SPORTSWORLD

360° WELLNESS

ANNUAL REPORT 2017

WE ARE
WELLNESS

WE ARE PART OF A TRANSFORMATION PROCESS

WE PROMOTE A HEALTHY AND ACTIVE LIFESTYLE SO THAT OUR CUSTOMERS CAN BE THE BEST VERSION OF THEMSELVES.

WE ARE THE LEADING FAMILY SPORTS CLUB OPERATING COMPANY IN MEXICO AND THE ONLY PUBLIC COMPANY IN THE WELLNESS INDUSTRY IN LATIN AMERICA.

WE OFFER A WIDE RANGE OF SPORTS PROGRAMS FOCUSED ON THE SPECIFIC DEMANDS AND NEEDS OF OUR CLIENTS, AS WELL AS TRAINING, HEALTH AND NUTRITION SERVICES FOLLOWING THE LATEST INTERNATIONAL TRENDS IN THE INDUSTRY, TO ENSURE THAT OUR CLIENTS CAN REACH A WELLNESS LIFESTYLE.

SPORTS WORLD IS LISTED IN THE MEXICAN STOCK EXCHANGE, WITH THE TICKER SPORT.S, SINCE 2010.

CLIENTS

84,823

16.2% 2017 VS 2016

CAGR*: 13.3%

13	51,400
14	56,895
15	67,259
16	72,987
17	84,823

*Compound Annual Growth Rate.

MISSION

To make our customers feel special in a fun, dynamic and hospitable environment, activating and transforming their lives.

VISION

To be the leading wellness organization, distinguished for creating experiences that allow us to exceed our clients' expectations through quality in service and innovation, ensuring the growth of our collaborators, and the Company's profitability and sustainability.

VALUES

Service
Innovation
Passion
Growth
Honesty
Commitment
Team work

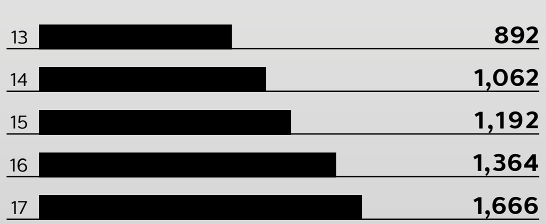
INCOME

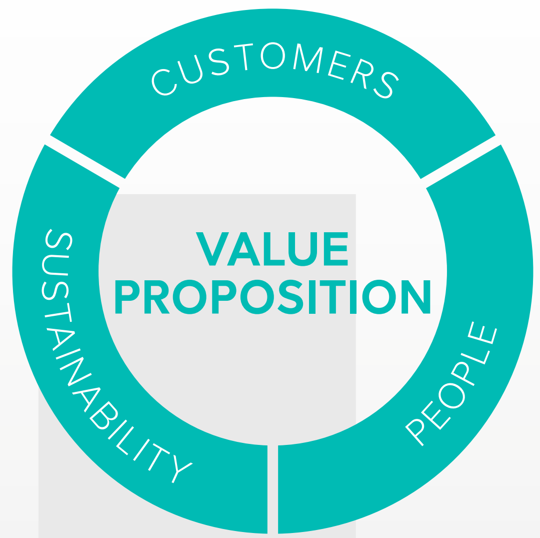
1,665,842

22.1%
2017 VS 2016

CAGR: 16.9%

Figures in thousands of MXN





CUSTOMERS

Accompany them in the achievement of their goals, in a comfortable environment, guaranteeing the optimal operation of our facilities.

PEOPLE

Find balance between the Company's growth and the people's development, transforming ourselves into an example that inspires wellbeing.

SUSTAINABILITY

Promote active and healthy lifestyles, managing the efficient use of our natural resources and operating in an ethical and transparent manner.

EBITDA

292,757

28.3%
2017 VS 2016

CAGR: 14.1%

Figures in thousands of MXN

SW STRENGTHENED ITS WELLNESS STRATEGY IN 2017, BROADENING ITS SUPPLY AND OFFERING TO ITS CLIENTS THOSE ACTIVITIES AND SERVICES NEEDED TO HAVE A HEALTHY AND BALANCED LIFESTYLE.

CLUBS

57*

8 OPENINGS

2017 VS 2016

CAGR: 13.0%

*Considering clubs with a shared operation agreement.

BAJA CALIFORNIA
SW TIJUANA*

CAMPECHE
CD. DEL CARMEN

STATE OF MEXICO
SW ARBOLEDAS*
SW COACALCO*
SW INTERLOMAS
SW LUNA PARC*
SW METEPEC
SW SATÉLITE
SW TECAMACHALCO
SW TRIÁNGULO TECA
SW ZONA ESMERALDA

GUANAJUATO
SW LEÓN

JALISCO
SW LA RIOJA
SW MINERVA
SW PUERTA DE HIERRO

MORELOS
CUERNAVACA

NUEVO LEÓN
SW CUMBRES
SW MONTERREY

PUEBLA
SW PUEBLA
SW SONATA

QUERÉTARO
SW BERNARDO QUINTANA
SW JURIQUILLA

SONORA
SW HERMOSILLO

VERACRUZ
SW VERACRUZ

YUCATÁN
SW MÉRIDA
SW CABO NORTE

MEXICO CITY
SW ALTAVISTA
SW AMORES
SW ANTARA
SW ANZURES
SW BARRANCA DEL MUERTO
SW CENTENARIO
SW CLAVERÍA
SW CONDESA
SW CRÁTER
SW FÉLIX CUEVAS
SW GARDEN SANTA FE
SW LAGO ALBERTO
SW LINDAVISTA
SW LORETO
SW MANACAR
SW M. A. QUEVEDO
SW OBRERO MUNDIAL
SW PABELLÓN BOSQUES
SW PALMAS
SW PATRIOTISMO
SW PEDREGAL
SW PRADO SUR
SW REFORMA
SW REVOLUCIÓN
SW ROMA
SW SAN ÁNGEL
SW SAN JERÓNIMO
SW SANTA FE
SW UNIVERSIDAD
SW VALLE
SW XOLA

*Has a shared operation agreement.
Does not operate under the Sports World brand.

SUSTAINABILITY
MODEL

OUR BUSINESS IS BASED ON FOUR STRATEGIC PILLARS: CLIENT EXPERIENCE, OUR PEOPLE, SUSTAINABILITY AND SHAREHOLDER VALUE. ADDITIONALLY, WE HAVE A SUSTAINABILITY MODEL THAT GUIDES OUR ACTIONS AND PRIORITIES IN SOCIAL RESPONSIBILITY.

230°
240°
250°
260°

We strive to keep a mutual trust and open dialog relationship with our interest groups, to continually improve their satisfaction and our operation. The communication channels we use allow us to generate permanent dialogue, to listen to their interests, opinions and expectations.

- CLIENTS
- COLLABORATORS
- MANAGEMENT
- PROVIDERS
- SHAREHOLDERS

A MESSAGE
FOR OUR SHAREHOLDERS

WE ARE VERY PLEASED WITH THE RESULTS OF 2017. THANKS TO OUR STRATEGIES AND INITIATIVES FOCUSED ON SERVICE AND HOSPITALITY, AS WELL AS OUR CONSTANT INNOVATION, WE CONTINUE TO STRENGTHEN SPORTS WORLD'S LEADERSHIP IN THE MEXICAN MARKET AND TO IMPROVE OUR OCCUPANCY AND CHURN RATES.

CEO

This, along with the successful implementation of our growth plan during the year, helped us surpass our results' guidance, reaching a Total Income growth of 22.1% and an EBITDA margin of 17.6%.

The improvement in our profitability is a result of the greater maturity of our clubs with more than twelve months in operation, and of how they continued to increase their occupancy rate, going from 77.7% at the end of 2016 to 80.2% at the end of 2017, a result of the client retention and service focused strategies, as well as of the successful presale process and following evolution of the clubs opened during the year. We will stay focused on increasing the occupancy levels in our clubs to continue to improve the Company's profitability.

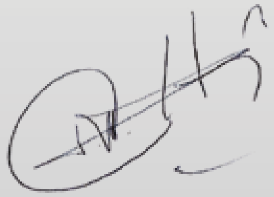
On the other hand, despite the unfortunate events ocurred in September and the extraordinary increase in prices carried out mid-year to counteract the effect of the cost increase of our main services, we managed to keep our churn rate at 3.6%, a level close to the one shown in 2016, and lower than that of the industry at a global level, reflecting our responsibility to offer a unique experience and quality service.

In line with our expansion plan, during 2017 we opened eight new clubs, strengthening our presence in Mexico City and its metropolitan area and expanding our footprint to other states of the country with high development potential. With these openings, we end the year with 53 clubs in operation and four operated under a different brand, under a shared operation agreement, strengthening our position as the biggest family club chain in Mexico.

One of the achievements of 2017 was the success of our new image, launched at the beginning of the year along with a strong marketing campaign, that has propelled our positioning as the leading chain in the market we are focused on.

In 2017 we kept our commitment to contribute to our environment's improvement: for the sixth year in a row, we received the Socially Responsible Company (Empresa Socialmente Responsable) distinction; we carried out our annual reforestation project along with Pronatura México, planting a total of 1,500 trees with the help of approximately 100 volunteers that joined the program; and we carried out the “Smiles Mailbox (Buzón de las Sonrisas)” initiative along with the TUK foundation, which consisted in sponsoring 50 children in vulnerable situations, giving them toys and clothes during the holidays.

To finalize, I would like to thank our clients their preference and for allowing Sports World to be a part of their lives, and our shareholders for the trust they have placed in us; furthermore, I want to recognize the effort of our collaborators to continue to offer an excellent service.



Fabián Bifaretti
CEO

WE STRIVE TO TURN WELLNESS INTO A LIFESTYLE. WE WANT OUR CLIENTS TO BECOME A BETTER VERSION OF THEMSELVES THROUGH OUR PROGRAMS AND SERVICES.

MORE THAN
A LIFESTYLE

2017 was a key year to strengthen our wellness strategy. With it, we seek to offer our clients all the services that will lead them to a healthy lifestyle.

Besides the wide and innovative sports offer, we have: nutrition services; programs focused on improving health issues such as “Feel Healthy” (focused on improving diabetes, hypertension and overweight); special activities for children (tae kwon do, early stimulation, ballet, sports climbing, special swim program “SafeSplash”, hip hop, yoga, and others, as well as special seasonal events: “Summer Camp”, “Spring Camp” and “Winter Camp”); recovery programs; special yoga events and other programs included in our sports offer, such as “Grit Games”; SPA service and, finally, coffee shops that seek to improve their products every day in order to have a healthy and rich offering that goes along with the lifestyle we encourage.

NUTRITION **SERVICES**

ACTIVITIES **FOR CHILDREN**

RECOVERY **PROGRAMS**

SPA SERVICE

COFFEE SHOPS SERVICE

EVERY DAY THERE ARE MORE COMMUNITIES FORMED WITHIN SPORTS WORLD. THIS CREATES A SENSE OF BELONGING THAT HELPS US RETAIN MORE CLIENTS.

