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FINANCIAL STATEMENTS

12/31/2021

smart fit

CONTENTS

TERMS	GLOSSARY
EGM	Extraordinary General Meeting
OGM	Ordinary 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
CSLL	Social Contribution on Net Income
CVM	Securities and Exchange Commission of Brazil
Dec/20 or 12/31/2020	Financial Information as of and for the Year Ended December 31, 2020
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
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
ITR	Interim Financial Statements
IFRS	International Financial Reporting Standards
IRRF	Withholding Income Tax
IRPJ	Corporate Income Tax
JCP	Interest on Capital
Joint venture	A joint arrangement whereby the parties have joint control of the arrangement
Dec/21 or 12/31/2021	Financial Information as of and for the Year Ended December 31, 2021
LALUR	Taxable Income Control Register
LF	Financial bills
LFT	Financial Treasury Bills
Mex$	Mexican pesos – Official currency in Mexico
MOU	Memorandum of Understanding
NE	Note to the Financial Statements
PIS	Social Integration Program
R$	Reais – Official currency in Brazil
SPE	Special Purpose Company
TIIE	“Tasa de Interés Interbancaria de Equilibrio” in Mexico
CGU	Cash Generating Unit

BALANCE SHEETS

As at December 31, 2021

(In thousands of Brazilian reais - R$)

	Notes	Parent 12/31/2021	Parent 12/31/2020	Consolidated 12/31/2021	Consolidated 12/31/2020
ASSETS					
Current assets					
Cash and cash equivalents	6	340,929	621,099	1,957,828	1,019,611
Investments in financial assets	7	2,700,545	-	1,761,801	-
Trade receivables	9	104,413	78,382	195,777	154,220
Other receivables	10	141,627	45,262	254,547	137,218
Total current assets		**3,287,514**	**744,743**	**4,169,953**	**1,311,049**
Noncurrent assets					
Investments in financial assets	7	3,910	47,604	3,910	60,037
Derivative financial instruments	8	7,027	2,098	7,027	2,098
Other receivables	10	105,646	151,868	169,098	185,568
Deferred tax assets	18	-	-	150,081	117,127
Investments in subsidiaries and joint ventures	11	2,318,853	2,204,249	127,228	125,211
Right-of-use assets	14	1,015,072	923,843	2,810,405	2,726,888
Property and equipment	12	1,051,793	886,714	2,697,012	2,425,132
Intangible assets	13	121,179	106,697	1,519,758	1,540,880
Total noncurrent assets		**4,623,480**	**4,323,073**	**7,484,519**	**7,182,941**
TOTAL ASSETS		**7,910,994**	**5,067,816**	**11,654,472**	**8,493,990**
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables		82,069	70,429	200,936	169,840
Other liabilities	15	135,291	133,239	161,560	163,144
Borrowings	16	99,488	83,916	488,720	277,652
Lease liabilities	14	159,825	135,824	389,837	339,403
Deferred revenue	20	88,207	53,295	180,561	132,511
Current taxes payable		-	-	7,303	2,042
Total current liabilities		**564,880**	**476,703**	**1,428,917**	**1,084,592**
Noncurrent liabilities					
Other liabilities	15	16,984	36,995	12,899	29,755
Borrowings	16	2,003,502	1,236,176	3,101,775	2,338,421
Lease liabilities	14	907,901	847,338	2,631,222	2,534,381
Deferred revenue	20	1,478	2,293	1,561	2,293
Deferred tax liabilities	18	-	3,473	8,275	15,800
Derivative financial instruments	8	13,987	14,178	13,987	14,178
Provisions	17	5,757	4,524	26,544	5,769
Total noncurrent liabilities		**2,949,609**	**2,144,977**	**5,796,263**	**4,940,597**
TOTAL LIABILITIES AND EQUITY		**3,514,489**	**2,621,680**	**7,225,180**	**6,025,189**
EQUITY	19				
Share capital		2,970,443	325,443	2,970,443	325,443
Capital reserves		2,285,690	2,312,027	2,285,690	2,312,027
Accumulated losses		(1,286,401)	(651,820)	(1,286,401)	(651,820)
Other comprehensive income		426,773	460,486	426,773	460,486
Equity attributable to the owners of the Company		**4,396,505**	**2,446,136**	**4,396,505**	**2,446,136**
Noncontrolling interests		-	-	32,787	22,665
TOTAL EQUITY		**4,396,505**	**2,446,136**	**4,429,292**	**2,468,801**
TOTAL LIABILITIES AND EQUITY		**7,910,994**	**5,067,816**	**11,654,472**	**8,493,990**

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

STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

Year ended December 31, 2021

(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Notes	12/31/2021	12/31/2020	12/31/2021	12/31/2020
PROFIT (LOSS)					
Operating revenue	20	633,843	540,323	1,706,851	1,256,244
Costs	21	(694,602)	(579,182)	(1,593,010)	(1,266,625)
Gross profit (loss)		**(60,759)**	**(38,859)**	**113,841**	**(10,381)**
Selling expenses	21	(89,082)	(71,656)	(186,123)	(132,868)
General and administrative expenses	21	(146,802)	(117,523)	(275,816)	(213,583)
Other operating income (expenses), net	21	10,894	(1,153)	3,548	(21,085)
Share of profit (loss) of investees	11	(283,282)	(251,266)	(14,996)	(15,786)
Operating loss before finance income (costs)		**(569,031)**	**(480,457)**	**(359,546)**	**(393,703)**
Finance income	22	153,185	87,377	248,471	212,852
Finance costs	22	(222,208)	(202,031)	(543,711)	(474,202)
Finance income (costs), net	22	(69,023)	(114,654)	(295,240)	(261,350)
Loss before income tax and social contribution		**(638,054)**	**(595,111)**	**(654,786)**	**(655,053)**
Income tax and social contribution	18	3,473	(3,473)	21,769	50,625
LOSS FOR THE YEAR		**(634,581)**	**(598,584)**	**(633,017)**	**(604,428)**
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	(33,713)	402,799	(29,251)	407,744
TOTAL OTHER COMPREHENSIVE INCOME		**(33,713)**	**402,799**	**(29,251)**	**407,744**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(668,294)**	**(195,785)**	**(662,268)**	**(196,684)**
Loss for the year attributable to:					
Owners of the Company				(634,581)	(598,584)
Noncontrolling interests				1,564	(5,844)
Comprehensive income for the year attributable to:					
Owners of the Company				(668,294)	(195,785)
Noncontrolling interests				6,026	(899)
Loss per share:					
Basic and diluted	23	(1.21)	(1.35)		

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

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2021

(In thousands of Brazilian reais - R$)

	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
Capital increase in subsidiaries [(3)]	-	-	-	(10,651)	-	-	(10,651)	(2,699)	(13,350)
Price complement on acquisition price of subsidiary[(3)]	-	-	-	-	-	-	-	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**

	December 31, 2020								
		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, 2019	**378,569**	**1,779,069**	**103,982**	**(25,619)**	**(53,236)**	**57,687**	**2,240,452**	**26,999**	**2,267,451**
Profit (loss) for the period	-	-	-	-	(598,584)	-	(598,584)	(5,844)	(604,428)
Other comprehensive income	-	-	-	-	-	402,799	402,799	4,945	407,744
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**(598,584)**	**402,799**	**(195,785)**	**(899)**	**(196,684)**
Capital increase	110	435,657	-	-	-	-	435,767	-	435,767
Capital reduction	(53,236)	53,236	-	-	-	-	-	-	-
Exercise of stock options	-	(30,580)	-	-	-	-	(30,580)	-	(30,580)
Subsidiary's stock option	-	-	(4,141)	-	-	-	(4,141)	-	(4,141)
Increase (decrease) in equity interest in subsidiaries	-	-	-	423	-	-	423	(3,435)	(3,012)
Transactions with shareholders recognized directly in equity	**(53,126)**	**458,313**	**(4,141)**	**423**	**-**	**-**	**401,469**	**(3,435)**	**398,034**
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**

(1) See note 19.
(2) See note 26.
(3) See note 3.

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

STATEMENTS OF CASH FLOWS

Year ended December 31, 2021

(In thousands of Brazilian reais - R$)

	Notes	Parent 12/31/2021	Parent 12/31/2020	Consolidated 12/31/2021	Consolidated 12/31/2020
CASH FLOW FROM OPERATING ACTIVITIES					
Loss for the year		(634,581)	(598,584)	(633,017)	(604,428)
Adjustments to reconcile loss for the year to net cash used in operating activities:					
Income tax and social contribution	18	(3,473)	3,473	(21,769)	(50,625)
Depreciation and amortization	12,13,14	311,086	301,902	791,120	704,146
Allowance for expected credit losses	9	330	(298)	1,637	(931)
Share of profit (loss) of investees	11	283,282	251,266	14,996	15,786
Write-off of intangible assets, property and equipment, and leases		6,383	14,021	23,565	30,645
Interest on borrowings	22	125,253	74,923	223,473	173,444
Interest on leases	22	77,161	81,197	248,685	215,828
Discounts obtained on leases	22	(33,193)	(59,943)	(111,508)	(172,595)
Income from financial investments	22	(87,654)	(18,314)	(93,531)	(22,733)
Gain (loss) on derivative financial instruments	22	(12,364)	4,666	(12,364)	4,666
Foreign exchange gains (losses) and other finance income (costs)	22	3,035	18,314	29,251	22,868
Share-based payment plan	26	30,726	-	32,590	-
Provisions	17	1,233	228	1,431	197
Deferred revenue		31,186	(5,662)	44,013	(1,627)
Changes in operating assets and liabilities:					
Trade receivables		(21,627)	24,729	(36,421)	(10,316)
Other receivables		(34,947)	(5,002)	(76,517)	(24,297)
Trade payables		1,525	(13,721)	9,490	(28,052)
Other liabilities		(19,217)	10,060	7,416	(30,873)
Cash generated by operating activities		**24,144**	**83,255**	**442,540**	**221,103**
Interest paid on borrowings	16	(97,316)	(102,248)	(187,384)	(199,123)
Interest paid on leases	14	(65,536)	(57,303)	(202,489)	(143,812)
Income tax and social contribution paid		-	-	(19,139)	(34,433)
Net cash generated by (used in) operating activities		**(138,708)**	**(76,296)**	**33,528**	**(156,265)**
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to property and equipment	12	(169,498)	(187,679)	(475,897)	(487,790)
Additions to intangible assets	13	(2,109)	(2,031)	(5,938)	(7,291)
Direct initial costs of right-of-use assets	14	(21,750)	-	(21,750)	-
Addition of cash due to mergers		-	1,371	-	-
Loans from third parties		(3,947)	(10,000)	(10,883)	(10,000)
Financial investments		(2,569,197)	(47,604)	(1,612,143)	(54,701)
Acquisition of group of assets, net of cash received	3	(164,911)	-	(164,911)	-
Acquisition of subsidiaries, net of cash received		(15,000)	(57,870)	(11,334)	(57,353)
Acquisition of joint venture		(39,542)	(63,855)	(39,542)	(63,855)
Capital increase in subsidiaries and joint venture	11	(378,981)	(96,998)	(15,860)	(22,746)
Related parties		1,510	(59,799)	9,989	(23,992)
Net cash used in investing activities		**(3,363,425)**	**(524,465)**	**(2,348,269)**	**(727,728)**
CASH FLOW FROM FINANCING ACTIVITIES					
Capital increase, net of transaction costs	19	2,596,730	435,767	2,596,730	435,767
Proceeds from borrowings	16	1,511,811	13,716	1,930,372	441,909
Repayments of borrowings	16	(758,259)	(181,766)	(974,741)	(210,032)
Payment of lease	14	(121,582)	(86,450)	(286,280)	(200,849)
Payables to shareholders		-	790	-	1,234
Acquisition of noncontrolling interests		(6,737)	(17,489)	(6,737)	(17,489)
Share buyback, net of receipts for stock option exercised		-	(30,580)	-	(30,580)
Net cash generated by financing activities		**3,221,963**	**133,988**	**3,259,344**	**419,960**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(280,170)**	**(466,773)**	**944,603**	**(464,033)**
CHANGES IN CASH AND CASH EQUIVALENTS					
Opening balance		621,099	1,087,872	1,019,611	1,351,381
Exchange differences on cash and cash equivalents		-	-	(6,386)	132,263
Closing balance		340,929	621,099	1,957,828	1,019,611
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(280,170)**	**(466,773)**	**944,603**	**(464,033)**
NON-CASH TRANSACTIONS					
Additions of right-of-use assets	14	158,356	161,696	379,592	419,028
Acquisition of subsidiaries and joint ventures	3	40,016	91,338	40,016	91,338
Transfers between property and equipment, intangible assets, and right-of-use assets		17,412	8,210	23,580	56,805
Acquisition of noncontrolling interest		6,613	-	6,613	-
Mergers		-	4,428	-	-
Consideration – SmartEXP		-	6,224	-	6,224

