / IFRS 2, was R$2,347 (R$1,858 in Dec/21) against a capital reserve, and the expense is recognized on a straight-line basis by plan and number of options linked to each vesting period.

Variations in options and phantom shares granted during the year ended December 31, 2022 are presented below:

	Regular Options	Performance Options	Phantom Shares	Total
At December 31, 2020	**-**	**-**	**-**	**-**
Granted	12,892,257	8,998,731	869,400	22,760,388
Exercised	-	-	-	-
Cancelled	(151,200)	-	-	(151,200)
At December 31, 2021	**12,741,057**	**8,998,731**	**869,400**	**22,609,188**
Exercised	-	-	-	-
Cancelled	(1,017,324)	(172,148)	(25,200)	(1,214,672)
At December 31, 2022	**11,723,733**	**8,826,583**	**844,200**	**21,394,517**

27. 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. As at December 31, 2022, the basic insurance coverage is R$8,410,756 and the coverage for loss of profits is R$18,000.

28. EVENTS AFTER THE REPORTING PERIOD

TAKEOVER AND CONSOLIDATION OF SPORTY PANAMA

As mentioned in note 3, on January 1, 2023, the Company took over the control of Sporty Panamá and now holds 100% interest in this company. The effects of the business combination were not recognized at December 31, 2022. The acquired company's profit or loss, assets and liabilities will be consolidated beginning on January 1, 2023.

The consideration amount is summarized as follows:

	Sporty Panama
Consideration	
First installment (paid on January 20, 2023) – US$ 25.0 million	131,068
Second installment (payable on January 3, 2024) – US$ 34.3 million	180,017
Total – US$ 59.3 million[(1)]	**311,085**

(1) Pursuant to the conditions set forth in the agreement, the determined price is being analyzed by the Company. In the event of a disagreement, the amount will be adjusted in the second installment.

The following table summarizes the provisional fair value of the assets acquired and liabilities assumed at the acquisition date:

	Sporty Panamá (provisional amounts)
Business combination	
Financial assets at amortized cost:	
Cash and cash equivalents	43,362
Trade receivables	289
Other receivables	16,812
Deferred tax assets	8,861
Right-of-use assets	94,731
Property and equipment	180,565
Liabilities	
Trade payables	(22,189)
Other liabilities	(7,600)
Borrowings	(41,742)
Lease liabilities	(109,498)
Total identifiable assets acquired and liabilities assumed at fair value	**163,591**

At the time these financial statements were concluded and authorized for issue, the Company had not yet completed the accounting for the acquisition of Sporty Panama. More specifically, the fair values of the assets and liabilities disclosed above were only determined on a provisional basis, as the independent valuation had not been completed. Also, it is not yet possible to provide detailed information on any potential goodwill, surplus value, contingent liabilities of the acquired entity or result from the remeasurement of the previously held equity interest.

CVM CIRCULAR LETTER REGARDING THE STF DECISION ON "RES JUDICATA" IN TAX MATTERS

The Group has no final and unappealable decisions on taxes paid on a continuous basis that are impacted by the recent STF decision. Accordingly, it will not be necessary to review the likelihood of loss of the ongoing or closed lawsuits involving the discussion of taxes paid on a continuous basis.

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, 2022 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 a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Smartfit Escola de Ginástica e Dança S.A. as at December 31, 2022, 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 unmodified opinion on the individual and consolidated financial statements.

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. In addition to the matter described in the Basis for opinion section, we determined that the matter described below is a key audit matter to be informed in our report. For the 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.

Revenue recognition

The process for recognizing the Company's and its subsidiaries' revenue involves a high level of control in order 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$ 1,080,956 thousand and R$ 2,930,438 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 the matter was addressed in our audit

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 evidence obtained, we identified control deficiencies in access management processes.

These deficiencies changed our assessment regarding the nature, timing, and extent of our planned audit procedures for obtaining sufficient and appropriate audit evidence on the Company's revenues. Taking the above into consideration and based on the result of the audit procedures performed, which are consistent with the directors' assessment, we believe that the criteria for recognizing and measuring revenues, as well as respective disclosures, are acceptable 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, 2022, the Company recognized balances of intangible assets with indefinite useful life, including goodwill, in the approximate amount of R$1,323,956 thousands.

The accounting practices adopted in Brasil and the IFRS require that intangible assets with indefinite useful life be tested for impairment by the Company directors at least annually, unless there is evidence that might indicate the need to anticipate the test. Company directors 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 an allowance for impairment of intangible assets with indefinite useful life was identified.

This matter was considered a key audit matter in our audit because of: (i) the materiality of the relevant amounts; (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 Company directors' judgment.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to: (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 value determined by the Company directors', 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 is consistent with directors' assessment, we understand that the assessments related to the impairment of intangible assets with indefinite useful life, as well as the related disclosures in the notes to the individual and consolidated financial statements, are acceptable in the context of the individual and consolidated financial statements

Other matters

Audit of prior-year information

The financial statements of Smartfit Escola de Ginástica e Dança S.A. for the year ended December 31, 2021 were audited by another firm of independent auditors whose report, dated March 15, 2022, expressed an unqualified opinion on those statements.

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2022, prepared under the responsibility of the Company directors, and presented as supplementary information for IFRS purposes, were subjected 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 NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Accounting Pronouncement and are consistent with the overall individual and consolidated financial statements.

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

The directors are responsible for such other information, which comprise 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 respect, unless the item mentioned as described in the "Basis for opinion" section referred to above.

Responsibility of directors and those charged with governance for the individual and consolidated financial statements

The directors are 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, the directors are 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 directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- 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 Company´s directors.
- Concluded on the appropriateness of directors'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 auditor's 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 represented 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicated 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 identified during our audit.

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

From the matters communicated with those charged with governance, we determined 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 described 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 15, 2023.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC- SP-034519/O

Emerson Pompeu Bassetti
Accountant CRC-SP251558/O