ALWAYS ON THE LEAD

At the beginning of the year, we launched our new image along with an aggressive marketing campaign. They were both remarkably successful and have been an important factor in strengthening the brand positioning in the premium segment, as well as to increase our reach to more generations.

This brand positioning improvement, along with the strengthening of our wellness strategy, have brought an increasing interest from other companies to have presence in our clubs, which has led to an increase in sponsorships and commercial exchange income. We believe these partnerships are important to continue growing the wellness market in the country.

On the other hand, as we have been doing for the past few years, we carried on with our constant innovation, with the goal of always bringing with the latest global trends in the fitness and wellness market. In 2017, for example, we implemented *IndBike* in 18 more clubs, reaching a total of 21 clubs that offer this highly accepted and demanded activity. Another program that has proven to be very successful is GRIT®, in which we have had over 1,000 attendees in three generations and one GRIT® CAMP.

21
CLUBS WITH
ACTIVITY INDBIKE

1,000
ATTENDEES
GRIT® CAMP

UNDER OUR FOUR SERVICE PILLARS SCHEME, WE OFFER OUR CLIENTS A QUALITY EXPERIENCE.

EXCELLENT SERVICE... THAT SHOWS RESULTS

We started 2017 with the launch of a new campaign focused on enriching our client service, with which we implemented our new "four service pillars" scheme. The result of this campaign's implementation was an increase in clients' satisfaction from:

80.3%
AT THE END OF 2016

88.1%
AT THE END OF 2017

Through this, we have achieved an increase of 2.5 percentage points in the occupancy rate of clubs with more than twelve months in operation and a 6.4% increase in the monthly average attendance in comparison to the previous year.

On the other hand, we maintained a healthy churn rate of 3.6% by the end of 2017, a level that was kept below the one of the industry and similar to the one we held in 2016, despite the additional increase in prices carried out mid-year and the unfortunate happenings of the September earthquake.

01
EQUIPMENT MAINTENANCE:
A 72 HRS. COMMITMENT TO DEAL WITH ANY BREAKDOWNS

02
CLEANLINESS:
IMPECCABLE FACILITIES AT ALL TIMES

03
COACHES:
ALWAYS AVAILABLE

04
CLIENT SERVICE:
LESS THAN 24 HRS. RESPONSE TO COMMENTS

WITH THE OPENING OF EIGHT NEW CLUBS DURING 2017, IN LINE WITH OUR EXPANSION PLAN, SPORTS WORLD HOLDS ITS POSITION AS THE LEADER IN THE PREMIUM SEGMENT.

EXPANSION PLAN

As part of our expansion plan, in 2017 we added eight new family format clubs, strengthening our presence in Mexico City with five of them, in Queretaro with two and in Merida with one. Locations are determined based on a growth and economic development analysis by state, as well as a sensitivity analysis carried out by the management team and expansion area experts.

We are proud of the strong welcome we have received in openings outside of Mexico City and its metropolitan area, which is shown in our results, demonstrating a 16.2% increase in active clients in comparison to 2016. Thanks to this positive response, we are confident of the success we will continue to have in the expansion towards other states of the country with high potential.

At the end of 2017, we had 53 clubs in operation and four operating under another brand in a shared operation agreement, in line with our growth plan and medium term goals.

8
NEW
CLUBS 2017

53
CLUBS IN
OPERATION

+4
CLUBS OPERATING
UNDER SHARED OPERATION

AT SPORTS WORLD WE INVEST IN THE WELLBEING AND DEVELOPMENT OF OUR COLLABORATORS AND, AS PART OF THIS EFFORT, WE OFFER BENEFITS THAT SURPASS LAW REQUIREMENTS.

JOB PERFORMANCE

102-7, 102-8, 401-1, 401-2, 401-3, 403-1, 403-2, 404-1, 404-2, 404-3, 405-1, 405-2, 406-1, 408-1, 409-1, 410-1, 411-1

OUR TEAM

102-7, 102-8, 401-1, 405-1

In 2017 we took an important step towards a new personnel management focus, envolving our Human Resources program into Talent & Culture. With this new vision we will build a strategic function that allows for a talent management culture that not only promotes wellness lifestyle in our clients but also among our collaborators, turning our Company into a more attractive place that develops talent and promotes individual and professional balance. This evolution is our bet to establish ourselves as one of the best companies to work at.

We will build a great team thanks to the opening of new clubs and general growth of the Company. Almost 500 people joined our team in different states of the country.

102-7

Total Employees

	2015	2016	2017
Women	738	903	1,120
Men	1,083	1,160	1,396
Total	1,821	2,063	2,516
Professional growth vs previous year	2%	13%	22%

Collaborators by Region, Sex and Age

Entity	M	W	M	W	M	W	Total
	<30		31-50		>50		
Mexico City	306	231	469	335	51	74	1,466
State of Mexico	73	52	94	72	9	10	310
Puebla	30	19	25	27	4	3	108
Leon	16	6	9	10	3	2	46
Monterrey	24	13	30	30	5	9	111
Hermosillo	17	6	6	13	2	2	46
Merida	23	26	17	16	3	1	86
Guadalajara	25	38	39	24	7	8	141
Ciudad del Carmen	14	7	10	9	2	1	43
Cuernavaca	12	7	11	15	0	0	45
Veracruz	13	5	10	10	0	0	38
Queretaro	16	20	17	18	4	1	76
TOTAL	569	430	737	586	90	111	2,516

2,516
COLLABORATORS

+22%
2017 VS 2016

Our talent attraction process sticks to the Gender Equity policy guidelines as well as the Ethics Code; this way we guarantee discrimination-free hiring.

102-8

Full-time collaborators

Part-time collaborators

Regardless of their type of contract, we strive to generate a maximum of full-time jobs, guaranteeing the same rights to our collaborators.

TRAINING AND ASSESSMENT

404-1, 404-2, 404-3

Training is essential for collaborators to have the knowledge that helps them develop necessary skills to improve their job performance.

During 2017 we continued our training programs “Espíritu SW”, *“Star Trainer”* and “El Impacto de tu Excelencia”, focused on strengthening our hospitality culture. Furthermore, we moved to a new stage in leader training by starting our Management School, in search for skills and competences development in our internal talent to face present and future growth.

In total, 56 of our collaborators were chosen to be a part of the Management School.

We ensure the certification of our sports coaches with updates and specialized courses that allow for proper training and distinction amongst our competitors as well as the satisfaction of our clients.

56
COLLABORATORS IN MANAGEMENT SCHOOL

41 hrs.
OF TRAINING PER COLLABORATOR
+2HRS. VS 2016

Training per Area and Number of Participants

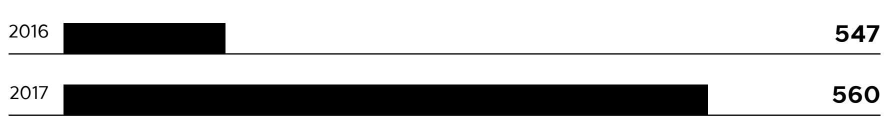
17,809
TOTAL PARTICIPANTS

Level within the Organization	2015	2016	2017
Heads of Area	8	88	110
Managers	104	957	946
Supervisors and Coordinators	233	1,633	1,845
Staff	1,476	14,802	14,908
Total of Participants	13,462	17,480	17,809

Training Hours per Collaborators

Economic Investment

Number of Courses / Workshops



Total Participants in Courses / Training Workshops

We have an annual feedback program that identifies strength and opportunity areas for our collaborators; this allows us to create follow up plans to achieve goals and develop skills. Since 2016, we have achieved equity in internal promotions, reaching 6% of the personnel being promoted, with the same amount of men and women getting promoted.

Internal Promotions

WELLBEING, HEALTH AND SAFETY

403-2, 403-4, 403-3, 416-1

WELLBEING

We are natural promoters of wellbeing and, beyond our clients, we also want our collaborators to lead active and healthy lives, in line with our philosophy.

In this year, we continued with the implementation of actions that form our internal "Wellness" health program, such as:

Alignment and Balance Months

To promote a prevention and self-care health culture, implementing days when we offer free medical services such as glucose, BMI and blood pressure measurement, and sight exams among others, getting 71% of collaborators to participate.

21 Day Challenge

An initiative that promotes physical activation amongst corporate collaborators, encouraging the use of stairs to head into our facilities.

Family Day

Amongst the initiatives of our internal health program, "Wellness", we have the Family Day, which allows direct family members of our collaborators to use our facilities on weekends. During 2017, 45 of our collaborators took advantage of this benefit.

Our wellness culture has been recognized by the Wellness Council Mexico, who awarded us for the third year in a row, the distinctive of a Responsibly Healthy Organization (Distintivo Organización Saludablemente Reponsable).

OUR WELLNESS CULTURE HAS BEEN RECOGNIZED BY THE WELLNESS COUNCIL MEXICO, WHO AWARDED US FOR THE THIRD CONSECUTIVE YEAR WITH THE DISTINCTIVE OF A RESPONSIBLY HEALTHY ORGANIZATION.

HEALTH AND SAFETY

We have a Safety and Hygiene Commission which helps us guarantee optimal work conditions regarding the health and safety of our collaborators. We offer continuous training and coaching in subjects of safety, with special emphasis on our high-risk activities. In addition to this, we strive to identify any potential danger in our facilities and offices, thanks to our Annual Program of Monitoring Tours; based on the findings of this program, we take corrective and preventive measures as needed.

Total Absenteeism Index

	2015	2016	2017
Total absences	4,546	5,713	7,029
Total days worked (all staff)	713,894	720,257	862,503
% Absenteeism	0.64%	0.79%	0.81%

Accident Rate

Accidents	2015	2016	2017
Administrative	0	0	2
Operational	139	68	101
Total	139	68	103

103
TOTAL ACCIDENTS
IN 2017

Our percentage of accidents with respect to the workforce is less than 5%, with the majority of these cases being classified as work-related risks.

PROTECTION OF HUMAN RIGHTS, DIVERSITY AND EQUITY

408-1, 409-1, 410-1, 411-1

We join the Global Deal to reject forced labor, child exploitation and discrimination in any form in the totality of our value chain. To ensure the fulfillment of this commitment, we support it internally with our:

- Ethics code
- Gender equity and no discrimination policy
- No-discrimination trainings
- Complaints processes for any breach

With the intention of strengthening the initiatives started by the Company to foster an organizational culture of no-discrimination and to deal with opportunity areas in the matter, during the last quarter of 2017 we trained 300 of our collaborators in no-discrimination subjects through the CONAPRED's (National Council for Discrimination Prevention) education program *"Conéctate"*.

COMPENSATION AND BENEFITS

401-2, 405-2

At Sports World we invest in the wellbeing and development of collaborators and, as part of this effort, we offer benefits that surpass law requirements. In fulfillment with the sixth principle of the Global Deal, we do not carry out discrimination practices nor make gender distinctions regarding wages and remunerations.