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

STATEMENTS OF VALUE ADDED

Year ended December 31, 2021

(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Notes	12/31/2021	12/31/2020	12/31/2021	12/31/2020
WEALTH CREATED					
REVENUES					
Service revenue	20	725,409	619,154	1,841,067	1,361,684
Allowance for expected credit losses, net of reversals	9	(330)	623	(1,637)	1,322
Other operating income		10,894	915	3,548	1,098
INPUTS PURCHASED FROM THIRD PARTIES					
Cost of sales and services		(206,181)	(94,245)	(409,705)	(172,239)
Materials, electric power, outside services and others		(83,676)	(121,524)	(129,087)	(238,175)
Advertising materials, marketing, promotion funds and others related to sales		(88,792)	(72,519)	(184,477)	(137,399)
GROSS VALUE ADDED		**357,324**	**332,404**	**1,119,709**	**816,291**
RETENTIONS					
Depreciation and amortization	12,13,14	(311,086)	(301,902)	(791,120)	(704,146)
WEALTH CREATED BY THE COMPANY		**46,238**	**30,502**	**328,589**	**112,145**
WEALTH RECEIVED IN TRANSFER					
Share of profit (loss) of investees	11	(283,282)	(251,266)	(14,996)	(15,786)
Finance income	22	153,185	87,377	248,471	212,852
TOTAL WEALTH FOR DISTRIBUTION		**(83,859)**	**(133,387)**	**562,064**	**309,211**
WEALTH DISTRIBUTED					
PERSONNEL					
Salaries and wages		133,129	119,811	319,247	244,562
Benefits		17,333	16,846	33,223	32,699
Social security costs		11,246	8,844	22,073	15,428
TAXES, FEES AND CONTRIBUTIONS:					
Federal		56,243	49,716	84,504	20,780
State		7	114	726	3,674
Municipal		26,290	22,030	37,467	30,653
LENDERS AND LESSORS:					
Interest	22	222,208	202,576	543,711	475,129
Leases		84,266	45,260	154,130	90,714
SHAREHOLDERS:					
Owners' share of losses		(634,581)	(598,584)	(634,581)	(598,584)
Noncontrolling interests' share of losses		-	-	1,564	(5,844)
WEALTH DISTRIBUTED		**(83,859)**	**(133,387)**	**562,064**	**309,211**

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

1. GENERAL INFORMATION

Smartfit ("Company") 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" (see note 19). 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 brands "Bio Ritmo" and "O2", among others, 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

Since March 2020 up to June 2021, period of greatest impact of the COVID-19 pandemic, in which part of the units were closed, the Company's management has taken actions to obtain additional liquidity sources, together with measures to contain non-essential operating expenses and cash outflows. These actions aim to guarantee the continuity of its operations, the expansion of its businesses and meeting the needs of customers, and have shown to be efficient to withstand the economic slowdown caused by the COVID-19 pandemic:

- Preservation of the workforce during the year 2020 and workload reduction or employment contract suspension for the Company's employees during the periods in which the units were closed.
- Renegotiation of payment terms and discounts with suppliers.
- Freezing of plans, with the interruption of monthly fees from members, since the date of closure of the gyms, charges are being resumed as units are being reopened.
- Renegotiation with property owners, with a focus on obtaining discounts on monthly rents of units (see note 14).
- Reduction of expenditures with utilities, cleaning and marketing.
- Review of the investment plan, suspending the beginning of construction of new gyms and postponement of the maintenance of gyms in operation, resuming activities during the third quarter of 2021.
- Fundraising and capital contributions for strengthening of the Company's cash, and the main decisions that bring financial impacts to the business are:
  - Renegotiation of debts (see note 16).
  - Capital contribution of R$500 million from its shareholders, of which R$436 million paid up in December 2020 and R$64 million in January 2021 (see note 19).
  - 5th Issuance of simple debentures, nonconvertible into shares, in the total amount of R$250 million (see note 16).

Additionally, the Company raised other funds during the second half of 2021:

- In July 2021, an IPO for the amount of R$2,645 million (see note 19).
- On September 15, 2021, issuance of promissory notes in the amount of R$240 million (see note 16).
- On December 23, 2021, 6th issuance of simple debentures, nonconvertible into shares, in the total amount of R$1.060 billion (see note 16).

As of July 31, 2021, with the relaxation of the main pandemic-related restrictions, the Group started to operate with 100% of its units open. As at December 31, 2021, the Group maintained this same scenario, with a total of 1,065 units open and in operation (764 at December 31, 2020), with a solid cash position.

On February 1, 2022, the CVM issued the circular letter CVM-SNC/SEP 01/2022, advising publicly-held companies to carefully assess drawee risk operations and the COVID-19 impacts on their business, and disclose in the financial statements the main risks and uncertainties arising from this analysis, possible changes in the income tax laws, especially changes in current rates, with impact on recognized deferred tax assets and liabilities. The analysis should be carried out considering the relevant accounting standards and circular letter CVM-SNC/SEP 01/2021, of January 29, 2021, and CVM-SNC/SEP 02/2020, published on March 10, 2020. In this sense, the Company reassessed the accounting estimates in which it uses as an assumption the operation's performance projections and assessed the accounting impacts, and also updated the analyses of the Company's going concern, whose actions are described above. The main analyses and conclusions of the Company are listed below and described in the related notes to the financial statements:

- Impairment of assets (notes 12 and 13).
- Revenue recognition (note 20).
- Lease agreements (note 14).
- Allowance for expected credit losses on trade receivables (note 9).

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

The individual and consolidated financial statements for the year ended December 31, 2021 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 Company's activities.

The individual and consolidated financial statements for the year ended December 31, 2021 were concluded and authorized for issue by the Company's Board of Directors on March 10, 2022.

BASIS OF MEASUREMENT

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

BASIS OF CONSOLIDATION

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

In the individual and consolidated financial statements of the Company, 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 individual and consolidated financial statements are presented and summarized in the respective notes and were consistently applied in the periods and years.

FUNCTIONAL AND PRESENTATION CURRENCY

The individual and consolidated financial statements are being presented in thousands of Brazilian reais (R$), which is the Company's functional currency. 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 (FitMaster LLC) in US dollars.

For purposes of presenting these individual and consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated using the exchange rates prevailing at the end of the 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 AND FUNCTIONAL CURRENCY

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

STATEMENT OF VALUE ADDED

The Company prepared the individual and consolidated 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 individual and consolidated 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 statements requires that Management uses estimates and exercises judgment in the process of applying the Company'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	Notes
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 BUT NOT YET EFFETIVE

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

Amendments to IFRS 10 (CPC 36 (R3)) – Consolidated Financial Statements and IAS 28 (CPC 18 (R2)) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 (CPC 36 (R3)) and IAS 28 (CPC 18 (R2)) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The Company is assessing potential impacts and, at this time, the adoption of the aforementioned amendments are not expected to have a significant impact on its financial statements.

Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or noncurrent is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

The Company is assessing potential impacts and, at this time, the adoption of the aforementioned amendments are not expected to have a significant impact on its financial statements.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds Before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 - Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by Management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted

According to the Company's assessment, the adoption of the aforementioned amendments are not expected to have a significant impact on its financial statements.

Amendments to IFRS 3 – Business Combinations – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 - Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier

According to the Company's assessment, the adoption of the aforementioned amendments are not expected to have a significant impact on its financial statements.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be employees or materials) and an allocation of other costs that directly relate to fulfilling contracts (an example would be the allocation of the depreciation expenses for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

According to the Company's assessment, the adoption of the aforementioned amendments are not expected to have a significant impact on its financial statements.

Annual Improvements to IFRS 2018-2020 Cycle

The Annual Improvements include amendments to four standards:

- IFRS 1 - First-time Adoption of International Financial Reporting Standards

  The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

  The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

  According to the Company's assessment, the adoption of the aforementioned amendments are not expected to have a significant impact on its financial statements.

- IFRS 9 - Financial Instruments

  The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

  The Company expects the adoption of these amendments to have impact on the conclusion of the '10 per cent' test, should the transaction take place.

- IFRS 16 - Leases

  The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

  This amendment does not affect the Company's operations.

- IAS 41 - Agriculture

  The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

  This amendment does not affect the Company's operations.

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 – Making Materiality Judgements – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

The Company is assessing potential impacts and, at this time, the adoption of the aforementioned amendments are not expected to have a significant impact on its financial statements.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

• A change in accounting estimate that results from new information or new developments is not the correction of an error;

• The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

The Company is assessing potential impacts and, at this time, the adoption of the aforementioned amendments are not expected to have a significant impact on its financial statements.

Amendments to IAS 12 – Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

The amendments are effective for annual periods beginning on or after January 1, 2023, with early application permitted

The Company is assessing potential impacts from the adoption of the aforementioned amendments on its financial statements.

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

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

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

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

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

On March 5, 2021, the Company entered into a Share Purchase and Sale Agreement and Other Covenants ("Contract") for the acquisition of shares representing 100% of the total and voting capital of Just Fit, a company that operates 27 gyms in the state of São Paulo, Brazil. After the compliance with the conditions precedent (among them the approval of the operation by CADE), on June 16, 2021, Smartfit acquired the control of Just Fit. The purchase price will be determined based on the gross profit of these units in the 12 months following the quarter in which Smart Fit's IPO (see note 19) was held.

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	
Assets	
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 consideration(1)	40,016
Goodwill	**18,016**

(1) Included in "Other liabilities".

The contingent consideration assessed at the acquisition date was R$40,016. Should new changes occur due to events occurred after the acquisition date, such as future variations in the gross profit of these acquired units, these will not be considered as measurement period adjustments. In these cases, changes in fair value shall be recognized in profit or loss for the year.

Goodwill is attributable to the future profitability of the acquired business. It shall not be deductible for tax purposes.

Since the acquisition date, Just Fit's operating revenue and loss for the period amount to R$15,366 and R$11,406, respectively. Had the business combination taken place at the beginning of the year, operating revenue and loss for the period would have been R$1,714,708 and R$648,588, respectively.

NONBINDING MOU FOR BUSINESS ACQUISITION

On April 12, 2021, the Company entered into a nonbinding MOU with Grupo Sports World, SAB de CV ("Sports World"), a company engaged in gym operations in Mexico, aiming at a possible business combination between Sports World and Latamgym SAPI de CV, which is a wholly-owned subsidiary of Smart in Mexico. The potential business combination is subject to the signing of a binding agreement between the parties, as well as other usual conditions and authorizations, both corporate and government-related.

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 Company's strategy to expand its presence in Mexico. The nonbinding MOU with Sports World remains in place, regardless of any other business that may be carried out between the parties.

According to the analysis performed pursuant to IAS 28, Smartfit 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 MB NEGÓCIOS DIGITAIS S.A.

On July 14, 2020, the Company's management signed a share purchase and sale agreement for the acquisition of a 70% interest in MB Negócios Digitais S.A. ("MB").

MB offers physical and nutritional exercise programs, both online and offline, through its digital platform called "Queima Diária". The acquisition is in line with the Company's strategic goal of expanding digital fitness.

The total price for the acquisition of 70% of MB was R$77,000, of which R$67,000 for the acquisition of shares and R$10,000 in contributions to be paid in up to 12 months, in local currency, as payment for the Subscription of New Shares until July 14, 2021, according to the "EGM" of July 14, 2020, where Smartfit subscribed and received such shares. In 2020 and 2021, payments were made regarding the acquisition of MB.

In addition, the share purchase and sale agreement establishes a call option for the Company and a put option for the former shareholder, containing the following considerations:

- Call Option

  The Company may exercise the call option at any time until July 14, 2025 (5-year term) from the Shareholders' Agreement signing date. Based on studies prepared by independent experts, the expected present value of the call option was determined at R$2,482 at the acquisition date and recorded as a right under the line item "derivative financial instruments" in noncurrent assets, against intangible assets (goodwill). As at December 31, 2020 and December 31, 2021, the determined amounts were updated and estimated at R$2,098 and R$7,027, respectively.

- Put Option

  Under a suspensive condition regarding the vesting period, the noncontrolling interest may exercise a Put Option, at its sole discretion, for a 24-month period from the end of the vesting period, and together with the call option exercise period. The vesting period will correspond to a six-month period from (i) the date of removal, resignation or vacancy, for any reason, of the position of Chief Executive Officer by the noncontrolling interest, if the noncontrolling interest remains in the position of Company's Chief Executive Officer for a minimum period of three years, counted from the date of the Shareholders' Agreement, or (ii) the date of the 3rd anniversary of the Shareholders' Agreement, if the noncontrolling interest is removed from the position of Company's Chief Executive Officer before such date. The exercise price of the put option is a multiple of EBITDA less the Net Debt multiplied by the percentage of interest at the date on which the put option is exercised.

  At the acquisition date, the expected present value of the put option was determined at R$4,141, based on studies prepared by independent experts, recording an obligation under the line item "derivative financial instruments" in noncurrent liabilities, against equity in the line item "Equity instruments", since the effects of the potential acquisition may occur in a situation where the Company already holds the control of the investee. As at December 31, 2020 and 2021, the reviewed amounts were updated and estimated at R$8,422 and R$13,987, respectively.

As at June 30, 2021, the Company concluded the analysis of the acquisition of MB Negosyo's Digitais S.A., complementing the price to be paid by R$15,136 and adjusted the goodwill recognized in the business combination carried out in 2020by R$706, with no material effects.

ACQUISITION OF PRO FORMA ACADEMIA DE GINÁSTICA LTDA.