30 DAY
YEAR-END BONUS

10% IN FOOD
COUPONS

10% ATTENDANCE
BONUS

10% BONUS FOR
ARRIVING ON TIME

5% SAVINGS
FUND

USE OF FACILITIES FOR EMPLOYEES
AND SOME FAMILY MEMBERS

LIFE INSURANCE FOR
MANAGEMENT AND COORDINATION

MAJOR MEDICAL EXPENSE
MANAGEMENT AND COORDINATION

MATERNITY AND PATERNITY

401-3

Because we know that life-work balance is important, all our staff has the right to a paternity or maternity leave. This year, the number of collaborators that took advantage of this right grew a little over 100%; besides, the percentage of people who came back to their jobs after their time off grew by 9%.

2016	22 COLLABORATORS THAT WENT ON MATERNITY LEAVE	17 COLLABORATORS THAT RETURNED TO THEIR ACTIVITIES AFTER THEIR MATERNITY LEAVE	17 COLLABORATORS THAT KEPT THEIR JOB 12 MONTHS AFTER REJOINING
2017	36 COLLABORATORS THAT WENT ON MATERNITY LEAVE	31 COLLABORATORS THAT RETURNED TO THEIR ACTIVITIES AFTER THEIR MATERNITY LEAVE	31 COLLABORATORS THAT KEPT THEIR JOB 12 MONTHS AFTER REJOINING
2016	22 COLLABORATORS THAT WENT ON PATERNITY LEAVE	21 COLLABORATORS THAT RETURNED TO THEIR ACTIVITIES AFTER THEIR PATERNITY LEAVE	21 COLLABORATORS THAT KEPT THEIR JOB 12 MONTHS AFTER REJOINING
2017	71 COLLABORATORS THAT WENT ON PATERNITY LEAVE	71 COLLABORATORS THAT RETURNED TO THEIR ACTIVITIES AFTER THEIR PATERNITY LEAVE	69 COLLABORATORS THAT KEPT THEIR JOB 12 MONTHS AFTER REJOINING

RECOGNITION

During 2017 we set as an objective to join all our internal recognition practices in one single model, which we called DA+ and one which strives to recognize the work, performance, extraordinary effort and contributions from Sports World's collaborators, fostering a superior performance and better results for the Company.

- **Time** Recognize and celebrate the permanence of our people in the organization.
- **Achievement** Recognize outstanding collaborators for actions that positively impact the organization.
- **Life** Celebrate special life moments of each collaborator.
- **Team** Recognize the work, results and integration as a team.
- **Development** Recognize those collaborators who strive to improve and develop themselves and make a difference within the Company.
- **Social** Recognize the participation of collaborators in activities that generate a positive impact in our community.

With DA+ we will make of recognition a practice within the Company that fosters an enjoyable, motivating and energetic work environment to achieve excellent results.

AS A WELLNES COMPANY, WE CONSIDER OURSELVES RESPONSIBLE FOR THE PROMOTION OF ACTIVE AND HEALTHY LIFESTYLES WITHIN OUR COMMUNITY AND, PARTICULARLY, AMONGST THE NEW GENERATIONS.

SOCIAL PERFORMANCE

413-1

We have a Social Responsibility Committee that receives, evaluates and validates the different programs undertaken by the Company, and helps us ensure the implemented initiatives are in line with our business.

TOGETHER FOR A HEALTHY CHILDHOOD: AN ACTIVE CHILDHOOD

Since February 2016 we took the decision to focus our social investment in a single program, seeking a strong impact in line with the business. This year, our “Together for a Healthy Childhood: An Active Childhood” program, operated in partnership with “Save The Children Mexico”, has paid off, adding one more school to such an important initiative, which seeks to improve nutrition and physical activity among school-aged children.

Thanks to the efforts at Sports World we directly impact 655 boys and girls across the sponsorship program while we finance the creation of a new sports area in the school we've added.

During 2017 we achieved:

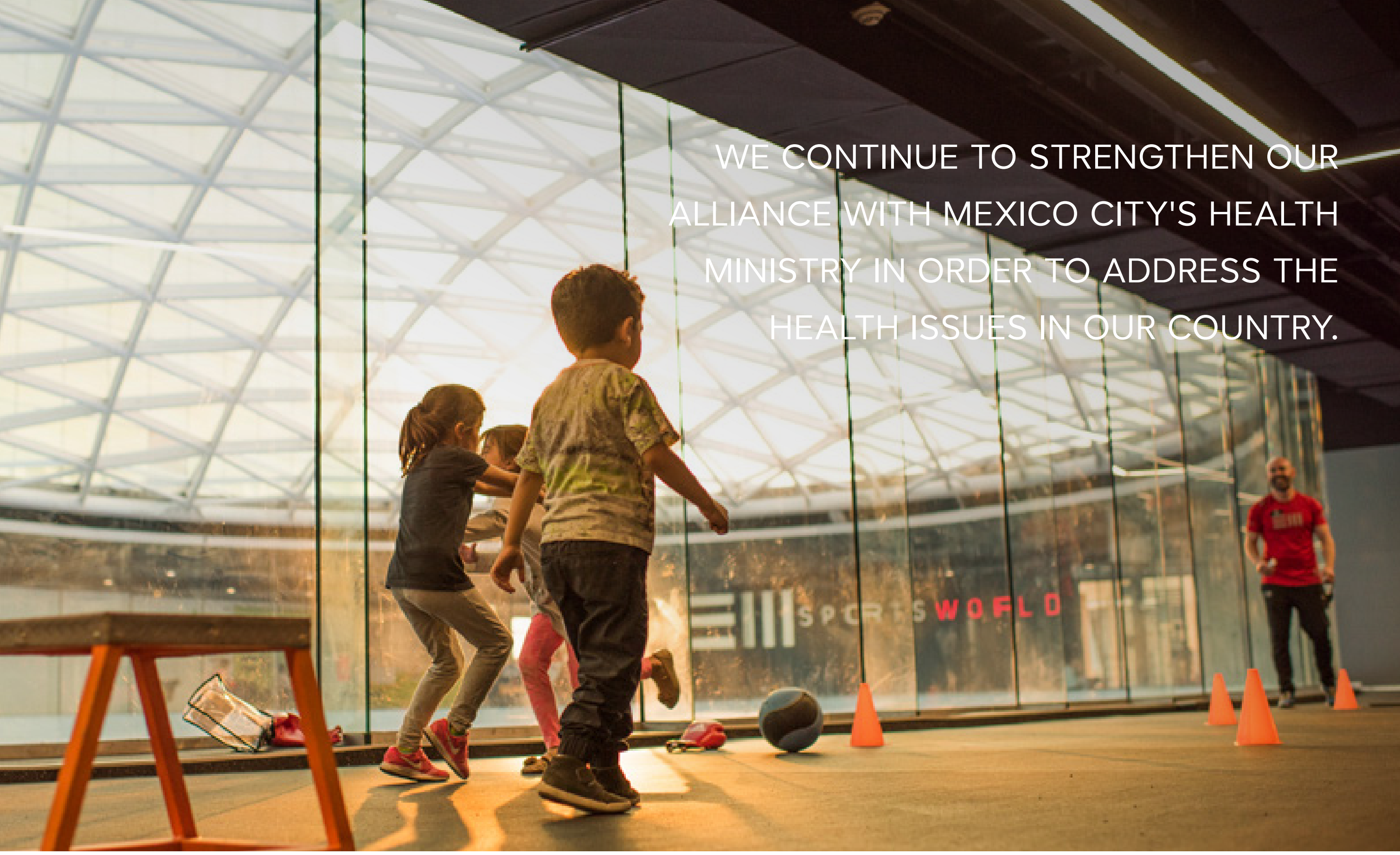
- 15% extra boys and girls increased their plain water consumption.
- 4.5% of boys and girls increased their fruits and vegetables consumption.
- 20% of boys and girls in the program exercised five days a week for 30 minutes.

Given the achieved goals, in 2018 we will continue to add up our efforts and we will keep the alliance with “Save The Children Mexico”; thus, we will remain a change factor in the lives of children reached by “Together for a Healthy Childhood: An Active Childhood”.

15%
BOYS AND GIRLS INCREASED THEIR WATER CONSUMPTION

4.5%
BOYS AND GIRLS INCREASED THEIR FRUITS AND VEGETABLES CONSUMPTION

20%
BOYS AND GIRLS IN THE PROGRAM EXERCISED FIVE DAYS A WEEK FOR 30 MINUTES



GAME CHANGE

We participated in the 2017 “Copa Valores” by the Asociación Cambio de Juego A.C.

- We managed to sponsor six soccer and one dance team, formed by young people in vulnerable situations.
- With our donation, they acquired sports uniforms and food for their good performance during the tournament.

FROM OBLIVION TO RELIEF

We offer a new life to forgotten clothing that is not claimed back by our clients.

- In 2017 we donated a total of 250 clothing items to several foundations.

FOR A HEALTHY MEXICO

We continue to strengthen our alliance with Mexico City's Health Ministry in order to address the health issues in our country.

- We took part in the program “Muévete”, giving group physical activation classes in several public spaces, schools, health fairs and sports clubs in Mexico City.

SMILES MAILBOX

The volunteers from our corporate team sponsored 50 children in vulnerable situations to give them a toy they wanted during December, creating with this, a harmonic space while delivering the gift personally to each child.

VALUE CHAIN

During 2017 we decided to take another step in our involvement with our value chain, focusing our efforts on the creation of a trust relationship and the development of our main providers, many of which are micro, small and medium Mexican companies.

We designed an evaluation process to help them improve, an effort we consider to be beneficial both for them and ourselves.

Beyond the quality of their service, we want our value chain to be involved with our Social Responsibility topics, in line with our philosophy and joining the sustainable development effort. Because of this, we offered an awareness workshop to 40 of our most important providers, showing them out sustainable strategy, main actions taken through time and inviting them, with our help, to join the process to get the Socially Responsible Company distinctive, joining the select group of companies that have it.

We will keep this quality relationship in the future, with more workshops to lead them towards Social Responsibility and to guide them in their effort. We will also seek to include more providers in this process. We know that this is the only way in which we will become a truly sustainable company.

ENSURING THE SUSTAINABILITY OF THE COMPANY AND PROTECTING THE ENVIRONMENT IS OUR PRIORITY.

ENVIRONMENTAL PERFORMANCE

Ensuring the sustainability of the Company and protecting the environment is our priority. Year after year, we work on improving our measurement systems, which allow us to know the impact of our day-to-day operations and to establish reduction environmental goals.

During 2017 we carried out a review of our Environment Policy to have a greater reach and, with it, invite our collaborators, providers and other interest groups to minimize their water, paper and energy consumption, aside from reducing the generation of waste and emissions.

WATER

301.1, 301.2, 303.1, 303-3, 306-1

WATER CONSUMPTION

With water being one of the main resources for the correct flow of our operations, we are permanently working on awareness about its care and reasonable use in every club of the chain, which is why we are committed to the search of solutions that make its use more efficient and limit its consumption.

Water Consumption (m^3)	2015	2016	2017	Var. %
Municipal water supply	329,061	369,810	299,307	-19.1%
Water trucks supply	42,114	77,781	86,342	+11.0%
Reused water (treated after use)	1,540	n/a	n/a	n/a
Total Consumption	372,715	447,591	385,649	-13.8%

14%
REDUCTION IN WATER CONSUMPTION

-10%
FAMILY CLUBS

-8%
INDIVIDUAL CLUBS

28
CLUBS WITH
PUSH SHOWERS

275
INSTALLED
SHOWERS

In recent years, we have invested on installing water treatment plants to limit the volume of water consumed and dumped down municipal drain networks; however, in 2017 we stopped this investing to reconsider our strategy and adjust in a way that allows us to reach expected goals.

However, we keep on working on the investment and installation of sustainable technology that promotes water saving, such as *push* showers. Today, 28 of our clubs have this type of technology; with it, the consumption can be reduced by 25% in comparison to traditional showers. In 2017, this technology was installed on the eight new club openings, adding up to a total of 275 installed showers, representing an investment of $1,592,000 MXN.

Furthermore, we invested on installing dry urinals with environmentally friendly technology, avoiding discharges of up to six liters every time a client uses them.

WATER INDICATORS

Water consumption indicator (water/club capacity)

	2015	2016	2017
Family format club (SW)	72.6	65.2	58.5
Individual format club (GYM+)	48.4	52.1	47.9

As a result of every action and effort carried out in 2017, we reduced the water consumption by 14% against the previous year, reducing by 10% the per capacity water consumption in family clubs and by 8% in individual clubs.

ENERGY

ENERGY CONSUMPTION

301-1, 302-1, 302-4, 302-5

We keep on working under the healthy practices and initiatives we established in previous years, intending to measure and reduce the energy consumption required for our operation and, as a consequence, our carbon footprint.

80%
REDUCTION NATURAL
GAS CONSUMPTION

-31%
GIGAJOULES
IN OPERATION

Energy (GJ)					
Direct Consumption	Fuels	LP Gas	53,517	101,987	32%
		Natural Gas	26,291		15%
		Gasoline	22,179		13%
Indirect Consumption	Electricity	CFE	66,088	67,873	39%
	Solar	Solar	1,784		1%
Total (GJ)			169,859	169,859	100%

The natural gas and LP gas consumption for water heating make up the main energy source of our operation, followed by electrical consumption in our facilities.

We carried out a drastic reduction equivalent to 80% of our natural gas consumption last year, which allowed us to reduce by 31% the general gigajoules consumption of our operation.

Just like last year, solar energy supplied, energetically, some of our clubs, allowing us to heat water through this means and to turn our energy matrix greener for the future, reducing our dependence on fossil fuels.

5%

INCREASE IN ELECTRICAL ENERGY CONSUMPTION '17 VS '16

ELECTRICAL ENERGY
302-3, 302-5

As part of our commitment to the environment, we strive to regulate our electrical energy consumption in each business unit through strategies that allow for its efficient use and the optimization in the use of this resource. The electrical installation of new clubs has been planned strategically, based on these principles, because they work with compact fluorescence and special LEDs applications, reducing considerably the energy consumption, in comparison with a traditional lamp.

	2015	2016	2017	Var. %
Annual electrical energy consumption (kWh)	18,561,061	17,563,571	18,357,890	5%
Intensive Indicator (kWh/m^2)	138.1	118.6	147.7	25%

Due to our growth, in comparison to the previous year, we increased by 5% the electrical energy consumption, despite measures taken to reduce it.

THERMAL ENERGY

Thermal energy is another essential resource for our operation, which is why each club has boiler rooms for water heating, most of which run on LP Gas.

For the most recent openings, we promoted the use of ceramic core boilers with high efficiency, aside from the incorporation of new technology that makes thermal energy use more efficient.

We have implemented natural gas use in 15 of our clubs, considering it is an environmentally friendlier fuel.

15

OF OUR CLUBS USE NATURAL GAS

-4%

USE OF GAS LP

-54%

COMBUSTION EMISSIONS

Annual Thermal Energy Consumption per Fuel

	2016	2017	Var. %
LPG – Liquefied petroleum gas (L)	2,148,965	2,063,080	-4%
NLG – Natural liquid gas (m^3)	3,013,335	640,601	-79%
Solar (GJ)	1,784	1,784	0%

As a result, we considerably reduced the use of both types of gas in comparison to the previous year. We stopped using about 4% of LP Gas and almost 80% of Natural Gas, which translates into a 54% reduction of combustion emissions (Reach 1).

Even though we strive to reduce our thermal energy consumption through solar cell installation, for the past two years we have not been able to increase the cell installation because our main consumption hours are outside of the main sun hours, impacting on the fact that the water temperature is not ideal, according to our service policies. However, during 2018 we will analyze another type of technology that could help us keep pushing this indicator.

The cells we have in six of our clubs allow us to preheat water of our pools up to 70% even though the law only demands 30%. In this way, we maximize the thermal energy use.

CARBON FOOTPRINT
305-1, 305-2, 305-3, 305-5

The Carbon Footprint is the Company's contribution to the increase of Greenhouse Gases (GHG) in the atmosphere and, therefore, to global warming.

Nowadays, the measurement of the carbon footprint is important not just for the protection of the environment, but also as an indicator of use intensity of resources, financial efficiency of our organization and the analysis of risk associated to climate change.

15,384

TONS OF EQUIVALENT CO_2 2018

Due to our growth with the opening of eight new clubs, we are aware of our growing impact on the atmosphere, which is why we are committed to the creation of a mitigation plan, foreseeing the additional pollution we might generate in the future. As a result, we measure intensive indicators each year to track the behavior of our GHG emissions and take corrective steps needed for the upcoming years. Since 2015, we have stuck to the SEMARNAT's methodology and guidelines, as well as the GHG reporting protocol.

In order to standardize the information, we measure our Carbon Footprint considering the facilities in non-shared operation, for all of 2017, which means: 40 family format clubs (with a pool), 13 Individual format clubs (without a pool) and one corporate office. We got to a total of 15,384 tons of equivalent CO_2 emitted this year.

-2,964

TONS OF CO2e

33%

REDUCTION IN OUR CO2e EMISSIONS PER M²

39%

REDUCTION OF CO2e BY CLIENT

Carbon Footprint (tCO_2e)

Direct emissions (Reach 1)	Fuels	LP Gas 3,377			
		Natural Gas 1,475		4,862	31%
		Gasoline 10			
Indirect emissions (Reach 2)	Electricity	CFE	10,684	10,684	68%
Indirect emissions (Reach 3)	Refrigerants (R22, R410)	Reloads for air-conditioning system coolants		123	0.8%
Total emissions				15,669	100%
Emission reduction	Solar	Water heaters		-113	0.7%
Emission compensation	Reforestation			-172	1%
Final Carbon Footprint					15,384

Thanks to efficient fuel use strategies, we managed to reduce our CO_2 emissions by a total of 2,964 tons in a year, despite the growth of our organization. This is equivalent to the amount of CO_2 that 76,008 conifers absorb in 10 years or to the Greenhouse Gases emitted by 911 cars on the road for a year.

CARBON FOOTPRINT INDICATORS

305-4

Average Indicators	kgCO2/m² Indicator		$kgCO_2$/club capacity Indicator	
	2016	2017	2016	2017
Family format club (SW)	156.3	108.7	3.1	2.0
Individual format club (GYM+)	140.1	90.9	2.7	1.5

We are very proud of our intensive indicators' reduction; to us this means we can grow in a more responsible way, limiting the impact on our planet. This achievement pushes us to keep working every day.

POLLUTANT ATMOSPHERIC EMISSIONS

305-7

Based on the greenhouse gas emission analysis used to measure the carbon footprint, the following pollutant substances emissions were also measured, based on data gathered from activities reported within our group:

Pollutant Atmospheric Emissions (kg)

Fuel	Energy		CO	NOx	SO2	COV	Filterable PM10	Condensable PM2.5	Filterable PM2.5	COT	NOX	CO2	CH4	N2O
LPG – Liquefied Petroleum Gas	53,517.06	GJ	791.08	4,697.00	9.57	68.63	148.33	148.33	0.00	0.00	123.61	3,486,605.20	1,386.39	1,652.58
NLG – Natural Gas	26,290.92	GJ	860.97	1,434.95	6.15	56.37	19.47	0.00	58.42	77.90	112.75	1,229,954.52	589.35	1,954.81
Gasoline	22,178.88	GJ	9,441.55	15,545.18	801.10	0.00	953.69	0.00	0.00	0.00	28,896.86	0.00	0.00	0.00
Total	66,088.40	GJ												
Solar	168,075.26	GJ	11,093.59	21,677.14	816.82	125.00	1,121.49	148.33	58.42	77.90	29,133.21	4,716,559.72	1,975.74	3,607.38

WASTE MANAGEMENT

301.2, 303-3

This year, as part of a new initiative, we considered it of importance to reduce the water bottle consumption in corporate offices, carried out through the acquisition of dispensers which resulted in the reduction of 2,600 500ml water bottles consumed in 2017.

Furthermore, within the commercial alliances that promote our environmental efforts, we carried out the installation of compression bottle machines called BIOBOX in 29 of our clubs, which contributes to recollection and trituration of recycling material and, at the same time, generates awareness among our clients, rewarding their contributions. Thanks to this initiative, we were able to recycle 40,5487 bottles during 2017.

We are aware of the impact of chemical products consumed for daily operations, which is why, during 2017, we focused our efforts on measuring and standardizing chemical consumption for the pool, setting a 5% reduction goal for 2018.

2,600

WATER BOTTLES (500ml) NOT CONSUMED

TRANSPORTATION

In order to fulfill our management and logistical activities, we have a fleet of vehicles. In 2017, these vehicles used 4,320 liters of gasoline, the equivalent to $101,599 MXN.

-2,964
TONS OF CO2e

We achieved savings of 43.9% in fuel, reducing the related greenhouse gas emissions by almost half.

Annual Gasoline Consumption

	2016	2017	Var. %
Gasoline (liters)	7,693	4,320	-43.85%

ACTIONS TO SUPPORT THE PLANET

304-3

As part of our strategy to compensate for the carbon footprint generated by our operation, in 2010 we created the program "A Todo Pulmón". For the seventh year in a row, we summoned our collaborators to join us for a reforestation day that, aside from creating a nice work environment, benefits our planet and community.

A hundred collaborators and friends joined us during our *"A Todo Pulmón"* reforestation day, 67% more than in previous years.