On April 4, 2020, the Company acquired all shares of Pro Forma Academia de Ginástica Ltda ("Pro Forma") for R$7,000, with the purpose of expanding its network in the city of Rio de Janeiro, state of Rio de Janeiro In 2020, payments were made regarding the acquisition of Pro Forma.

The process of recognizing and measuring this purchase was carried out in accordance with CPC 15 (R1) / IFRS 3 and the assets acquired and liabilities assumed had no material fair value adjustments, according to a report prepared by an independent expert. This transaction generated goodwill based on future profitability of R$7,873, which was initially accounted for as an investment and reclassified to intangible assets through the merger of Pro Forma.

ACQUISITION OF SPORTY PANAMA S.A.

On January 21, 2020, the Company entered into an agreement for the acquisition of equity interest in Sporty Panama S.A. ("Sporty"), which was its franchisor, located in the Republic of Panama. The shareholders' agreement took place through its intervening and authorized party Sporty Holding B.V. ("Holding") located in Amsterdam, Netherlands.

Sporty is a closely-held company that operates in the fitness segment in the Republic of Panama and in Costa Rica.

In connection with the Company's strategic objective of expanding its activities to Latin America, the agreement provides that the parties will now hold a 50% interest in Sporty. The Company evaluated and concluded that Sporty is a joint venture to the extent that decisions on relevant activities require the unanimous consent of the Company and of the other shareholder that holds the 50% interest.

ACQUISITION OF SMARTEXP ESCOLA DE GINÁSTICA E DANÇA S.A.

On December 15, 2020, the Company entered into a shareholders' agreement with SF NewGym Fundo de Investimento em Multiestratégia (FIP) in order to establish the rights and obligations of the joint venture SmartEXP. The agreement establishes business management commitments to be taken by the Board of Directors' members, who are appointed by the shareholders and must jointly resolve on the main matters that govern SmartEXP's operating and financial conditions.

The agreement also establishes a Lock-Up Period (grace period for redemption of shares) in which the FIP and the Company will not be able to transfer, in any capacity, in whole or in part, any shares or rights conferred on shares or securities convertible into shares, until the end of the seven-year period counted from the Date of the First Subscription, and in this period the Company has a call option for the entire equity interest of FIP in SmartEXP, which may be exercised after 12 months from the Date of the First Subscription. The call option may be exercised by the Company upon written notification to be sent to FIP, at least 60 days in advance of the date scheduled for the consummation of the call option. The total amount of the call option will be measured according to the exercise date of the call option: (a) if the exercise occurs from the date of the first subscription until the third anniversary, the total amount will be represented by the updated amount of the payments up to the third year less the updated amount of the dividends up to the third year; or (b) if the exercise occurs from the third anniversary after the date of the first subscription, exclusive, until the seventh anniversary after the date of the first subscription, the total amount will be at least the updated amount of the payments by the FIP, less the amounts declared and / or paid to shareholders as dividends, interest on capital and other earnings.

If the call option was not exercised by the end of the Lock-Up Period, the FIP would have the obligation to sell to Smartfit, which would have the obligation to purchase all (and not less than all) the Shares issued by SmartEXP that are owned by FIP at the date of the end of the Lock-Up Period, subject to the terms and conditions established between the parties.

As at December 31, 2020, the fair value of the obligation at the end of the Lock-Up Period (Obligation to purchase and sell - SmartEXP (see note 8) calculated by independent experts and measured based on the Monte Carlo method was estimated at R$5,756 and recorded as cost of the investment in SmartEXP.

The agreement binds all common shares and preferred shares of SmartEXP, and at the date of the first subscription the share capital is represented by 400,000 common shares (with voting rights) and 201,890 preferred shares (without voting rights), of which Smartfit holds 200,000 common shares. As at December 31, 2020, the contribution to SmartEXP's capital by the Company is R$2 in common shares, with the remainder of the contributions made by FIP and other shareholders in the amount of R$201,892 (common and preferred shares), of which R$22,990, equivalent 22,900 preferred shares, subscribed by Company executives.

The preferred shares issued in this way were subscribed exclusively by FIP and by Company's executives, so that the Company waived its preemptive right to subscribe to preferred shares issued by SmartEXP. The common shares issued by SmartEXP were subscribed exclusively by the Company and FIP, in the proportion of 50% equity interest for each. As a result of the shareholders' agreement, only preferred shares confer rights to results and dividends and, therefore, there is no attribution of results of this joint venture for purposes of equity accounting.

On August 4, 2021, after the liquidity event (IPO) held on July 14, 2021 (see note 19), the Company entered into a Share Purchase and Sale Agreement and Other Covenants ("Contract") for the acquisition of shares representing 50% of the total and voting capital of SmartEXP, and then acquired control, with the proceeds from the IPO. This company operated 29 gyms in the state of Sao Paulo, Brazil, as provided for in the Shareholders' Agreement of December 15, 2020.

In total, 401,890 shares issued by SmartEXP and held by other shareholders were acquired, corresponding to 66.8% of its share capital. Of these shares, 22,990 are held by the Company's executives and, of the 378,900 shares that were acquired from SF NewGym Fundo de Investimento em Participações Multiestratégia, 55% are held by the Company's noncontrolling interests. In addition, 6 shareholders of SmartEXP are also shareholders of the Company: 4 are noncontrolling interests and 2 are controlling shareholders of the Corona family.

The price paid per share was calculated based on the criteria set out in the Shareholders' Agreements of SmartEXP, calculated according to the timing of realization of the liquidity event date. In August 2021, R$232,327 were paid for the acquisition of control.

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 Company 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. To perform the concentration test, the Company:

(a) excluded the cash and cash equivalents balance of gross assets acquired (no deferred tax assets and goodwill arising from the effects of deferred tax liabilities);

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

It was identified that substantially all the fair value of the gross assets acquired is concentrated in a group of similar assets. The concentration of assets 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.

ACQUISITION OF SHARES OF ADV ESPORTES E SAÚDE LTDA.

On December 10, 2021, the Company acquired 5.88% of the shares of ADV Esportes e Saúde Ltda., considering that the current quotas are fully subscribed and paid-in. After the acquisition, the Company now holds a 79% interest in the company. The total acquisition amount was R$13,350.

Based on CPC 36 (R3) / IFRS 10, the Company concluded that this operation qualifies as a subsequent increase in interests in a subsidiary that does not result in a change of control. Accordingly, we have identified a surplus of R$10,651 when comparing the percentage acquired and the amount paid and recognized it in equity.

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 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 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

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

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 in 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
Interest rate sensitivity		
Variable interest	6,137	(6,137)

As part of its portfolio of assets (disclosed in note 7), the exclusive investment funds hold an LF security contracted at IPCA in the amount of R$115,060 at December 31, 2021 for which the fund allocated a derivative financial instrument to hedge the total exposure, which resulted in the indexation to CDI. The mark-to-market, in the amount of R$37 is recognized in finance income (costs), and the Company has not applied hedge accounting for this instrument.

LIQUIDITY RISK MANAGEMENT

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 Company and its subsidiaries maintain 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
CONSOLIDATED				
At December 31, 2021				
Trade payables	200,936	-	-	**200,936**
Other liabilities	161,560	12,899	-	**174,459**
Borrowings(1)	794,652	869,687	3,246,950	**4,911,289**
Lease liabilities(1)	643,489	609,913	3,190,172	**4,443,574**
Derivative financial instruments	-	-	13,987	**13,987**
Total	**1,800,637**	**1,492,499**	**6,451,109**	**9,744,245**

(1) Includes interest to be accrued.

As at December 31, 2021, there are guarantees granted by the Company and its subsidiaries 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$65,952 (R$59,739 at December 31, 2020).

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

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 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, 9 and 10, represent the Group's maximum credit exposure.

For the balances of cash and cash equivalents and financial investments, in order to minimize the credit risk, the Company 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 Company's exclusive investment funds contain a portfolio based mainly on federal government securities.

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 Company's business model with recurring collection reduces the risk of losses and, in case of non-payment by the members, the access to the units is blocked, and is reinstated only in the discharge of the amounts pending payment. With this operating model, the Company does not record trade receivables (and its revenue) for the members while they do not regularize the plan and return to using the gym. For this reason, the amounts provisioned for expected credit losses are not material.

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

	Parent		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Customer list by late payment range				
Current	103,570	77,835	194,026	152,290
Past due:				
Up to 30 days	120	90	353	277
From 31 to 60 days	140	105	428	336
From 61 to 90 days	145	109	392	308
From 91 to 180 days	604	454	1,793	1,407
From 181 to 360 days	695	522	1,779	1,396
More than 361 days	816	614	2,032	1,595
Total	**106,090**	**79,729**	**200,803**	**157,609**

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

The Company's capital structure consists of 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.

Management does not use derivative instruments to hedge against this risk.

5. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

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

- Amortized cost

  The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Fair value through profit or loss

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

Financial liabilities

Financial liabilities are classified as follows:

- Amortized cost

  These comprise liabilities measured using the effective interest method, including borrowings, with the allocation of the effective interest incurred over the respective agreement term. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

- 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, 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(2)	13,873	97,797	111,670	135,603	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**
At December 31, 2020					
Cash and cash equivalents	-	621,099	621,099	-	621,099
Investments in financial assets	12,355	35,249	47,604	-	47,604
Trade receivables(1)	-	79,729	79,729	-	79,729
Other receivables(2)	10,000	89,938	99,938	97,192	197,130
Derivative financial instruments	2,098	-	2,098	-	2,098
Total	**24,453**	**826,015**	**850,468**	**97,192**	**947,660**
CONSOLIDATED					
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(2)	13,873	45,688	59,561	364,084	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**
At December 31, 2020					
Cash and cash equivalents	-	1,019,611	1,019,611	-	1,019,611
Investments in financial assets	12,355	47,682	60,037	-	60,037
Trade receivables(1)	-	157,609	157,609	-	157,609
Other receivables(2)	10,000	35,667	45,667	277,119	322,786
Derivative financial instruments	2,098	-	2,098	-	2,098
Total	**24,453**	**1,260,569**	**1,285,022**	**277,119**	**1,562,141**

(1) Does not include the allowance for expected credit losses.
(2) Includes security deposits, taxes recoverable, escrow deposits, prepaid expenses, advances to suppliers, 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, 2021					
Trade payables	-	82,069	82,069	-	82,069
Other liabilities(1)	-	91,491	91,491	60,784	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	**13,987**	**3,344,276**	**3,358,263**	**60,784**	**3,419,047**
At December 31, 2020					
Trade payables	-	70,429	70,429	-	70,429
Other liabilities(1)	-	98,924	98,924	71,310	170,234
Borrowings	-	1,320,092	1,320,092	-	1,320,092
Lease liabilities	-	983,162	983,162	-	983,162
Derivative financial instruments	14,178	-	14,178	-	14,178
Total	**14,178**	**2,472,607**	**2,486,785**	**71,310**	**2,558,095**
CONSOLIDATED					
At December 31, 2021					
Trade payables	-	200,936	200,936	-	200,936
Other liabilities(1)	-	56,599	56,599	117,860	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	**13,987**	**6,869,089**	**6,883,076**	**117,860**	**7,000,936**
At December 31, 2020					
Trade payables	-	169,840	169,840	-	169,840
Other liabilities(1)	-	63,233	63,233	129,666	192,899
Borrowings	-	2,616,073	2,616,073	-	2,616,073
Lease liabilities	-	2,873,784	2,873,784	-	2,873,784
Derivative financial instruments	14,178	-	14,178	-	14,178
Total	**14,178**	**5,722,930**	**5,737,108**	**129,666**	**5,866,774**

(1) Includes taxes and contributions payable, salaries, accruals and social contributions, indemnity for cancellation of stock option plan, 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:

	12/31/2021			12/31/2020		
	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	-	13,743	13,743	-	5,892	5,892
Foreign exchange losses, net	-	(3,035)	(3,035)	-	(26,255)	(26,255)
Income from financial investments	62,695	24,959	87,654	-	18,314	18,314
Gain (loss) on derivative financial instruments	12,364	-	12,364	(4,666)	-	(4,666)
Discounts obtained on leases	-	33,193	33,193	-	59,943	59,943
Interest on borrowings	-	(125,253)	(125,253)	-	(74,923)	(74,923)
Interest on leases	-	(77,161)	(77,161)	-	(81,197)	(81,197)
Other finance income (costs), net	-	(10,528)	(10,528)	-	(11,762)	(11,762)
Total	**75,059**	**(144,082)**	**(69,023)**	**(4,666)**	**(109,988)**	**(114,654)**
CONSOLIDATED						
Interest income	-	20,386	20,386	-	8,557	8,557
Foreign exchange losses, net	-	(29,251)	(29,251)	-	(31,394)	(31,394)
Income from financial investments	62,695	30,836	93,531	-	22,733	22,733
Gain (loss) on derivative financial instruments	12,364	-	12,364	(4,666)	-	(4,666)
Discounts obtained on leases	-	111,508	111,508	-	172,595	172,595
Interest on borrowings	-	(223,473)	(223,473)	-	(173,444)	(173,444)
Interest on leases	-	(248,685)	(248,685)	-	(215,828)	(215,828)
Other finance income (costs), net	-	(31,620)	(31,620)	-	(39,903)	(39,903)
Total	**75,059**	**(370,299)**	**(295,240)**	**(4,666)**	**(256,684)**	**(261,350)**