1,500
PLANTED TREES
IN 2017

6,600
PLANTED TREES
IN 6 YEARS

After six years helping out the State Park Sierra de Tepotzotlán, we have decided to focus our efforts on another area that feeds into the water system of Mexico City: The National Park Cumbres del Ajusco. We have doubled our commitment by doubling the reforestation area and the number of trees planted. Furthermore, we compensated for 172.4 tons of CO_2e, the equivalent to 53 cars on the road for a year in Mexico City or the emissions generated by the electricity consumption of 179 Mexican homes in a year.

In 2017 we planted 1,500 pine trees, reaching a total of over 6,600 trees since we kicked off the program.

Because we know that each effort adds up, we take care of our planet on our day-to-day activities, raising awareness among our collaborators, clients and other interest groups through several communication campaigns that incentivize healthy practices in our facilities and at their homes such as: using only one small and one large towel, turning off lights and screens, incentivizing the use of stairs, and printing only what's really necessary; among other initiatives that allow us to limit our environmental impact.

WE HAVE A SUSTAINABILITY MODEL THAT GUIDES OUR ACTIONS AND PRIORITIES IN SOCIAL RESPONSIBILITY.

SUSTAINABILITY MODEL

102-40, 102-42, 102-43, 102-46, 102-47

OUR SUSTAINABILITY MODEL

Our business is based on four strategic pillars: Client experience, Our People, Sustainability and Shareholder Value. With sustainability as part of our model, we prioritize and mainstream the subject within Sports World. To achieve this, in 2017 we began developing sustainable performance indicators that were linked to each area of our Company. These indicators allow us, in the medium term, to ensure that all our areas take part in this effort as a team.

Additionally, we have a Sustainability Model that guides our actions and priorities in Social Responsibility.

In 2018 we will carry out an assessment and, if needed, we will redefine our Sustainability to be completely in line with our business and the expectations and priorities expressed by our interest groups regarding our current materiality.

Being aware of our position as a public company and our responsibility with the sustainable development of our country and planet, we reconfirm our commitment to the 2030 Development Goals. We continue to participate, mainly with the five objectives defined by the UN:

OUR INTEREST GROUPS
102-40, 102-42, 102-43

We strive to keep a mutual trust and open dialog relationship with our interest groups, to continually improve their satisfaction and our operation. The communication channels we use allow us to generate permanent communication, to listen to their interests, opinions and expectations.

Frequency of our interactions with our stakeholders:
● Constant ■ Periodic ▲ Annual

	CLIENTS	PARTNERS	COMMUNITY	SUPPLIERS	SHAREHOLDERS
	The reason of being of our activities; we have the goal of exceeding their expectations and improving their wellbeing.	We turn ourselves into a means so that each partner can fulfill their life purpose, through the development of long-lasting work relationships, in an environment that promotes growth, development and involvement.	We benefit people through the impact caused by our activities in the generation of wellbeing and the promotion of physical activity for the improvement of life quality.	Goods and strategic services provided for our operations, with whom we extend our philosophy focused on an ethical, responsible and sustainable activity.	Key actors in the financial and operational management of the business, according to regulations, contracts, policies, ethics guidelines or current practices.
COMMUNICATION CHANNELS	● Social Networks ▲ Perception Study on Responsibility Topics Social ■ Satisfaction Surveys ■ Media Publicity ● Activities in Clubs ● SW Complaints	● Social Networks ■ Follow-up Meetings and Quarterly Results ■ Open Door Policy ■ Club Visits by the Board Chairman and the Management Team ■ Management System based on Goals with Periodical Revisions and Evaluations ■ Internal Communication Mediums ■ Denuncia SW ▲ Organizational Environment Survey ● Web Page ● Calls for Vacancies ● Coverage	▲ Calls ■ Phone Numbers ■ E-mail ● Web Page ● Social Networks ■ Gatherings ■ Community Visits ● SW Reports ● Community Activities	● E-mail ■ Meetings ■ Satisfaction Surveys ● Phone Number ▲ Convention ● SW Reports	▲ Annual Report ▲ Annual Statement ■ Quarterly Reports ■ Shareholders Meeting ■ Management Council ■ Audit Committee ■ Corporate Practices Committee ■ Relevant Events ● Phone Assistance Line ● E-mail ● Web Page
KEY POINTS	Client satisfaction, innovation, proximity, support and hospitality.	Generate development and professional growth opportunities, encouraging involvement, development of leaderships skills, life-work balance and service vocation, in an environment that fosters inclusion and diversity.	Ensuring our activity safeguards a familiar and safe environment. Developing activities oriented towards the improvement of life quality and child development and managing with responsibility, without losing sight of sustainability.	Encouraging the fulfillment of the ethics code, quality standards and adherence to standards and regulations.	Fulfillment of the Corporate Governance's policies and guidelines, adhering to the legal regulatory and ethics standards, ensuring and strengthening the sustainability of our activities.

2,319 REPRESENTATIVES OF OUR INTERNAL AND EXTERNAL INTEREST GROUPS TOOK PART IN OUR MATERIALITY

OUR MATERIALITY
102-46, 102-47

During the year, we managed a new proximity to our interest groups, to update our materiality research to continue the improvement process in our reporting forms.

Materiality Participation

Interest Groups (IG)	# of Answers Received	IG Type
Clients	1,958	External
Providers	75	External
Collaborators	278	External
Shareholders	0	External
Management	8	Internal

Up next, we show the material subjects we had:

Material Subjects

- ETHICAL BEHAVIOUR
- CLIENT'S HEALTH AND SAFETY
- WELLNESS, HEALTH AND JOB SAFETY
- WATER CONSUMPTION FOR OPERATION
- ETHICS AND BUSINESS BEHAVIOR CODES
- TRANSPARENCY
- ENVIRONMENTALLY FRIENDLY CLEANING MATERIALS
- TALENT ATTRACTION AND RETENTION
- HUMAN CAPITAL DEVELOPMENT
- WORK PRACTICES AND HUMAN RIGHTS' PROTECTION
- RISKS AND CRISIS MANAGEMENT
- INFORMATION SAFETY AND GOVERNANCE
- OPERATIONS' ENERGY CONSUMPTION
- DIVERSITY AND INCLUSION
- CLIENT RELATIONSHIP MANAGEMENT
- WASTE MANAGEMENT: GENERATION, DISPOSAL AND RECYCLING

ETHICAL BEHAVIOR
102-17, 102-25, 102-33, 102-34, 205-2, 205-3

To guarantee the sustainability of our business, we must maintain lasting relationships with our interest groups. We consider that we will achieve this by reaching ethical standards and by being transparent with them.

In this sense, our values and Ethics Code guide our daily operations. We guarantee respect to equality and diversity, the personal data privacy and the confidentiality and health at work. On the other hand, this manifesto allows us to prevent interest conflicts, corruption acts and disloyal competition.

It is our responsibility to be demanding of our Board of Directors, collaborators and providers. The goal is to be a properly ethical company and to boost this topic in our environment.

Our Code also sets the path to follow in case we identify non-compliance, which is reported through our reporting channel "Denuncia SW":

Directors, Advisors and Collaborators.
Ph. 5481 7777 ext. 241
denuncia@sportsworld.com.mx / proveedor@sportsworld.com.mx

During 2017 we received:

97	3	62	32
COMPLAINTS	IN PROCESS	SOLVED	DO NOT PROCEED

The remaining 32 complaints did not proceed given that they are related to topics of direct operation, leaving them out of the reach of our Ethics Code.

To see our full Ethics Code, please visit: http://www.sportsworld.com.mx/seccion/sustentabilidad/gobierno_corporativo

CORPORATE GOVERNANCE

Our Board of Directors continues to be formed by nine members, five of which are independent advisors. This Board's management is supported by two Committees: the Auditing Committee and the Corporate Practices Committee.

BOARD OF DIRECTORS

Héctor Antonio Troncoso Navarro
PRESIDENT

Cosme Alberto Torrado Martínez
PROPRIETARY BOARD MEMBER

Héctor Madero Rivero
PROPRIETARY BOARD MEMBER

José Pedro Valenzuela Rionda
PROPRIETARY BOARD MEMBER

Alfredo Sánchez Torrado
INDEPENDENT MEMBER

María Teresa Arnal
INDEPENDENT MEMBER

Omar Nacif Serio
INDEPENDENT MEMBER

Salvador Cerón Aguilar
INDEPENDENT MEMBER

Víctor Manuel Barreiro García
INDEPENDENT MEMBER

CORPORATE PRACTICES COMMITTEE

Salvador Cerón Aguilar
PRESIDENT

Cosme Alberto Torrado Martínez
MEMBER

Víctor Manuel Barreiro García
MEMBER

AUDITING COMMITTEE

Alfredo Sánchez Torrado
PRESIDENT

José Pedro Valenzuela Rionda
MEMBER

Omar Nacif Serio
MEMBER

MANAGEMENT TEAM

Fabián Bifaretti Zanetto
CHIEF EXECUTIVE OFFICER

Cayetano Jiménez Celorio
CHIEF FINANCIAL OFFICER

Armando Alduenda Tirado
OPERATIONS AND CUSTOMER EXPERIENCE DIRECTOR

Cynthia Lisette Ulloa Ayón
HUMAN RESOURCES DIRECTOR

Humberto Laguna Herrera
DEVELOPMENT DIRECTOR

Hadi M. Ibrahim Ibrahim
LEGAL DIRECTOR

Fernando Guzmán López
COMMERCIAL DIRECTOR

Andrea Zullo Fossa
NEW BUSINESS AND SPORTS STRATEGY DIRECTOR

For additional information about our advisors and relevant managers please go to our website: www.sportsworld.com.mx/seccion/inversionistas

FINANCIAL

HIGHLIGHTS 2017

GRUPO SPORTS WORLD, S.A.B. DE C.V. AND SUBSIDIARIES

FINANCIAL HIGHLIGHTS

Figures in millions of pesos (except number of employees)

FINANCIAL STATEMENT	2017	2016	VAR. $	VAR. %
Net Revenue	1,665,842	1,363,874	301,968	22.1%
Clubs' Operating Expense	1,277,616	1,049,277	228,339	21.8%
Gross Contribution	388,226	314,597	73,629	23.4%
Depreciation and Amortization	180,996	158,665	22,331	14.1%
Administrative Cost	95,469	86,371	9,098	10.5%
Administrative Cost/Net Revenue	5.7%	6.3%		-0.6 p.p.
Operating Income	111,758	69,561	42,197	60.7%
Operating Margin	6.7%	5.1%		1.6 p.p.
EBITDA[1]	292,757	228,226	64,530	28.3%
EBITDA Margin	17.6%	16.7%		0.9 p.p.
Net Financing Expense	(50,196)	(30,033)	(20,163)	67.1%
Income Tax	8,818	9,806	(988)	(10.1%)
Net Profit (loss)	52,747	29,721	23,026	77.5%
Net Profit Margin	3.2%	2.2%		1.0 p.p.

BALANCE SHEET	2017	2016	VAR. $	VAR. %
Cash and Equivalents	68,792	134,269	(65,477)	(48.8%)
Current Assets	187,945	191,531	(3,586)	(1.9%)
Improvements to leased properties, construction in progress, furnishings and equipment	1,394,054	1,206,292	187,762	15.6%
Non-current assets	1,698,009	1,450,291	247,718	17.1%
Total Assets	**1,885,954**	**1,641,822**	**244,132**	**14.9%**
Current portion of long-term debt	104,246	231,568	(127,322)	(55.0%)
Current Liabilities	490,700	534,249	(43,549)	(8.2%)
Long Term Debt	428,542	182,787	245,755	134.4.%
Non-current liabilities	462,918	217,909	245,009	112.4%
Total Liabilities	**953,618**	**752,158**	**201,460**	**26.8%**
Stockholders' equity	**932,336**	**889,664**	**42,672**	**4.8%**

Number of Employees	2,516	2,063	446	21.6%

*EBITDA is calculated by adding to the Profit (loss) before Taxes, The Net Financing Expense and Depreciation and Amortization.

MANAGEMENT ANALYSIS AND FEEDBACK ABOUT FINANCIAL STATEMENTS AND MARKET PERFORMANCE

The following analysis must be read along with the audited consolidated financial statements of Grupo Sports World, S.A.B. de C.V. y Subsidiarias, as well as the accompanying notes.

The financial statements were prepared following the International Financial Reporting Standards (IFRS). The figures in this analysis, as well as those on the financial statements and notes are expressed in Mexican pesos.

INCOME STATEMENT

Total Revenue

In 2017, the Total Revenue amounted to $1.67 billion pesos, an increase of 22.1% vs. 2016. This result shows:

i) A 17.6% growth in Membership and Maintenance income, which reached $1,373.1 million pesos, thanks to the increase in the number of active clients and the eight new clubs.

ii) An increase of 43.3% in Sports Income and Other Core Revenues, reaching $188.2 million pesos; this increase was a result of higher sales of personal lessons and other revenues linked to the main activity, such as credential sales, locker rental and one-day guest passes.

iii) Other Non-Core Revenues added up to $104.6 million pesos, an increase of 60.7% vs. 2016. This increase is related to the strong brand positioning, partly thanks to the new image, and to the aggressive expansion of the Company, which has generated bigger sponsorships and publicity.

The Total Revenue from Same Clubs, those that have been in operation for over 12 months, grew 11.6% vs. 2016, mainly as a result of higher occupancy levels in these clubs and an increase in sales of sports programs and personal programs.

Administrative Cost

In 2017 the Administrative Cost reached $95.5 million pesos, representing 5.7% of the Total Revenue, a reduction of 0.6 percentage points vs. 2016. This result is a reflection of efficiencies in the administrative management.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

The year's EBITDA reached $292.8 million pesos, an increase of 28.3% vs. 2016. The EBITDA margin grew 0.9%, as a percentage of the Total Revenue, to reach 17.6% in 2017 vs. 16.7% in 2016.

Operating Profit

The operating profit for 2017 grew 60.7%, reaching $111.8 million pesos, vs. $69.6 million pesos in 2016. The operating margin grew by 1.6 percentage points, as a percentage of the total revenue, to reach 6.7% during 2017 vs. 5.1% during 2016; this improvement was the result of economies of scale reached with a larger number of clubs.

Financial Cost

The financial cost grew to $50.2 million pesos, a 67.1% increase compared to the $30.0 million pesos recorded in 2016. This rise corresponds mainly to an increase in the financial debt used for the construction of new clubs, as well as a higher TIIE (Interbank Interest Rate Balance) rate value.

Net Income

The Net Income had an increase of 77.5% to $52.7 million pesos vs. $29.7 million pesos in 2016, increasing the margin by one percentage point to reach 3.2%.

BALANCE SHEET

Cash and cash equivalents

The cash and cash equivalents concept registered $68.8 million pesos by end-year, a decrease of $65.5 million or 48.8% vs. 2016, mainly derived from a higher investment related to the opening of eight clubs during the year, to the credit line payment of those hired to carry out these openings and the share buyback for $10.6 million pesos.

Improvements to leased premises

This concept registered $1.39 billion pesos, an increase of 15.6% vs. 2016; this is a result of the investments to adapt and equip the eight new clubs, as well as to remodel operating clubs in order to offer suitable facilities up to our clients' standards.

Suppliers, lenders and others

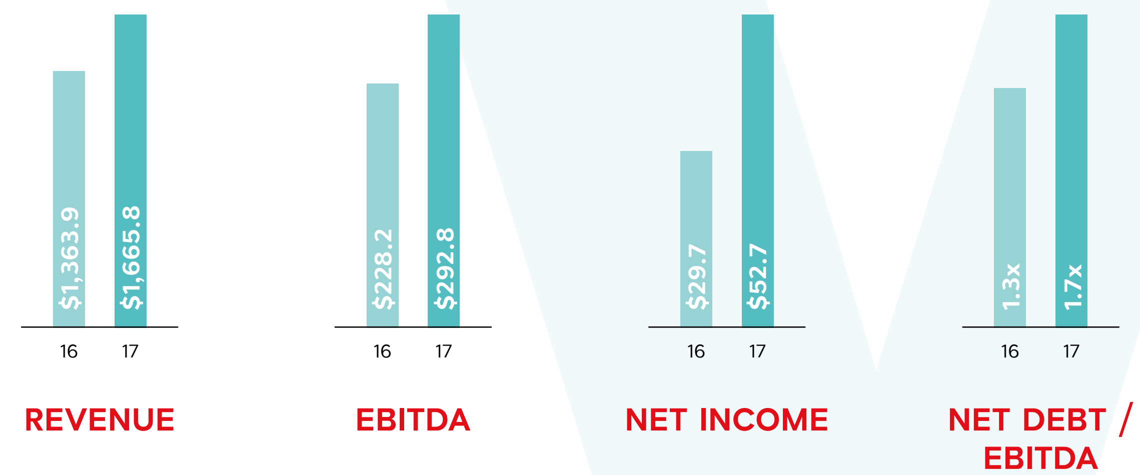
The Company registered a balance of $189.3 million pesos in this account, an increase of $69.3 million or 57.7% vs. 2016, related to the construction of new clubs according to the Company's expansion plan

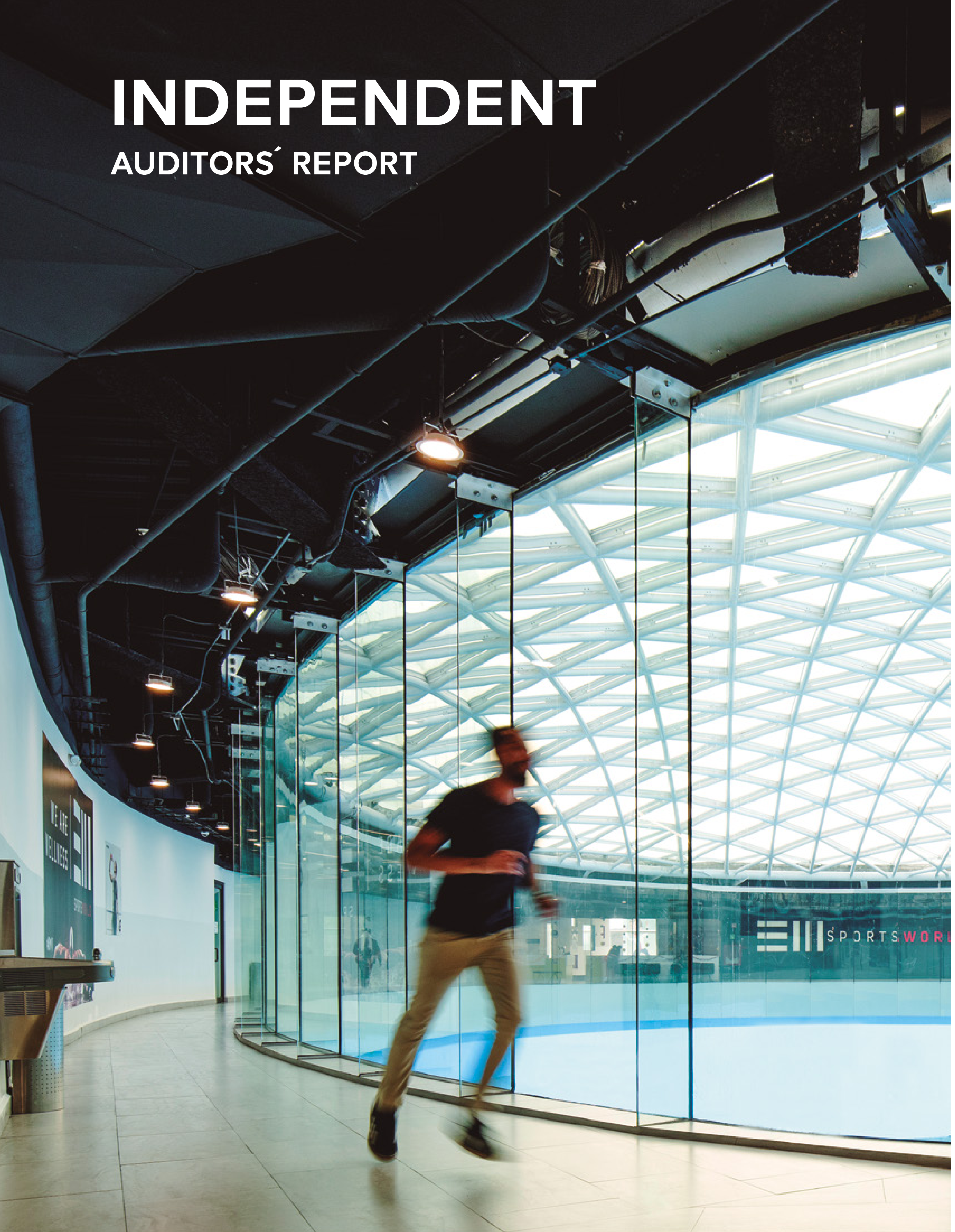
Financial Debt

By year end 2017, the Net Financial Debt grew to $486.5 million pesos, an increase of 58.8% vs. 2016, mainly due to the hiring of long-term credit lines which have been used for the adapting and equipment of new clubs and the remodeling of existing units. The Net Debt/EBITDA at the end of 2017 was 1.7x compared to 1.3x at the end of 2016.

Market Performance

Sports World's shares closed at 18.25 pesos on December 31st 2017, an increase of 10.13% vs. 2016. SPORT's average daily volume operated was 39,274 shares; in 2016 we had an average of 48,690 shares operated daily.





INDEPENDENT

AUDITORS´ REPORT

The Board of Directors and Stockholders
Grupo Sports World, S. A. B. de C. V.
102-18, 102-22, 102-23, 102-27, 405-1

Opinion

We have audited the consolidated financial statements of Grupo Sports World, S. A. B. de C. V. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in stockholders´ equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Sports World, S. A. B. de C. V. and subsidiaries as at December 31, 2017 and 2016, and its consolidated results and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors´ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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

Long-lived assets

See notes 9 and 10 to the consolidated financial statements.