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 which are directly (such as prices) or indirectly (price derived) observable for assets or liabilities.
- 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 measured at fair value at December 31, 2021 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	-	2,631,819	-	2,631,819
Other receivables				
N2B loan	-	-	13,873	13,873
Derivative financial instruments				
Smartfit call option - MB Negócios Digitais	-	-	7,027	7,027
Total	**-**	**2,631,819**	**20,900**	**2,652,719**
Liabilities				
Other liabilities				
Contingent consideration – Just Fit	-	-	(40,016)	(40,016)
Derivative financial instruments				
Sale obligation of noncontrolling interest – MB Negócios Digitais	-	-	(13,987)	(13,987)
Total	**-**	**-**	**(54,003)**	**(54,003)**
CONSOLIDATED				
Assets				
Cash and cash equivalents				
Repurchase agreements	-	735,456	-	735,456
Investments in financial assets				
Exclusive investment funds and other financial investments	-	1,645,064	-	1,645,064
Shares in in publicly-held company	17,478	-	-	17,478
Other receivables				
N2B loan	-	-	13,873	13,873
Derivative financial instruments				
Smartfit call option - MB Negócios Digitais	-	-	7,027	7,027
Total	**17,478**	**2,380,520**	**20,900**	**2,418,898**
Liabilities				
Other liabilities				
Contingent consideration – Just Fit	-	-	(40,016)	(40,016)
Derivative financial instruments				
Sale obligation of noncontrolling interest – MB Negócios Digitais	-	-	(13,987)	(13,987)
Total	**-**	**-**	**(54,003)**	**(54,003)**

CHANGES IN LEVEL 3 ASSETS AND LIABILITIES

	Parent		Consolidated	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Financial instruments - Level 3				
At December 31, 2019	**-**	**-**	**-**	**-**
Purchases	12,481	(9,896)	12,481	(9,896)
Gains and losses recognized in profit or loss	(383)	(4,282)	(383)	(4,282)
At December 31, 2020	**12,098**	**(14,178)**	**12,098**	**(14,178)**
Purchases	3,732	(40,016)	3,732	(40,016)
Complement to acquisition price 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)**

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, 2021, 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
Contingent consideration – Just Fit	Multiple amount	Projected gross profit of units acquired in the 12 months following the quarter in which Smart Fit's IPO occurred	Level 3

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST

The balance of "Borrowings" is monetarily adjusted based on market indexes (CDI), contractual rates (note 16) and variable interest according to market conditions and, therefore, the fair value is R$2,155,128 in parent and R$3,649,874 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 readily convertible into a known amount of cash and subject to an insignificant risk of change in value. Financial investments are carried at cost plus yield accrued through the end of each reporting period, which does not exceed their market or realizable value.

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash and cash equivalents				
Cash and banks	6,084	11,922	244,327	211,234
CDB[1]	314,084	589,115	952,415 [5]	689,951
Non-exclusive investment funds[2]	20,761	20,062	20,760	20,062
Repurchase agreements[3]	-	-	735,456	-
Other financial investments[4]	-	-	4,870	98,364
Total	**340,929**	**621,099**	**1,957,828**	**1,019,611**

(1) They are remunerated at a weighted average rate of 102.90% of the CDI (99.39% in Dec/20) and managed by independent financial institutions. The maturities are variable, however, they are highly liquid, with no loss of remuneration upon redemption.
(2) Refers to the non-exclusive fixed income investment fund Turquesa Corporativo. At December 31, 2021, the portfolio was distributed mainly into LFTs remunerated at SELIC. The fund's remuneration resulted in a weighted average rate of 97.70% of the CDI (93.08% in Dec/20).
(3) Includes repurchase agreements that are part of the portfolio of the exclusive investment funds mentioned in note 7, they 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 97.20% of the CDI.
(4) These are distributed into subsidiaries Latamgym México with an average annual rate of 3.55% (3.88% in Dec/2020), Sporty City Colombia with an average annual rate of 2.26% (7.00% in Dec/20), and Latamfit Chile with an average annual rate of 0.63% (0.86% in Dec/20).
(5) 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 86.39% of the CDI. The maturities are variable, however, they are highly liquid, with no loss of remuneration upon redemption.

7. INVESTMENTS IN FINANCIAL ASSETS

Financial investments are (i) stated at cost plus accrued yields, or (ii) measured at fair value through profit or loss at the end of each period. Gains or losses arising from changes in fair value are recognized in the statement of profit and loss on an accrual basis, in line items “Finance income” or “Finance costs”, respectively.

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Investments in financial assets				
CDB[1]	72,636	35,249	78,573	36,957
Non-exclusive investment funds[2]	15,756	8,951	16,015	8,951
Exclusive investment funds[3]	2,612,153	-	-	-
Government securities[4]	-	-	1,207,304	-
Financial bills[5]	-	-	417,835	-
Interests in publicly-held company	-	-	17,478	-
Other financial investments	3,910	3,404	28,506	14,129
Total	**2,704,455**	**47,604**	**1,765,711**	**60,037**
Current	**2,700,545**	**-**	**1,761,801**	**-**
Noncurrent	**3,910**	**47,604**	**3,910**	**60,037**

(1) Includes R$72,636 of guarantees related to debentures, as established in the contract (see note 16). These are remunerated at a rate of 99.50% the CDI (99.00% in Dec/20) and managed by independent financial institutions.
(2) Includes R$15,756 of guarantees related to debentures, as established in the contract (see note 16). Refers to the non-exclusive fixed income investment fund Soberano. At December 31, 2021, the portfolio was distributed mainly into government securities (LFT), CDB and repurchase agreements, with weighted average rate of 98.25% of the CDI (116.80% in Dec/20).
(3) Refer to the private credit exclusive fixed income investment funds Átila RF CP FI (remunerated at a weighted average rate of 104.57% of the CDI) and Santo Amaro RF CP (remunerated at a weighted average rate of 99.95% of the CDI). 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 SELIC + rate between 0.09% and 0.10% for the securities of Santo Amaro and Atila funds remunerated at a weighted average rate of 98.60% of the CDI.
(5) Refer to securities by private credit issuers of Atila (remunerated at a rate of 108.30% to 133.13% of the CDI) and Santo Amaro remunerated at a rate 100% of the CDI + 1.1%.

8. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments 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	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Derivative financial investments				
Assets				
Smartfit call option - MB Negócios Digitais	7,027	2,098	7,027	2,098
Total	**7,027**	**2,098**	**7,027**	**2,098**
Liabilities				
Purchase and sale obligation - SmartEXP[1]	-	5,756	-	5,756
Sale obligation of noncontrolling interest – MB Negócios Digitais[2]	13,987	8,422	13,987	8,422
Total	**13,987**	**14,178**	**13,987**	**14,178**

(1) On August 4, 2021, SmartEXP was acquired. See note 3.
(2) See note 3.

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 recognized based on the general model of CPC 48 / IFRS 9 methodology. Credit risks are disclosed in note 4.

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Trade receivables				
Trade receivables arising from contracts with customers[1]	106,090	79,729	200,803	157,609
Allowance for expected credit losses	(1,677)	(1,347)	(5,026)	(3,389)
Total	**104,413**	**78,382**	**195,777**	**154,220**

(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 Smartfit's Smart and Black plans. The annual fees are generally charged in the third month after the enrollment of new members.

IMPACTS OF THE COVID-19 PANDEMIC

The estimated default rates are very close to the rates of actually incurred losses manly because the Company makes the collections on a recurring basis through credit cards. Given this scenario, the risk of an increase in default maintains the same perspective as the pre-pandemic scenario.

10. OTHER RECEIVABLES

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

BREAKDOWN OF BALANCES

	Parent		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Other receivables				
Related parties[1]	95,042	87,257	22,997	32,986
Security deposits[2]	239	-	33,025	26,466
Loans to third parties[3]	16,628	12,681	36,564	12,681
Taxes recoverable[4]	44,897	25,215	201,618	137,125
Escrow deposits[5]	58,756	50,104	67,883	53,544
Prepaid expenses	6,868	5,333	22,545	10,661
Advances to suppliers	-	3,271	-	13,539
Others	24,843	13,269	39,013	35,784
Total	**247,273**	**197,130**	**423,645**	**322,786**
Current	**141,627**	**45,262**	**254,547**	**137,218**
Noncurrent	**105,646**	**151,868**	**169,098**	**185,568**

(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$13,873, 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. Refers to the proposal for investment in N2B in order to support the provision of complementary fitness services for the expansion, development and provision of licenses to access the Smartnutri platform. This platform offers a package of features, such as a daily meal registration schedule, scanner that recognizes processed foods, chat with nutritionists, monitoring of body composition, personalized meal suggestions and food recognition by photo, among others.
(4) In consolidated, includes mainly PIS/COFINS of R$10,360 (R$5,547 in Dec/20), IRPJ/CSLL of R$31,283 (R$20,916 in Dec/20) and IGV of R$110,461 (R$92,224 in Dec/20).
(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

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

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

Joint ventures

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

The Company recognized its interest in the joint 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	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
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%	-	-
SmartEXP Escola de Ginástica e Dança S.A.(1)	Brazil	-	50.00%	-	-
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	79.00%	73.12%	21.00%	26.88%

(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	
		12/31/2021	12/31/2020
Joint ventures			
FitMaster LLC	United States	55.00%	55.00%
Sporty Panamá S.A.	Panama	50.00%	50.00%
Total Pass SA de CV(1)	Mexico	33.33%	50.00%

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

CHANGES FOR THE YEAR

Investments in subsidiaries and joint ventures	Parent	Consolidated
At December 31, 2019	**1,799,848**	**5,292**
Capital increases	96,998	22,746
Acquisition of subsidiaries and joint ventures	164,863	83,345
Consideration – SmartEXP	5,756	5,756
Mergers(1)	(4,428)	-
Share of profit (loss) of investees	(251,266)	(15,786)
Amortization of surplus value	(13,834)	-
FX effects	402,799	22,346
Transfers and reclassifications(3)	(7,873)	-
Others	(49)	17
At December 31, 2020	**2,192,814**	**123,716**
Capital increase(2)	378,981	15,860
Acquisition of subsidiary – Just Fit(3)	40,016	-
Acquisition of shares – ADV(3)	2,699	-
Write-off of purchase and sale obligation - SmartEXP(4)	(5,756)	(5,756)
Complement to acquisition price of subsidiary - MB Negócios Digitais(3)	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**

(1) Refer to the merger, on January 31, 2020, of the net assets of the subsidiaries Arnaut & Arnaut Ginástica e Condicionamento Físico Ltda. ("Arnaut"), Academia de Ginástica e Dança Biocerro Ltda. ("Biocerro"), Smartvcr Academia de Ginástica Ltda. ("SmartVCR") and SmartCBL Escola de Ginástica e Dança S.A. ("SmartCBL") based on a report prepared by independent appraisers, at book values.
(2) At December 31, 2021, in parent, this refers to the capital increase in subsidiaries Latamgym México (R$258,450), Smartfit Peru (R$38,478), Latamfit Chile (R$32,398), Smartfit Argentina (R$2,604), Smartfit Paraguay (R$11,506), Just Fit (R$18,360), Microsul (R$725), Biomorum (R$600) and in the joint venture FitMaster (R$15,860).
(3) See note 3.
(4) On August 4, 2021, SmartEXP was acquired. See note 3.

BREAKDOWN OF BALANCES

	12/31/2021	12/31/2021		12/31/2020	12/31/2020	
	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	1,054,955	(157,251)	41,127	911,388	(35,439)	143,400
Sporty City SAS	468,957	4,760	(50,491)	514,195	(44,891)	109,547
Latamfit Chile SPA	228,529	(33,920)	(23,412)	253,465	(30,771)	76,918
Smartfit Peru SAC	33,000	(33,226)	1,149	26,545	(68,742)	13,554
MB Negócios Digitais SA	116,430	19,816	-	81,348	9,355	-
ADV Esporte e Saúde Ltda.	34,248	(4,476)	-	36,025	(4,055)	-
Other subsidiaries	245,567	(65,928)	(6,969)	244,637	(62,190)	37,689
Joint ventures						
FitMaster LLC	39,406	(5,751)	4,935	24,360	(6,178)	2,496
SmartEXP Escola de Ginástica e Dança SA	-	-	-	5,758	-	-
Sporty Panamá SA	87,823	(7,306)	(52)	95,093	(8,355)	19,195
Total	**2,308,915**	**(283,282)**	**(33,713)**	**2,192,814**	**(251,266)**	**402,799**
Included in assets	**2,318,853**			**2,204,249**		
Included in liabilities	**(9,938)**			**(11,435)**		
CONSOLIDATED						
Joint ventures						
FitMaster LLC	39,405	(5,751)	4,935	24,360	(6,178)	2,496
SmartEXP Escola de Ginástica e Dança SA	-	-	-	5,758	-	-
Sporty Panamá SA	87,823	(7,306)	(52)	95,093	(8,355)	19,195
Total Pass SA de CV	(3,380)	(1,939)	54	(1,495)	(1,253)	-
Total	**123,848**	**(14,996)**	**4,937**	**123,716**	**(15,786)**	**21,691**
Included in assets	**127,228**			**125,211**		
Included in liabilities	**(3,380)**			**(1,495)**		

SUMMARIZED AGGREGATED FINANCIAL INFORMATION ON JOINT VENTURES

	12/31/2021	12/31/2020
BALANCE SHEETS		
Current assets	2,484	248,967
Noncurrent assets	120,836	189,486
Total assets	**123,320**	**438,453**
Current liabilities	1,872	22,676
Noncurrent liabilities	21,152	44,479
Total liabilities	**23,024**	**67,155**
Total equity	**100,296**	**371,298**

	31/12/2021	31/12/2020
STATEMENT OF PROFIT AND LOSS		
Operating revenue	19,768	25,459
Costs and expenses	(48,431)	(50,947)
Operating profit (loss)	**(28,663)**	**(25,488)**
Finance income (costs)	(4,739)	(3,497)
Income taxes	(18)	783
Profit (loss) for the period	**(33,420)**	**(28,202)**

The balance sheet as at December 31, 2021 does not include the balances of SmartEXP. The statement of profit and loss contains the results of SmartEXP until the date of acquisition by Smartfit. See note 3.