Key Audit Matter

There is an inherent risk in the recoverability of long-lived assets due to external market and other factors. The impairment of long-lived assets is considered a relevant audit matter because it involvesjudgments in its assessment and cash flows projections and underlying assets used.

How the key matter was addressed in our audit

As part of our audit procedures, we tested the controls designed and applied by the Group to ensure that its impairment analysis is appropriately performed and reviewed. We evaluated the identification of the cash generating units, the impairment indicators used by Management, as well as the judgment involved and conclusions about the existence of impairment indicators. In addition, through the participation of our specialists, we evaluated the cash flows, including the discount rate in the models used and the adequacy of the disclosures contained in the notes to these consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual report for the year ended December 31, 2017, which will be presented to the National Banking and Stock Commission and to the Mexican Stock Exchange (the "Annual Report") but does not include the consolidated financial statements and our auditors´ report thereon. The Annual Report is expected to be available for us after the date of our independent auditors´ report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Once we read the Annual Report, if we conclude that there is a material misstatement of this other information, then we are required to report that fact to those charged with governance of the Group.

Responsibilities of Management and Those Charged with Governance for the Consolidated F nancial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statments in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group´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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group´s financial reporting process.

Auditors´ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors´ 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

– 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

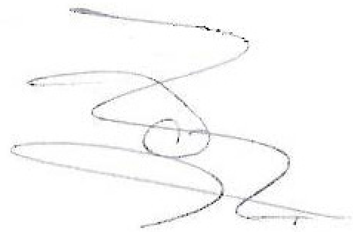
– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– 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 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors´ 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.



KPMG Cárdenas Dosal S. C.
Francisco José Sánchez González
Mexico City, February 20, 2018.

GRUPO SPORTS WORLD, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016
(Thousands of Mexican pesos)

ASSETS	NOTE		2017	2016
Current assets:				
Cash and cash equivalents	7	$	68,792	134,269
Accounts receivable, net	8		79,808	23,986
Inventory	4f		5,153	8,463
Prepayments	4e		34,192	24,813
Total current assets			187,945	191,531
Non-current assets:				
Derivative financial instruments	14		1,214	2,082
Leasehold improvements, construction in progress, furniture and equipment, net	9		1,394,054	1,206,292
Deferred income taxes	17		173,357	131,374
Goodwill	10		53,188	53,188
Intangible assets, net	10		30,414	13,056
Other assets, net	4i		45,682	44,299
Total non-current assets			1,697,909	1,450,291
Total assets		$	1,885,854	1,641,822

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTA		2017	2016
Current liabilities:				
Current installments of long-term debt	11	$	104,246	231,568
Current installments of long-term financial lease	12		3,054	3,634
Accounts payable	13		100,250	70,853
Other accounts payable and accrued expenses			74,417	42,872
Income taxes payable			14,573	6,332
Deferred income from maintenance fees	4q		194,060	178,990
Total current liabilities			490,600	534,249
Non-current liabilities:				
Long-term debt	11		428,542	182,787
Long-term financial lease	12		19,436	22,645
Employee benefits	15		12,303	9,243
Payable and deferred rents			2,637	3,234
Total non-current liabilities			462,918	217,909
Total liabilities			953,518	752,158
Stockholders' equity:				
Capital stock	18		222,165	222,165
Premium reserve for shares issued	18		353,438	353,438
Reserve for own shares	18		(50,924)	(40,965)
Comprehensive income	18		3,009	3,093
Retained earnings			404,648	351,933
Total stockholders' equity			932,336	889,664
Commitments and contingencies	20 y 21			
Total liabilities and stockholders' equity		$	1,885,854	1,641,822

The consolidated statements of financial position should be read together with the accompanying notes to consolidated financial statements on pages 9 to 67.
These consolidated financial statements were approved by the Management on February 20, 2018 and signed on its behalf by Simón Fabián Morales Carpio, Administrative and Financial Officer.

GRUPO SPORTS WORLD, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2017 and 2016
(Thousands of Mexican pesos)

	NOTE		2017	2016
Revenue from:				
Maintenance fees and memberships		$	1,373,052	1,167,503
Sponsorships and other business activities			292,790	196,370
Total revenues			1,665,842	1,363,873
Operating expenses from:				
Personnel services			526,949	428,095
Advertising			45,269	34,340
Depreciation and amortization			180,996	158,665
Lease expenses			406,346	356,315
Commissions and fees			53,307	43,882
Other expenses and operating expenses			341,214	273,015
Total operating expenses			1,554,081	1,294,312
Finance cost:				
Interest expense			56,261	34,416
Interest income			(7,693)	(3,209)
Foreign exchange loss, net			760	2,176
Valuation effects of derivative financial instruments	14		868	(3,351)
Finance cost, net			50,196	30,032
Income before income taxes			61,565	39,529
Income taxes	17		8,818	9,806
Net income			52,747	29,723
Other comprehensive (income) loss:				
Items that are not subsequently reclassified to profit or loss on the period				
Net actuarial (gains) losses of benefits plan	15		120	(2,240)
Income taxes of other comprehensive income	17		(36)	672
Total comprehensive loss (income), net of taxes			84	(1,568)
Total comprehensive income		$	52,663	31,291
Earnings per share				
Basic earnings per share (in Mexican pesos)	19	$	0.66	0.37

These consolidated financial statements were approved by the Management on February 20, 2018 and signed on its behalf by Simón Fabián Morales Carpio, Administrative and Financial Officer.
The consolidated statements of comprehensive income should be read together with the accompanying notes to consolidated financial statements on pages 9 to 67.

GRUPO SPORTS WORLD, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2017 and 2016
(Thousands of Mexican pesos)

						RETAINED EARNINGS			
	NOTE	CAPITAL STOCK	PREMIUM RESERVE FOR SHARES ISSUED	RESERVE FOR OWN SHARES	COMPREHENSIVE INCOME	STATUTORY RESERVE	TO BE APPLIED	TOTAL	TOTAL STOCKHOLDERS' EQUITY
Balances as of December 31, 2015		$ 222,165	353,438	(40,880)	1,525	14,930	307,280	322,210	858,458
Aplication to statutory reserve		-	-	-	-	1,584	(1,584)	-	-
Repurchase of shares	18	-	-	(2,155)	-	-	-	-	(2,155)
Accrued cost for shares-based payments	18	-	-	2,070	-	-	-	-	2,070
Comprehensive income	17(b)	-	-	-	1,568	-	29,723	29,723	31,291
Balances as of December 31, 2016		222,165	353,438	(40,965)	3,093	16,514	335,419	351,933	889,664
Aplication to statutory reserve		-	-	-	-	1,486	(1,486)	-	-
Repurchase of shares	18	-	-	(10,565)	-	-	(32)	(32)	(10,597)
Accrued cost for shares-based payments	18	-	-	606	-	-	-	-	606
Comprehensive income	17(b)	-	-	-	(84)	-	52,747	52,747	52,663
Balances as of December 31, 2017		$ 222,165	353,438	(50,924)	3,009	18,000	386,648	404,648	932,336

These consolidated financial statements were approved by the Management on February 20, 2018 and signed on its behalf by Simón Fabián Morales Carpio, Administrative and Financial Officer.
The consolidated statements of changes in stockholders' equity should be read together with the accompanying notes to consolidated financial statements on pages 9 to 67.

GRUPO SPORTS WORLD, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016
(Thousand of Mexican pesos)

		2016	2015
Cash flows from operating activities:			
Income before income taxes	$	61,565	39,529
Adjustments:			
Depreciation and amortization		180,996	158,665
Cost accrued by shares assigned		606	2,070
Net period cost of employees benefits		2,940	2,843
Valuation effects of derivate financial instruments		868	(3,351)
Interest expense, net		48,568	31,207
Cash generated from operating activities before changes in working capital and accruals		295,543	230,963
Accounts receivable, net		(55,822)	375
Prepayments and inventory of materials		(6,069)	649
Accounts payable		14,112	(38,215)
Provisions, rents payable and employee benefits		30,948	4,353
Deferred income from maintenance fees		15,070	28,647
Cash provided by operating activities before income taxes paid		293,782	226,772
Income taxes paid		(42,524)	(9,888)
Net cash provided by operating activities		251,258	216,884
Cash flows from investing activities:			
Acquisition of leasehold improvements, furniture and equipment		(346,379)	(185,667)
Increase net in intangible assets and others assets		(25,835)	(7,204)
Interest received		7,693	3,209
Net cash used in investing activities		(364,521)	(189,662)
Cash flows from financing activities:			
Proceeds from loans		410,000	115,000
Interest paid		(56,261)	(34,416)
Payments on loans		(291,567)	(126,481)
Payments on financial lease obligations		(3,789)	(3,055)
Sale of shares of the reserve for shares repurchase		(32)	-
Repurchase of shares, net		(10,565)	(2,155)
Net cash provided by financing activities		47,786	(51,107)
Decrease in cash and cash equivalents		(65,477)	(23,885)
Cash and cash equivalents at January 1		134,269	158,154
Cash and cash equivalents at December 31	$	68,792	134,269

These consolidated financial statements were approved by the Management on February 20, 2018 and signed on its behalf by Simón Fabián Morales Carpio, Administrative and Financial Officer.
The consolidated statements of cash flows should be read together with the accompanying notes to consolidated financial statements on pages 9 to 67.

GRUPO SPORTS WORLD, S. A. B. DE C. V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016
(Thousands of Mexican pesos)

(1) REPORTING ENTITY-

102-1, 102-4, 102-45

Grupo Sports World, S. A. B. de C. V. (Grupo Sports World), was incorporated in Mexico on March 2, 2005 and started operations on July 7, 2005. These consolidated financial statements comprise Grupo Sports World and its subsidiaries, collectively called "the Company". The main activity of the Company is the operation of sports clubs and offering integral services in sports and recreational areas with highly trained personnel.

As of December 31, 2017, the Company operates 57 clubs; 41 located in Mexico City and its metropolitan area, and 16 located in eleven States of the Mexican Republic. Up to date, the Company has signed three agreements in shared operation; these clubs do not operate under the "Sports World" brand.

Grupo Sports World is listed on the Mexican Stock Exchange (BMV). The Company has an investor who directly and indirectly holds a significant percentage of the Company and participates in relevant decisions through a Trust.

(2) BASIS OF PREPARATION-

(a) Statement of compliance-

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), adopted by public entities in Mexico in accordance with the amendments to the Rules for Public Companies and other Entities Trading on the Mexican Stock Exchange Market, established by the National Banking and Securities Commission in Mexico (NBV), according to which beginning in 2012, the Company is required to prepare financial statements in accordance with IFRS.

On February 20, 2018, the Management of Grupo Sports World on its behalf by Simón Fabián Morales Carpio, Administrative and Financial Officer, authorized the issuance of the accompanying consolidated financial statements and related notes thereto.