12. PROPERTY AND EQUIPMENT

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

When there is indication that property and equipment items might be impaired, based on financial and economic factors taking into consideration the maturity of investments, their carrying amounts are annually reviewed through a detailed study of each Cash Generating Unit ("CGU"), by calculating the discounted future cash flows and using a discount rate to calculate the present value, to ensure the recording of a provision for impairment in the statement of profit and loss for the analyzed year. At the end of each reporting period, the Company reviews the carrying amount of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is immediately recognized in profit or loss.

The estimated annual depreciation rates by main class of assets are as follows:

- Facilities and leasehold improvements: 10% - 20%
- Machinery and equipment. 7% - 12%
- Furniture and fixtures: 7% - 12%
- IT equipment: 3% - 25%

BREAKDOWN OF AND VARIATIONS IN THE BALANCES

PARENT	Facilities and leasehold improvements	Machinery and equipment	Furniture and fixtures	IT equipment	Property and equipment in progress	Other property and equipment	Total
At December 31, 2019							
Cost	732,968	345,638	73,797	24,111	70,734	61,205	1,308,453
Accumulated depreciation	(322,263)	(88,189)	(24,312)	(8,153)	-	(20,161)	(463,078)
Net value	**410,705**	**257,449**	**49,485**	**15,958**	**70,734**	**41,044**	**845,375**
Additions	40,506	12,849	2,722	5,234	124,501	1,867	187,679
Mergers	3,423	5,432	515	211	131	711	10,423
Write-offs	(1,016)	(10,628)	(83)	(435)	(155)	(203)	(12,520)
Depreciation	(80,086)	(36,724)	(8,358)	(5,114)	-	(13,624)	(143,906)
Transfers and reclassifications	94,175	45,602	10,342	2,288	(162,706)	9,962	(337)
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(5)	51,648	7,332	3,984	5,924	97,729	4,290	170,907
Acquisition of assets(4)	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(1)	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**

	Facilities and leasehold improvements	Machinery and equipment	Furniture and fixtures	IT equipment	Property and equipment in progress	Other property and equipment	Total
CONSOLIDATED							
At December 31, 2019							
Cost	1,776,728	646,318	182,612	82,809	176,797	79,056	2,944,320
Accumulated depreciation	(567,180)	(160,938)	(62,403)	(32,569)	-	(26,988)	(850,078)
Net value	**1,209,548**	**485,380**	**120,209**	**50,240**	**176,797**	**52,068**	**2,094,242**
Additions	87,632	29,966	4,323	10,751	350,311	5,011	487,994
Acquisition of subsidiary	579	244	79	136	-	-	1,038
Write-offs	(2,696)	(17,936)	(1,292)	(787)	(4,030)	(2,360)	(29,101)
Depreciation	(196,249)	(68,891)	(21,952)	(17,307)	-	(16,812)	(321,211)
FX effects	163,308	29,205	6,748	5,962	43,090	325	248,638
Transfers and reclassifications	206,446	95,400	7,531	646	(377,910)	11,419	(56,468)
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(5)	119,304	34,344	6,656	14,021	290,313	12,668	477,306
Acquisition of subsidiary(3)	23,241	21,177	3,240	392	14	2,595	50,659
Acquisition of assets(4)	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**

(1) The remaining balance in the Transfers and reclassifications column refers to reclassifications to Intangible assets (see note 13).
(2) 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$55,556 (see note 14).
(3) Refers to the acquisition of Just Fit (see note 3).
(4) Refers to the acquisition of property and equipment of SmartEXP (see note 3).
(5) Includes capitalized financial costs of R$ 1,409.

IMPACTS OF THE COVID-19 PANDEMIC

The Company reviewed the assumptions used in the impairment tests for property and equipment, intangible assets with finite useful lives and right-of-use assets, in order to capture the expected changes in future cash flow projections due to the COVID-19 pandemic.

Considering the results for the year 2021, a projection was made of the annual cash flow for each CGU, to capture in this analysis the network effect implicit in the Company's business, given that Black plan members can use any unit. The CGU used for this analysis was the grouping of units by the metropolitan regions of the countries where the Company has its own units. The analyses were made by comparing the fair value of the CGU, estimated through EBITDA multiples, compared to the total asset value of the same CGUs.

As a result of the analyses carried out at December 31, 2021, we did not identify the need to record a provision for impairment.

ASSETS PLEDGED AS COLLATERAL

As at December 31, 2021, the Company had 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

Intangible assets

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

The estimated annual amortization rates by main class of assets are as follows:

- Assignment of right of use: 10% - 11%
- Software. 6% - 28%
- Customer list: 10% - 33%

See note 3 regarding goodwill.

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, 2019						
Cost	74,447	46,853	8,630	3,992	8,478	142,400
Accumulated amortization	-	(31,547)	(2,728)	(3,992)	-	(38,267)
Net value	**74,447**	**15,306**	**5,902**	**-**	**8,478**	**104,133**
Additions	-	50	1,981	-	-	2,031
Mergers	-	83	47	-	-	130
Write-offs	-	(1,501)	-	-	-	(1,501)
Amortization	-	(1,752)	(1,704)	-	-	(3,456)
Transfers and reclassifications	7,873	(2,850)	337	-	-	5,360
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
Acquisition of assets[5]	-	-	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**
CONSOLIDATED						
At December 31, 2019						
Cost	1,105,600	69,096	30,986	34,372	13,314	1,253,368
Accumulated amortization	-	(37,384)	(12,214)	(17,910)	-	(67,508)
Net value	**1,105,600**	**31,712**	**18,772**	**16,462**	**13,314**	**1,185,860**
Additions	-	50	7,241	-	-	7,291
Acquisitions of subsidiaries	81,547	-	9,443	4,999	12,591	108,580
Write-offs	-	(1,520)	(24)	-	-	(1,544)
Amortization	-	(4,661)	(7,883)	(8,561)	(1,891)	(22,996)
FX effects	255,715	-	-	2,612	-	258,327
Transfers and reclassifications	7,889	(4,735)	(834)	927	2,115	5,362
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[4]	18,016	457	563	-	-	19,036
Acquisition of assets[5]	-	-	102	-	-	102
Write-offs	(706) [3]	(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**

(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 México, Pro Forma and MB Negócios Digitais.
(3) See note 3.
(4) Refers to the acquisition of Just Fit (see note 3).
(5) Refers to the acquisition of intangible assets of SmartEXP (see note 3).

IMPAIRMENT TESTING OF GOODWILL

The Company makes an annual assessment of the recoverability of intangible balances with indefinite useful lives at December 31, which are substantially goodwill arising from business combinations. For this purpose, an estimate was made of the value in use of the assets, as required by CPC 01 (R1) / IAS 36, and compared to the carrying amount of the recorded goodwill added to the assets of the acquired companies.

For this assessment, all operations of each of the acquired companies that originated the goodwill were defined as CGU. The recoverable amount of CGUs is determined based on a value in use calculation which uses cash flow projections based on the financial budget approved by Management and an annual discount rate (WACC) of 11.99% for Chile, 12.47% for Mexico and 12.47% for Colombia. For companies in Brazil and Panama, the valuation was carried out based on multiples of EBITDA, according to market information.

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

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

- Revenues: Net revenue was projected based on the Company's expectation for the recovery of the business and inflation adjustment after the complete normalization of activities.
- Fixed investments: fixed investment projections are intended 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.

Cash flows beyond the five-year period were determined through a perpetuity calculation using the Gordon-Shapiro model considering a constant annual growth of net revenue as of 2031 of 3.0% for Chile, Mexico and Colombia.

Based on the analysis performed at December 31, 2021, no provision for impairment was accounted for.

IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

As a result of the analysis to assess the recoverability of intangible assets with finite useful lives (see note 12), in the year ended December 31, 2021, we did not determine adjustments to reduce the consolidated balances.

14. LEASES

The Company recognizes right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of future lease payments, gross of taxes (essentially PIS and COFINS for operations in Brazil). 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.

For short-term leases (lease term of 12 months or less), leases of low-value assets (such as computers and small items of office furniture) and variable leases, the Company has opted to recognize a lease expense on a straight-line basis as permitted by CPC 06 (R2) / IFRS 16.

The right-of-use assets are tested for impairment in accordance with CPC 01 (R1) / IAS 36 - Impairment of Assets.

IMPACTS OF THE COVID-19 PANDEMIC

As a result of the analysis to assess the recoverability of intangible assets with finite useful lives (see note 12), in the year ended December 31, 2021, we did not determine adjustments to reduce the consolidated balances.

The Company applied the practical expedient provided for in CPC 06 (R2) / IFRS 16 to all benefits granted in lease agreements as it believes these benefits affect only the payments originally due on or before December 31, 2021, and because there were no significant changes in other terms and conditions of the lease agreement.

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

	Parent			Consolidated		
	Machinery and equipment	Buildings	Total	Machinery and equipment	Buildings	Total
Right-of-use assets						
At December 31, 2019	**19,213**	**880,922**	**900,135**	**190,138**	**2,140,958**	**2,331,096**
Additions, write-offs and remeasurements	-	162,296	162,296	28,842	390,786	419,628
Mergers	654	9,087	9,741	-	-	-
Depreciation	(2,644)	(138,062)	(140,706)	(49,828)	(310,111)	(359,939)
Tax credits on depreciation	-	(10,473)	(10,473)	-	(12,902)	(12,902)
FX effects	-	-	-	78,940	267,215	346,155
Transfers and reclassifications	-	2,850	2,850	-	2,850	2,850
At December 31, 2020	**17,223**	**906,620**	**923,843**	**248,092**	**2,478,796**	**2,726,888**
Additions, write-offs and remeasurements[5]	(49)	184,359	184,310	11,703	403,585	415,288
Acquisition of assets[4]	-	125,756	125,756	-	125,756	125,756
Acquisitions of subsidiaries[3]	-	-	-	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[1]	-	(42,998)	(42,998)	-	(45,592)	(45,592)
FX effects	-	-	-	(1,521)	(3,187)	(4,708)
Transfers and reclassifications[2]	(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**

(1) Refer to the assignment of rental contracts related to units transferred from the Company to SmartEXP on January 1, 2021 and which returned on August 4, 2021 with the acquisition (see note 3).
(2) Refer to reclassifications to Property and equipment (see note 12).
(3) Refers to the acquisition of Just Fit (see note 3).
(4) Refers to the acquisition of right-of-use assets of SmartEXP (see note 3).
(5) Refers to the initial direct costs of R$ 21,750.

BREAKDOWN OF AND VARIATIONS IN THE BALANCES OF LEASE LIABILITIES

	Parent			Consolidated		
	Machinery and equipment	Buildings	Total	Machinery and equipment	Buildings	Total
Lease liabilities						
At December 31, 2019	**12,201**	**919,476**	**931,677**	**195,576**	**2,216,834**	**2,412,410**
Additions, write-offs and remeasurements	-	161,696	161,696	28,842	390,186	419,028
Mergers	391	9,455	9,846	-	-	-
Interest incurred	507	80,690	81,197	845	214,983	215,828
Considerations[2]	(9,487)	(194,209)	(203,696)	(51,025)	(466,231)	(517,256)
Tax credits on interest	-	2,442	2,442	-	3,145	3,145
FX effects	-	-	-	43,060	297,569	340,629
At December 31, 2020	**3,612**	**979,550**	**983,162**	**217,298**	**2,656,486**	**2,873,784**
Additions, write-offs and remeasurements	-	158,356	158,356	9,829	369,763	379,592
Acquisitions of subsidiaries[3]	-	-	-	1,159	43,269	44,428
Liabilities assumed with the purchase of assets[4]	-	108,654	108,654	-	108,654	108,654
Interest incurred	61	77,100	77,161	17,860	230,825	248,685
Considerations[2]	(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[1]	-	(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**
Current	**-**	**159,825**	**159,825**	**63,105**	**326,732**	**389,837**
Noncurrent	**-**	**907,901**	**907,901**	**101,667**	**2,529,555**	**2,631,222**

(1) Refer to the assignment of rental contracts related to units transferred from the Company to SmartEXP on January 1, 2021 and which returned on August 4, 2021 with the acquisition (see note 3).
(2) Due to the discounts obtained in renegotiations with property owners, the Company used the practical expedient provided for in CPC 06 (R2) / IFRS 16, recognizing R$33,193 in parent and R$111,508 in consolidated as discounts obtained with leases in the year ended December 31, 2021 (see note 22), and R$59,943 in parent and R$172,595 in consolidated in the year ended December 31, 2020.
(3) Refers to the acquisition of Just Fit (see note 3).
(4) Refers to the lease liabilities assumed with the purchase of assets of SmartEXP (see note 3).

DISCOUNT RATES

Lease liabilities are discounted at average rates between 7.08% and 10.11% in parent company and between 2.90% and 12.57% in consolidated.

FLOW OF LEASE MATURITIES

	Consolidated		
	Machinery and equipment	Buildings	Total
2022	63,105	326,730	389,835
2023	51,807	343,828	395,635
2024	35,779	311,265	347,044
2025 onwards	14,081	1,874,464	1,888,545
Total	**164,772**	**2,856,287**	**3,021,059**

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	4,226,988	2,856,287
PIS/COFINS – 9.25%(1)	140,337	104,963

(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, 2021, the Company incurred expenses of R$115 in parent and R$1,098 in consolidated (R$688 and R$897 in parent and consolidated, respectively, for the year ended December 31, 2020.

The Company, in accordance with CPC 06 (R2) / 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 Company is in line with the rule set out in CPC 06 (R2) / IFRS 16, it generates distortions in the information to be provided, given the current reality of long-term interest rates in the Brazilian economic environment.

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

	Consolidated	
	Actual flow	Flow w/ inflation
Right-of-use assets	2,639,611	3,509,424
Lease liabilities	1,488,181	1,495,237
Finance charges	1,368,106	2,231,286
Total Lease liabilities	2,856,287	3,726,523
Finance costs	1,368,105	2,231,286
Depreciation expense	1,559,566	3,507,137
Total expenses(1)	2,927,671	5,738,423

(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.

The contingent consideration is subsequently measured at fair value, which is reassessed at each reporting period, and any changes in fair value are recognized in the statement of profit and 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	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Other liabilities				
Related parties[1]	34,892	25,597	-	-
Taxes and contributions payable[2]	14,494	10,890	35,072	29,184
Salaries, accruals and social contributions	28,362	20,954	59,180	44,395
Indemnity for cancellation of stock option plan	-	18,025	-	18,221
Investments in subsidiaries and joint ventures with negative equity[4]	9,938	11,435	3,380	1,495
Acquisition - MB Negócios Digitais S.A.[3]	-	15,000	-	15,000
Capital contributions – Sporty Panamá[3]	-	38,131	-	38,131
Capital contributions – MB Negócios Digitais	-	10,094	-	-
Contingent consideration - MB Negócios Digitais	3,155	3,028	3,155	3,028
Contingent consideration – Latamfit Chile	6,815	7,074	6,815	7,074
Consideration payable – Just Fit[5]	40,016	-	40,016	-
Acquisition of shares – ADV[5]	6,613	-	6,613	-
Others	7,990	10,006	20,228	36,371
Total	**152,275**	**170,234**	**174,459**	**192,899**
Current	**135,291**	**133,239**	**161,560**	**163,144**
Noncurrent	**16,984**	**36,995**	**12,899**	**29,755**

(1) See note 25.
(2) In consolidated, this includes mainly ISS of R$18,579 (R$19,334 in Dec/20).
(3) In the first quarter of 2021, payments of R$15,000 were made related to the acquisition of MB Negócios Digitais, as established in the share purchase and sale agreement and to the settlement of the contributions made in Sporty Panamá in the amount of R$39,542.
(4) See note 11.
(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, corresponding to cost, plus charges, interest, 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	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Borrowings				
Debentures	1,776,798	1,156,511	1,776,798	1,156,511
Promissory notes	240,803	-	240,803	-
Working capital	85,389	163,581	1,572,894	1,459,562
Total	**2,102,990**	**1,320,092**	**3,590,495**	**2,616,073**
Current	**99,488**	**83,916**	**488,720**	**277,652**
Noncurrent	**2,003,502**	**1,236,176**	**3,101,775**	**2,338,421**

CHANGES FOR THE YEAR

Borrowings	Parent	Consolidated
At December 31, 2019	**1,515,467**	**2,206,650**
Fundraising	13,716	441,909
Accrued interest and cost amortization	74,923	173,444
Principal paid	(181,766)	(210,032)
Interest payment	(102,248)	(199,123)
Exchange differences	-	203,225
At December 31, 2020	**1,320,092**	**2,616,073**
Fundraising	1,511,811	1,913,572
Acquisitions of subsidiaries	-	14,028
Accrued interest and cost amortization	126,662	224,882
Principal paid	(758,259)	(957,941)
Interest payment	(97,316)	(187,384)
Exchange differences	-	(32,735)
At December 31, 2021	**2,102,990**	**3,590,495**

FOURTH ISSUE OF DEBENTURES

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

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

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

There is an early maturity covenant requiring the quarterly assessment of the net debt/EBITDA ratio (“Financial Ratio”), which must be equal to or less than 3.0x.

During the General Meeting of Debenture holders held on June 26, 2020, the following matters related to the 4th issue of the Company’s debentures (“Debentures”) were approved:

- Extraordinary change in the limit of the Financial Ratio, which will not be measured for the 2nd and 3rd quarters of 2020, and for the 4th quarter of 2020 and the 1st quarter of 2021 this ratio shall be equal to or less than 6.75. In addition, for the 2nd, 3rd and 4th quarters of 2020, and 1st quarter of 2021, a second ratio was defined: cash to short-term debt (“Liquidity Ratio”) which shall be equal to or greater than 2.0 for the 2nd quarter of 2020, 1.75 for the 3rd quarter of 2020 and 1.50 for the 4th quarter of 2020 and for the 1st quarter of 2021.
- Guarantees: during this period a deposit will be made in a specific account in the amount of R$35 million, which is equivalent to a six-month period of debt interest, and every month another deposit will be made corresponding to 1/6 of this amount to cover the semi-annual interest that should be paid to debenture holders.
- Payment of a premium (waiver fee) to debenture holders corresponding to 1.18% of the debt, equivalent to R$15.3 million paid on July 8, 2020.
- Commitment of extraordinary amortization of 10% of the balance of Debentures, with nominal amount of R$130 million, plus the respective fee, paid on July 14, 2020, in the total amount of R$145.8 million.

Considering the decision of the debenture holders on June 26, 2020, which approved an extraordinary change in the measurement of the Financial Ratio and considered the Liquidity Ratio measurement, at December 31, 2020, the Company fully complied with early maturity covenants, whether related to certain automatic or nonautomatic default events.

During the General Meeting of Debenture holders held on March 26, 2021, the following matters related to the 4th issue of the Company’s debentures (“Debentures”) were approved:

- The grouping of (i) first and third series debentures into a single series, and (ii) second and fourth series debentures into a single series. Accordingly, the Issue will then comprise first series (formerly first and third series) and second series (formerly second and fourth series) debentures and, therefore, former “third series debentures” and “fourth series debentures” will be referred to as “first series debentures” and “second series debentures”, respectively.

- Nonmeasurement of the Financial Ratio, as established in the Indenture for the fourth issue of debentures, referring to the 1st, 2nd, 3rd and 4th quarters of 2021 and to the 1st quarter of 2022, which did not establish the nonautomatic early maturity hypothesis. This decision is contingent to the following obligations, which are described in the third amendment to the debentures, also dated March 26, 2021:
    - Regarding the change in the debenture remuneration, as follows:
        - Change in the first series debenture remuneration from CDI + 1.70% p.a. to CDI + 2.25% p.a. from April 20, 2021.
        - Change in the second and fourth series debenture remuneration from CDI + 2.75% p.a. to CDI + 3.10% p.a. from April 20, 2021.
        - Change in the third series debenture remuneration from CDI + 1.75% p.a. to CDI + 2.25% p.a. from April 20, 2021.
    - Extension of the current secured fiduciary assignments, which have been temporarily established by the Issuer following a decision in the General Meeting of Debenture holders on June 26, 2020:
        - The amendment concerning the maintenance of the current fiduciary assignment of credit rights from CDB issued by prime financial institutions must include the change in the amount to R$70 million until April 26, 2021.
        - Fiduciary assignments will be valid until the first of (i) the disclosure date of the financial information for the 1st quarter of 2022, if the Issuer succeeds to maintain the Financial Ratio below 3.00x in that quarter; or (ii) the disclosure date of the financial information for the 2nd quarter of 2022, if the Issuer succeeds to maintain the Financial Ratio below 3.00x in that quarter; or (iii) the expected payment date for the remuneration, that is, October 20, 2022. The Restricted Account and the Financial Investment balances will be considered as cash and financial investments for the purposes of the measurement of the Financial and Liquidity Ratios.
    - The Company's key obligations are as follows:
        - Maintain the Financial Ratio equal to or less than 6.75 in the 4th quarter of 2021 and in the 1st quarter of 2022, and to maintain the Liquidity Ratio equal to or greater than: 1.50 in the 1st quarter of 2021, 2nd quarter of 2021 and 3rd quarter of 2021; 1.75 in the 4th quarter of 2021; 2.00 in the 1st quarter of 2022; and 2.00 in the 2nd quarter of 2022 (applicable only if the Financial Ratio for this period exceeds 3.00).
        - Do not distribute dividends, interest on capital, or any other remuneration to shareholders, even if the Issuer is compliant with all obligations established in the Issue Indenture from the 1st quarter of 2021 until (i) the disclosure date of the financial information for the 1st quarter of 2021, if the Issuer succeeds to maintain the Financial Ratio below 3.00x in that quarter; or (ii) the disclosure date of the financial information for the 2nd quarter of 2022; and
        - Comply with the rating assigned to the Issuer or to the Debentures by the respective Risk Rating Agency, that is, equal to or above "A-(brA-)" or equivalent, until the disclosure date of financial information for the 1st quarter of 2022.
- In addition, the meeting also discussed the exceptional amortization of all Outstanding Debentures, equivalent to 10% of the respective unit par value, plus the respective Remuneration, calculated on a pro rata temporis basis, from the immediately preceding Debenture Remuneration payment date up to such exceptional amortization, which occurred on April 15, 2021.

On December 19, 2021, the BDM decided to carry out an optional tender offer for all of the Company's first series simple, non-convertible debentures of the 4th issue. As a result, this portion of the debt was settled, in the amount of R$315,220. Consequently, the Company wrote off the remaining capitalized costs of this transaction, which had an impact in profit or loss in the amount of R$5,620.

Considering the decision of the debenture holders on March 26, 2021, which approved an extraordinary change in the Financial Ratio measurement and considered the Liquidity Ratio measurement for the quarter ended March 31, 2021 and the next four quarters. As at December 31, 2021, the Company fully complied with early maturity covenants, whether related to certain automatic or nonautomatic default events, as per the related Indenture.

FIFTH ISSUE OF DEBENTURES

The Board of Director's meeting held on May 7, 2021 approved the issue of 250,000 simple debentures, nonconvertible into shares, with unit par value of R$1, in the total amount of R$250 million. The debentures will have a three-year period as from the issue date (April 30, 2021), thus maturing on April 30, 2024, and will be subject to the terms and conditions established in the Distribution Contract, the proceeds will be used to strengthen the Company's working capital, under the terms provided for.

Considering that a capitalization event occurred on July 14, 2021 (see note 19), the compensatory interest on the unit par value or the unit par value balance of the Debentures corresponds to CDI + 2.25% p.a. up to April 30, 2022 (exclusive); from April 30, 2022 (inclusive) to April 30, 2023 (exclusive), 3.75%; from April 30, 2023 (inclusive) to the maturity date (exclusive) of the Debentures, 4.50%, calculated as provided for in the Debentures Indenture. Interest payments are made on a quarterly basis up to July 30, 2023 and on a monthly basis after that date up to the maturity.

There is an early maturity covenant requiring the annual assessment of the net debt/EBITDA ratio ("Financial Ratio"), which must be equal to or less than 3.00x as from 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 related Indenture.

SIXTH ISSUE OF DEBENTURES

On December23, 2021, the Company concluded the 6th issue of simple, non-convertible, unsecured debentures in a single series, in the initial 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.

PROMISSORY NOTES

On September 9, 2021, the Board of Directors approved a fundraising through the third issue for public distribution with restricted efforts of commercial promissory notes, in ten series, in the form of a certificate, in the total amount at the issue date of R$240 million. The promissory notes will have a term between 180 and 1,270 days as from the issue date, according to its series, and will be subject to the terms and conditions established in the certificates, the proceeds will be used to strengthen the Company's working capital.

Regarding the unit par value of the promissory notes, compensatory interest will be applied equivalent to 100% of the accumulated variation of the daily average rates of the CDI + 2.50% p.a., based on 252 working days, calculated exponentially and cumulatively pro rata temporis, for business days elapsed from the issue date to the payment date, the amounts will be calculated according to criteria defined in the "Commercial Note Formulas Book – CETIP21", contained in the certificates.

There is an early maturity covenant requiring the annual assessment of the net debt/EBITDA ratio ("Financial Ratio"), which must be equal to or less than 3.00x as from 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.

WORKING CAPITAL

We present below a description of the main working capital financial agreements entered into by the Company and its subsidiaries:

	Currency of the agreement	Par value in the currency of the agreement (in millions)	Charges (p.a.)	Maturity	12/31/2021	12/31/2020
PARENT						
Smartfit Brasil(1)	BRL	100.0	CDI + 3.28%	02/15/2023	39,111	44,490
Smartfit Brasil(2)	BRL	50.4	CDI + 2.90%	10/17/2022	16,067	30,416
PARENT						
Latamgym México(3)	MXN	1,300.0	TIIE + 1.90%	03/16/2023	306,594	294,441
Latamgym México(4)	MXN	356.7	TIIE + 2.80%	01/17/2023	126,504	141,759
Sporty City Colombia	COP	66,281.9	9.60%	08/17/2022	106,804	100,947
Latamfit Chile	CLP	25,218.6	7.22%	10/03/2024	145,939	168,431
Latamfit Chile	CLP	11,091.2	5.67%	12/02/2024	62,540	79,557
Smartfit Peru	US$	13.5	-	-	-	62,571
Smartfit Peru	PEN	54.6	8.00%	10/17/2022	58,281	78,630
Smartfit Peru	PEN	66.0	8.00%	08/09/2024	76,448	94,945
Smartfit Peru	PEN	62.7	4.78%	07/30/2025	87,902	-
Smartfit Peru	PEN	119.1	4.65%	01/01/2024	166,146	-

(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) This has as guarantee the fiduciary assignment of amounts receivable from credit card bills, and, as temporary guarantee, the fiduciary assignment of deposit/financial investment.

(3) Non-revolving credit agreement due in two installments, with final maturity on or by March 16, 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.

(4) Non-revolving credit agreement with monthly capital repayments starting after the 12th month from the disbursement. The borrower is required to pay an upfront fee of 1% of the principal amount. This loan is guaranteed by the Company. 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.

OTHER COVENANTS

The Company made an analysis of the operating guarantees and as at December 31, 2021 it was also compliant with the operating covenants (covenants with non-financial clauses), the main ones related to compliance with the allocation of funds raised, disclosure of 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 Company and its subsidiaries' legal counsel.

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

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

BREAKDOWN OF AND VARIATIONS IN THE BALANCES

	Civil	Labor	Tax	Total
PARENT				
At December 31, 2019	**1,349**	**2,559**	**267**	**4,175**
Additions and increases	1,815	471	1,087	3,373
Write-offs and reversals	(1,684)	(274)	(1,066)	(3,024)
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**
CONSOLIDATED				
At December 31, 2019	**2,317**	**2,967**	**288**	**5,572**
Additions and increases	2,642	713	1,089	4,444
Write-offs and reversals	(2,548)	(657)	(1,042)	(4,247)
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(5)	-	-	8,444	8,444
At December 31, 2021	**8,867**	**4,864**	**12,813**	**26,544**

(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 necessary to recognize a provision for losses on ongoing civil, labor and tax lawsuits in the amount of R$39,012 (R$34,333 in Dec/20) in consolidated, since the likelihood of loss is considered possible by its legal counsel.

ESCROW DEPOSITS

As at December 31, 2021, the Company has escrow deposits of R$58,756 (R$50,104 in Dec/20) in parent and R$67,883 (R$53,544 in Dec/20) 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”.

IMPACTS OF THE COVID-19 PANDEMIC

No additional risks to the Company's business were identified, such as lawsuits with customers, consumer protection agencies or discussions related to annual fees cancellations, which could require an additional provision due to the impacts brought by COVID-19.

18. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

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

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

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

BREAKDOWN OF PROFIT OR LOSS

	Parent		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Income tax and social contribution				
Current	-	-	(24,400)	(14,537)
Deferred	3,473	(3,473)	46,169	65,162
Total	**3,473**	**(3,473)**	**21,769**	**50,625**

RECONCILIATION OF EFFECTIVE INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

	Parent		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Income tax and social contribution				
Profit (loss) before income tax and social contribution	(638,054)	(595,111)	(654,786)	(655,053)
Statutory rate	34%	34%	34%	34%
Expected tax assets	**216,938**	**202,338**	**222,627**	**222,718**
Share of profit (loss) of investees	(96,316)	(85,430)	(5,099)	(5,367)
Unrecognized deferred tax	(28,904)	(17,727)	(31,715)	(20,556)
Adjustment of companies taxed on the presumed profit	-	-	3,964	4,468
Difference in rates of foreign subsidiaries	-	-	(86,184)	(47,159)
Reversal of balances of companies with negative tax base (actual profit)	(95,674)	(100,663)	(73,890)	(114,749)
Others	7,429	(1,991)	(7,934)	11,270
Total	**3,473**	**(3,473)**	**21,769**	**50,625**

BREAKDOWN OF DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

	Parent		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Deferred income tax and social contribution				
Deferred assets				
Temporary differences and tax losses(1) (2)	-	-	150,081	114,489
Others	-	-	-	2,638
Total deferred assets	**-**	**-**	**150,081**	**117,127**
Deferred liabilities				
Allocation of trademark and customer list	-	-	(6,669)	(12,327)
Promotion deferred revenue and others	-	(3,473)	(1,606)	(3,473)
Total deferred liabilities	**-**	**(3,473)**	**(8,275)**	**(15,800)**
Total deferred taxes, net	**-**	**(3,473)**	**141,806**	**101,327**

(1) In consolidated, refers to the balance of deferred taxes arising from Chile, Peru, Colombia, and Mexico operations.
(2) Includes R$1,720 for the acquisition of subsidiary. See note 3.

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 subsidiaries in Brazil.

As at December 31, 2021, the balance of income tax and social contribution losses amounted to R$1,076,972 (R$617,231 in Dec/20), 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 December 28, 2020, the Company's shareholders entered into an investment agreement and other covenants in which the issue and subscription of 1,216,546 new class B preferred shares was approved, with a total amount of R$500,000, of which R$435,767 were paid up until December 31, 2020 (of which R$110 as share capital and R$435,657 as capital reserves) and R$64,343 were paid up on January 4, 2021. According to the terms and conditions of the agreement, Class B preferred shares will be redeemable in two situations: (i) at the Company discretion, upon prior approval by the Board of Directors, during the period of 48 months from the subscription date, following the terms and amounts established in the agreement; or (ii) compulsorily, immediately before or on the publication date of the announcement of the beginning of an eventual initial public offering of the Company's shares, following the terms and amounts established in the agreement.

As at December 31, 2020, the Company's fully subscribed capital is R$325,443, divided into common and preferred shares, all registered and with no par value, as follows:

Share capital	Number of shares	Equity interest
Common shares	14,601,763	65.53%
Preferred shares:		
Class A	4,961,680	22.27%
Class B	1,216,546	5.46%
Class C	726,026	3.25%
Class F	776,718	3.49%
Total	**22,282,733**	**100.00%**

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, 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 proceeds from the IPO significantly strengthened the Company's cash and will be used in accordance with its business plan for: (i) resumption of the growth plan for Smartfit gyms; (ii) purchase of SmartEXP shares (see note 3); (iii) strategic acquisition opportunities; and (iv) investments in initiatives to develop and strengthen the Company's Fitness Ecosystem. Any remaining proceeds will be used to optimize the capital structure for the regular management of its business.

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, 2021 and December 31, 2020, 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$426,773 at December 31, 2021 (gain of R$460,486 at December 31, 2020).

20. OPERATING REVENUE AND DEFERRED 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 fees, maintenance 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.

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.
- 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	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Operating revenue by type of service				
Gym plans	634,112	520,929	1,533,361	1,100,323
Annual fees	81,361	92,276	186,296	182,063
Membership fees	290	2,480	37,317	30,732
Others	9,646	3,468	84,093	48,567
Gross operating revenue	**725,409**	**619,153**	**1,841,067**	**1,361,685**
Taxes on revenue	(91,566)	(78,830)	(134,216)	(105,441)
Net operating revenue	**633,843**	**540,323**	**1,706,851**	**1,256,244**

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 Company 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.

IMPACTS OF THE COVID-19 PANDEMIC

During the first closure of units, from March to July 2020, customer contracts were frozen and monthly fees were not charged, which had a significant impact on the Company's operating revenue. In 2021, the Company resumed the collection of monthly fees from its customers and increased its basis of digital channels while gradually resuming operations, as COVID-19 restrictions were lifted. With the reopening of its units, the Company resumed its sales and ended the year with 91% of its pre-pandemic member base (taking into account new units that opened throughout the year) and 76% of the member base when considering only the units that existed in the pre-pandemic scenario. The Company's main sales strategy included digital marketing, radio and TV advertisement, totem signs in bus stops and automatic mailing to former members.

BREAKDOWN OF DEFERRED REVENUE

	Parent		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Deferred revenue				
Gym plans	21,045	27,179	84,812	95,660
Annual fees	66,126	25,256	94,477	35,509
Membership fees	221	45	539	527
Others	2,293	3,108	2,294	3,108
Total	**89,685**	**55,588**	**182,122**	**134,804**
Current	**88,207**	**53,295**	**180,561**	**132,511**
Noncurrent	**1,478**	**2,293**	**1,561**	**2,293**

21. COST AND EXPENSES BY NATURE

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:

	12/31/2021			12/31/2020		
	Costs	Expenses	Total	Costs	Expenses	Total
PARENT						
Personnel and related taxes	135,683	60,293	195,976	113,395	55,688	169,083
Depreciation and amortization, net of PIS and COFINS	295,357	1,996	297,353	285,038	3,063	288,101
Utilities expenses	96,719	5,082	101,801	68,812	1,816	70,628
Operational support services	71,180	41,375	112,555	40,062	42,494	82,556
Opening of new units	4,329	2,371	6,700	10,931	3,849	14,780
Variable lease of real estate, common area maintenance fees and occupancy expenses	65,750	495	66,245	27,881	(649)	27,232
Maintenance	17,480	-	17,480	19,597	-	19,597
Media and commercials	-	79,985	79,985	-	65,121	65,121
Credit card management fee	-	7,013	7,013	-	3,916	3,916
Allocation to stock option plans	-	29,204	29,204	-	-	-
Others	8,104	(2,824)	5,280	13,466	15,034	28,500
Total	**694,602**	**224,990**	**919,592**	**579,182**	**190,332**	**769,514**
CONSOLIDATED						
Personnel and related taxes	303,886	134,020	437,906	238,477	94,253	332,730
Depreciation and amortization, net of PIS and COFINS	764,034	10,419	774,453	677,041	12,944	689,985
Utilities expenses	199,751	10,463	210,214	130,784	6,372	137,156
Operational support services	125,417	69,361	194,778	72,296	66,801	139,097
Opening of new units	14,793	8,105	22,898	16,733	8,465	25,198
Variable lease of real estate, common area maintenance fees and occupancy expenses	124,779	1,807	126,586	64,780	2,614	67,394
Maintenance	41,471	-	41,471	45,230	-	45,230
Media and commercials	-	154,204	154,204	-	110,173	110,173
Credit card management fee	-	24,160	24,160	-	17,691	17,691
Allocation to stock option plans	-	31,066	31,066	-	-	-
Others	18,879	14,786	33,665	21,284	48,223	69,507
Total	**1,593,010**	**458,391**	**2,051,401**	**1,266,625**	**367,536**	**1,634,161**

22. FINANCE INCOME (COSTS)

	Parent		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
FINANCE INCOME				
Interest income	13,743	5,892	20,386	8,557
Exchange differences	913	3,228	4,730	8,967
Income from financial investments	87,654	18,314	93,531	22,733
Gain (loss) on derivative financial instruments	12,364	-	12,364	-
Discounts obtained on leases	33,193	59,943	111,508	172,595
Other finance income	5,318	-	5,952	-
Total finance income	**153,185**	**87,377**	**248,471**	**212,852**
FINANCE COSTS				
Interest on borrowings	(125,253)	(74,923)	(223,473)	(173,444)
Interest on leases	(77,161)	(81,197)	(248,685)	(215,828)
Exchange differences	(3,948)	(29,483)	(33,981)	(40,361)
Gain (loss) on derivative financial instruments	-	(4,666)	-	(4,666)
Other finance costs	(15,846)	(11,762)	(37,572)	(39,903)
Total finance costs	**(222,208)**	**(202,031)**	**(543,711)**	**(474,202)**
Total finance income (costs), net	**(69,023)**	**(114,654)**	**(295,240)**	**(261,350)**

23. EARNINGS PER SHARE

The Company presents two methods for calculation of earnings per share: (i) basic; and (ii) diluted. Basic earnings per share are calculated based on the weighted average number of shares outstanding during the 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 year 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, 2021 and 2020, stock options had no dilutive effect on earnings per share.

The table below presents the calculation of profit available to shareholders and the weighted average number of shares outstanding used to calculate basic and diluted earnings per share for each period, restated considering the stock split at a ratio of 1:21, as mentioned in note 19, in compliance with the provisions in CPC 41:

	Parent	
	12/31/2021	12/31/2020
Loss per share		
Loss attributable to owners of the Company	(634,581)	(598,584)
Weighted average number of shares during the year	525,091,604	442,618,344
Basic and diluted loss per share	**(1.21)**	**(1.35)**

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 / IFRS 8 - Operating segments, 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.
Others LATAM	Considers company owned units in Peru, Colombia, Chile, Argentina and Paraguay.

	December 31, 2021									
	Brazil				Mexico	Others LATAM				
	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)**

	December 31, 2020									
	Brazil				Mexico	Other LATAM				
	Smartfit	Bio Ritmo	Others	Total	Smartfit	Smartfit	Others	Total	Share of profit (loss) of investees	Consolidated
SEGMENTS										
Operating revenue	600,705	54,226	99,897	754,828	291,693	197,589	12,134	209,723	-	1,256,244
Costs	(622,427)	(63,399)	(28,758)	(714,584)	(272,887)	(267,291)	(11,863)	(279,154)	-	(1,266,625)
Gross profit (loss)	**(21,722)**	**(9,173)**	**71,139**	**40,244**	**18,806**	**(69,702)**	**271**	**(69,431)**	**-**	**(10,381)**
Selling expenses				(91,773)	(28,252)			(12,843)	-	(132,868)
General and administrative expenses				(159,588)	(20,089)			(33,906)	-	(213,583)
Other operating income (expenses), net				(14,251)	(942)			(5,892)	-	(21,085)
Share of profit (loss) of investees				-	-			-	(15,786)	(15,786)
Operating profit (loss) before finance income (costs)				**(225,368)**	**(30,477)**			**(122,072)**	**(15,786)**	**(393,703)**
OTHER INFORMATION										
Costs	(342,777)	(12,161)	(6,079)	(361,017)	(159,720)	(164,204)	(9,435)	(173,639)	-	(694,376)
Expenses	(3,405)	-	(3,814)	(7,219)	(3,260)	(2,466)	-	(2,466)	-	(12,945)
Depreciation and amortization	**(346,182)**	**(12,161)**	**(9,893)**	**(368,236)**	**(162,980)**	**(166,670)**	**(9,435)**	**(176,105)**	**-**	**(707,321)**
Costs	(131,716)	(10,212)	(1,517)	(143,445)	(73,178)	(39,442)	-	(39,442)	-	(256,065)
Expenses	(2,028)	-	(270)	(2,298)	-	(1,426)	-	(1,426)	-	(3,724)
Fixed lease	**(133,744)**	**(10,212)**	**(1,787)**	**(145,743)**	**(73,178)**	**(40,868)**	**-**	**(40,868)**	**-**	**(259,789)**
Costs	(10,931)	(19)	(220)	(11,170)	(2,908)	(2,655)	-	(2,655)	-	(16,733)
Expenses	(3,848)	(19)	(251)	(4,118)	(3,589)	(757)	-	(757)	-	(8,464)
Opening of new units	**(14,779)**	**(38)**	**(471)**	**(15,288)**	**(6,497)**	**(3,412)**	**-**	**(3,412)**	**-**	**(25,197)**

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 parent 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.

The balances related to these operations by nature are as follows:

	Parent		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Related-party balances				
Others receivables				
Trading transactions	68,130	60,931	5,880	15,521
Loan agreements	26,252	25,993	17,117	17,465
Interest on capital and dividends	660	333	-	-
Total	**95,042**	**87,257**	**22,997**	**32,986**
Others liabilities				
Trading transactions	34,426	25,597	-	-
Interest on capital and dividends	466	-	-	-
Total	**34,892**	**25,597**	**-**	**-**

OTHERS 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 nine-month period ended Dec/21 are recognized in profit or loss in the amount of R$434 (R$518 in Dec/20); and (ii) two agreements for property lease by non-controlling interests of a subsidiary, signed in 2009 and 2011, are recognized in profit or loss in the amount of R$1,444 (R$625 in Dec/20).

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 May 18, 2021, at the EGM, the limit of the annual global compensation of the Company's officers of R$16,124 for 2021 (R$10,220 for 2020) was approved.

The compensation of the Company's officers, composed of management fees and bonuses, recognized in line item "General and administrative expenses" amounted to R$8,211at Dec/21 (R$7,164 in Dec/20). The expense on the stock option plan for Company officers was R$9,158. The global amount of management compensation will be submitted to the OGM for ratification.

RELATED-PARTY BALANCES

	12/31/2021				12/31/2020			
	Others receivables		Others liabilities		Others receivables		Others liabilities	
	Trading transactions	Loans and interest on capital	Trading transactions	Loans and interest on capital	Trading transactions	Loans and interest on capital	Trading transactions	Loans and interest on capital
PARENT								
Subsidiaries				-				
ADV Esportes	9,827	8,066	675	-	16,975	7,384	-	-
Smartfin	20,983	-	3,225	-	14,209	-	-	-
Smartdom	531	9,267	20	-	433	8,443	-	-
Bio Plaza	2,219	3,450	41	-	2,021	1,956	-	-
Asnsmart	1,661	3,065	44	-	1,059	2,600	-	-
Bioswim	12,031	660	26,174 (3)	-	2,909	333	25,367 (3)	-
Biosanta	625	2,404	17	-	626	2,197	-	-
Microsul	1,055	-	7	-	1,055	263	-	-
Smartrfe	946	-	225	-	945	-	-	-
Centrale	764	-	176	-	382	-	-	-
M2	304	-	207	-	250	-	-	-
SmartMNG	186	-	380	-	155	-	-	-
Biomorum	207	-	3,671	-	84	-	230	-
Racebootcamp	105	-	30	-	4	-	-	-
TotalPass	16,686	-	-	-	4,303	-	-	-
Others	-	-	-	-	-	3,150	-	-
Joint ventures								
SmartEXP[1]	-	-	-	-	15,521 (2)	-	-	-
Total balances with related parties	**68,130**	**26,912**	**34,892**	**-**	**60,931**	**26,326**	**25,597**	**-**
				-				
CONSOLIDATED				-				
Joint ventures				-				
SmartEXP[1]	-	-	-	-	15,521 (2)	-	-	-
TotalPass Mexico	5,880	17,117	-	-	-	17,465	-	-
Total balances with related parties	**5,880**	**17,117**	**-**	**-**	**15,521**	**17,465**	**-**	**-**

(1) Smartfit acquired the assets and assumed the liabilities of SmartEXP. See note 3.
(2) Refers to trading transactions for the acquisition of equipment purchased by Smartfit and Bioswim transferred to SmartEXP, without net gains.
(3) The liabilities balance refers to transactions resulting from the apportionment of administrative expenses and transfers of property and equipment.

RELATED-PARTY TRANSACTIONS

	12/31/2021				12/31/2020			
	Operating revenue	Costs	Expenses	Finance income (costs)	Operating revenue	Costs	Expenses	Finance income (costs)
PARENT								
Subsidiaries								
ADV Esportes	6,649	(17)	-	568	8,195	(19)	-	433
Smartfin	22	-	(3,140)	-	-	-	(874)	-
Smartdom	296	(3)	-	707	438	-	-	520
Bio Plaza	348	(29)	-	201	348	(61)	-	87
Asnsmart	758	(1)	-	226	1,074	(3)	-	160
Bioswim	-	(2,340)	-	-	767	(1,650)	(1,758)	-
Bio Ritmo Franqueadora	-	-	-	-	51	-	-	-
Racebootcamp	-	-	-	-	23	-	-	-
Biosanta	-	(6)	-	176	48	(5)	-	115
Microsul	-	-	-	6	-	-	-	2
Smartrfe	871	(3)	-	-	962	(3)	-	-
Centrale	-	-	-	-	-	(264)	-	-
M2	267	(128)	-	-	254	-	-	-
SmartMNG	-	(8)	-	-	78	(24)	-	-
Biomorum	-	(3,542)	(409)	-	142	(3,201)	-	-
Joint ventures								
SmartEXP(1)	582	-	-	(3,483)	-	-	-	-
Total balances with related parties	**9,793**	**(6,077)**	**(3,549)**	**(1,599)**	**12,380**	**(5,230)**	**(2,632)**	**1,317**
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

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	4,840,361	3,556,514	8,396,875
December 31, 2022	125,841	86,384	212,225	2,684,791	1,814,072	4,498,863
December 31, 2023	125,841	86,384	212,225	2,683,552	1,814,072	4,497,624
December 31, 2024	125,841	86,384	212,225	2,683,552	1,814,072	4,497,624
Total	**608,017**	**428,511**	**1,036,528**	**12,892,256**	**8,998,730**	**21,890,986**
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.

As at December 31, 2021, the amount recognized in profit or loss, in accordance with CPC 10 (R1) / IFRS 2, was R$29,204 against capital reserve, and the expense is recognized on a straight-line basis by plan and number of options linked to each vesting period. Up to this date, R$1,750 have been paid by the beneficiaries to the Company for the right to acquire the options.

In addition, as a way of creating a long-term incentive for certain members of management of the subsidiaries in Mexico, Colombia and Peru, during the third quarter of 2021, 869,400 phantom shares were granted, with an exercise price of R$21.11. The fair value measurement methodology and the assumptions adopted were the same as those previously mentioned. As at December 31, 2021, the amount recognized in profit or loss, in accordance with CPC 10 (R1) / IFRS 2, was R$1,858 against 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, 2021 are presented below:

	Regular Options	Performance Options	Phantom Shares	Total
At December 31, 2020	**-**	**-**	**-**	**-**
Granted	12,892,256	8,998,730	869,400	22,760,386
Exercised	-	-	-	-
Cancelled	(100,800)	-	-	(100,800)
At December 31, 2021	**12,791,456**	**8,998,730**	**869,400**	**22,659,586**

27. ADDITIONAL INFORMATION

INSURANCE

The policy adopted by the Company and its direct and indirect subsidiaries considers mainly the concentration of risks and their materiality, taking into consideration the nature of their activities and the advice of their insurance brokers. As at December 31, 2021, the basic insurance coverage is R$6,277,830 and for loss of profits - gross profit is R$791,334.

28. EVENTS AFTER THE REPORTING PERIOD

Up to the date of issue of these financial statements, the Company has not identified any significant events.

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

Smartfit Escola de Ginástica e Dança S.A.

Individual and Consolidated
Financial Statements for the
Year Ended December 31, 2021 and
Independent Auditor's Report

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

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

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

Opinion

We have audited the accompanying individual and consolidated financial statements of Smartfit Escola de Ginástica e Dança S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2021, and the related statements of profit and loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Smartfit Escola de Ginástica e Dança S.A. as at December 31, 2021, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

Impact from COVID-19 on the individual and consolidated financial statements

Without qualifying our opinion, we draw attention to notes 1, 12, 13, 14 and 20 to the individual and consolidated financial statements, in which the Company assesses the impacts from COVID-19 on its business and the ongoing actions to mitigate its effects, including the renegotiation of the covenants included in the debenture indentures.

Deloitte.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements for 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, therefore, we do not provide a separate opinion on these matters.

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

Why it is a KAM

As disclosed in notes 13 to the individual and consolidated financial statements, as at December 31, 2021, the Company recognized balances of intangible assets with indefinite useful life, including goodwill, in the approximate amount of R$1,433 million.

The accounting practices adopted in Brasil and the IFRS require that intangible assets with indefinite useful life be tested for impairment by Management at least annually, unless there is evidence that might indicate the need to anticipate the test. Management 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 Management's 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 Management, 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, 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.

Acquisition of new businesses

Why it is a KAM

Pursuant to notes 1 and 11 to the individual and consolidated financial statements, during 2020 and 2021, the Company entered into agreements for the acquisition of new businesses in the total amount of R$438 million, which included put and call option clauses, and established the acquisition of entities under joint control.

This matter was considered a key audit matter in our audit because: (i) the relevant amounts are material (ii) of the technical and accounting complexity in initially and subsequently assessing call and put options and other financial instruments; (iii) of the technical and accounting complexity in assessing the acquisition of business or assets; (iv) involvement of the Company's external specialists for the purchase price allocation and fair value measurement of call options and amounts payable; and (v) of the assessment of the appropriateness of the disclosure on the acquisitions of new businesses in the year.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to: (i) assessing the design of internal control activities related to the acquisition of new businesses; (ii) analyzing the agreements entered into among the parties; (iii) identifying financial instruments in these agreements; (iv) reviewing and discussing the technical and accounting memorandum prepared by Management; and (v) analyzing and assessing the disclosures in the individual and consolidated financial statements.

Based on the evidence obtained from performing the procedures described above, we consider that the recording of these transactions and related disclosures in the notes to the financial statements are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2021, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRSs, were subject to audit procedures performed together with the audit of the Company's individual and consolidated financial statements. In forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

Management is responsible for such other information. The other information comprises the "2021 Earnings Release" report.

Our opinion on the individual and consolidated financial statements does not cover the "2021 Earnings Release" report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the "2021 Earnings Release" report and, in doing so, consider whether such 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 "2021 Earnings Release" report, we are required to report that fact. We have nothing to report in this regard.

Management's responsibilities and those charged with governance for the individual and consolidated financial statements

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

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

São Paulo, March 15, 2022

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Eduardo Franco Tenório
Engagement Partner

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