In accordance with the General Corporations Law and the bylaws of the Company, the stockholders are empowered to modify the consolidated financial statements after issuance. The accompanying consolidated financial statements will be submitted to the next Stockholders´ Meeting for approval.

(b) Basis of accounting-

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and liabilities of employee benefits, which are recorded at fair value at the end of each reporting period.

(c) Functional and reporting currency-

The accompanying consolidated financial statements are presented in thousands of Mexican pesos ("pesos" or "$"), Mexico's national currency, which is the Company's functional currency and the currency in which the consolidated financial statements are presented.

For purposes of disclosure in the notes to the consolidated financial statements, when reference is made to pesos or "$", it is Mexican pesos, and when referring to dollars, it is "thousands" of United States dollars. from America.

(d) Use of estimates and judgments-

The preparation of the accompanying consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Reviews to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following notes to the consolidated financial statements include information on estimates and assumptions that are critical in the application of accounting policies that have significant effects on the amounts recognized in the consolidated financial statements:

i) In conducting the asset impairment tests on non-current assets, the Company requires to perform estimates in the value in use assigned to leasehold improvements, construction in progress, furniture and equipment, and goodwill, as well as other non-current assets, in the case of certain assets. The calculations of the value in use require that the Company determines the future cash flows that should arise from cash-generating units and an appropriate discount rate for calculating the current value. The Company uses cash flow projections of income considering estimates of market conditions, determination of sales prices and volumes.

ii) The Company reviews the estimated useful life of leasehold improvements, furniture and equipment at the end of every annual period, the estimated useful life of every component of an item, as it better reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

iii) The Company uses estimates in determining the allowances for doubtful accounts receivable. The factors considered in the allowances for doubtful accounts are primarily the risk of unsecured accounts and collection delays in accordance with the credit limits established.

iv) The Company is subject to contingent transactions or events on which judgment is applied on developing estimates of occurrence probability; the factors considered in these estimates are the current legal situation as of the estimate date and the opinion from legal advisors.

v) The estimates for determining the accrual of the stock compensation plan given to officers include the probability of permanence in the Company at the end of the plan, based on the last three-year turnover.

vi) The Company makes estimates in the calculation of temporary items, where it conducts asset recoverability assessments and deferral in the payment of deferred tax liabilities. This assessment requires a judgment including the projection of revenues and tax profits.

vii) Defined benefit plan: the obligations of the Company regarding seniority Premium which by law must be given under certain conditions, are calculated by estimating the amount of future benefits accrued by employees in exchange for their services in the current and past periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified method using the projected unit credit actuary.

Assumptions in estimates of fair value

For the issue of the accompanying consolidated financial statements, the Company reviews the significant observable inputs and valuation adjustments. If third party information is used, such as broker quotes or price vendor services, to estimate the fair value, the Company evaluates the evidence obtained from third parties to support the conclusion that these estimates satisfy the requirements of IFRS, including the level within the fair value hierarchy within which should be classified. When the fair value of a financial asset or liability is estimated, the Company uses observable market data whenever possible, and even information from their counterparts. The fair value is classified at different levels within a fair value hierarchy, which is based on the variables used in the valuation techniques, as shown below:

- *Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3:* Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the variables used in estimating the fair value of a financial asset or liability can be classified into different levels within the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the hierarchy of fair value the lowest level variable that is significant to the overall measurement.

Note 5(e) contains additional information related to the assumptions made in estimating the fair value of derivative financial instruments.

(3) BASIS FOR CONSOLIDATION-

The consolidated financial statements include the accounting information from of Grupo Sports World, S. A. B. de C. V. and those of its subsidiaries in which it has more than 99% control of capital stock and/or exercises control.

Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All significant intercompany balances and transactions have been eliminated in preparing these consolidated financial statements. The consolidation was based on the audited financial statements of the issuing companies as of December 31, 2017 and 2016, which have been prepared in accordance with IFRS.

As of December 31, 2017 and 2016, the subsidiary companies, all of Mexican origin, are as follows:

	OWNERSHIP	MAIN ACTIVITY
Operadora y Administradora SW, S. A. de C. V.	99.99%	Operating
Grupo Concentrador de Servicios, S. A. de C. V.	99.99%	Administrative services

(4) SIGNIFICANT ACCOUNTING POLICIES-

The following accounting policies have been applied consistently for all periods presented in these consolidated financial statements:

(a) Basis of consolidation-

(i) Subsidiaries
Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements of the Company from the date that control commenced until the date that control ceases. The accounting policies of the subsidiaries have been adapted, as required to conform to the accounting policies adopted by the Company.

(ii) Balances and transactions between Company's entities, as well as unrealized gains and losses, have been eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

In respect of the acquisitions made prior to January 1, 2011, goodwill represents the amount recognized under the accounting standards previously fulfilled by the Company.

(b) Segment information-

Grupo Sports World operates sport clubs that are primarily located in the metropolitan area of Mexico City, as well as in other States of the Mexican Republic.

The business rules are equally applicable to all clubs independently from their geographic location, all clubs have the same sport offer and the basic equipment table.

The Executive Committee, jointly with the person responsible for each club, measure and review the indicators used in evaluating the performance of each club, and undertake by consensus the actions necessary to correct or assign resources to the clubs.

Based on the foregoing characteristics, no segment reporting are disclosed.

(c) Foreign currency-

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at the exchange rate at that time. Exchange differences arising from conversion are recognized in the consolidated statements of comprehensive income.

(d) Non-derivative financial instruments-

Non-derivative financial instruments primarily include cash and cash equivalents, accounts receivable, debt, financial lease and trade accounts payable.

(i) Non-derivative financial assets
The Company initially recognizes accounts receivable and other receivables on the date that they are originated.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability

(ii) Non-derivative financial liabilities
The Company initially recognizes financial liabilities on the trade date at which the Company becomes party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company has the following non-derivative financial liabilities: long-term debt, suppliers, other accounts payable, income taxes payable, and finance lease, mainly.

Such financial liabilities are recognized initially at fair value less costs directly attributable to the transaction. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial instruments

The Company uses derivative financial instruments to hedge exposures to interest rate risks. While these instruments are not designated for hedge accounting perspective, these instruments have a specific business purpose as they are acquired for hedging from an economic perspective.

(e) Prepaid expenses-

Prepaid expenses include mainly trading sponsorships, prepaid rents, services, licenses, and insurances, which are recognized in the consolidated statements of comprehensive income for the year and/or period in which they are incurred.

The rights for compensation of trading exchanges and sponsorships are recognized as a short or long term prepayment at the moment of executing the contracts and are transferred to an account receivable once invoiced, in accordance with the established dates. When there are rights and obligations arising from the same contract, balances are offset.

As a result of the implementation of the employee stock compensation plan, the remuneration received by employees other than stock is recognized as a prepaid expense, which will be accrued as the expense for such plan is recognized. As of December 2017, these payments had been totally recognized.

All lease-contracts provide rent prepayment at the moment of executing the contracts, which are recognized in the consolidated statements of comprehensive income for the period, in the first months when the clubs are opened.

(f) Inventory of materials-

Inventory includes mainly materials for the operation on clubs, personnel uniforms for the clubs to provide services, and spare parts for the clubs sport equipment. The cost of uniforms is recognized in the consolidated statements of comprehensive income for the period in which they are assigned to the employees.

Inventories are measured at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first out basis.

(g) Leasehold improvements, construction in progress, furniture and equipment-

(i) Recognition and measurement
Leasehold improvements, construction in progress, furniture and equipment, are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of leasehold improvements constructed for own use includes the cost of materials and direct labor, any other cost directly attributable to bringing the assets to useable conditions and financing cost of qualifying assets.

When parts of an item of leasehold improvements, construction in progress, furniture and equipment have different useful lives, they are recorded as separate components (major components) of leasehold improvements, construction in progress, furniture and equipment.

Gains and losses on sale of an item of furniture and equipment are determined by comparing the proceeds from the sale against the net carrying value of furniture and equipment and are recognized within "other operating income and expenses" in profit or loss, when occurs.

(ii) Subsequent costs
The replacement cost of an item of leasehold improvements, furniture and equipment is recognized in the carrying value when it is probable that future economic benefits of such item flows to the Company and their cost can be determined reliably. The net book value of the replaced part is derecognized. The costs of day to day operation of leasehold improvements, furniture and equipment are recognized in profit or loss as incurred.

(iii) Depreciation
Depreciation is calculated on the amount subject to depreciation, which is the cost of an asset, or other amount to replace at cost, less its residual value.

Depreciation is recognized in profit or loss using the straight-line method according to the estimated useful lives of each component of an item of leasehold improvements, furniture and equipment, since this better reflects the expected pattern of consumption of future economic benefits included in the asset.

Leased assets are depreciated over the shorter of the term of the lease agreement or useful life of assets, unless there is reasonable certainty that the Company will obtain ownership of the leased assets at the end of the lease.

Depreciation rates of the major groups of assets listed below:

	ANNUAL RATES
Leasehold improvements	5% to 20%
Gym equipment	12.5% and 20%
Audio and video equipment	40%
Computer equipment	40%
Transportation equipment	25%
Office and club furniture and equipment	20%
Machinery	10%

Maintenance costs and minor repairs are expensed as incurred. As of December 31, 2017 and 2016, the maintenance costs amount to $29,437 and $22,454, respectively and are included in other expenses in the consolidated statements of comprehensive income.

The depreciation method, useful lives and residual values are reviewed at each year and adjusted, if necessary.

(iv) Advance to suppliers
Prepayments for construction of leasehold improvements and purchase of machinery and equipment for clubs are recognized as prepayments and advances to suppliers, provided that the benefits and risks inherent to property to be acquired are not yet transferred to the entity and stated as non-current assets.

(h) Intangible assets-

These assets represent costs incurred that the Company has determined that will have future economic benefits and meet certain requirements for its recognition as assets. Research cost, as well as disbursements during the development stage that do not meet such requirements are recorded in the statement of comprehensive income of the period in which they are incurred.

The Company classifies intangible assets as having either indefinite or definite useful lives, based on the period in which the Company expects to receive the benefits.

(i) Assets with indefinite useful lives
Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(ii) Assets with defined useful lives
These assets are mainly related to costs incurred in the development phase of an enterprise resource planning system, licenses for ground use, the rights to exploit certain sports programs, as well as the use of the trademark “Sports World”. These assets are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditures
Subsequent expenditures are only capitalized when the future benefits included in the relevant asset increase. The other disbursements are recognized in the consolidated statements of comprehensive income as incurred.

(iv) Amortization
Amortization is computed on the asset cost or other amount that replaces the cost, less its residual value.

Amortization is recognized in the consolidated statements of comprehensive income using the straight-line method, based on the estimated useful life of intangible assets, other than goodwill, from the date they are available for use, as it better reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Below are the estimated useful lives for the current periods and a comparison thereof:

	ANNUAL RATES
• Other intangibles assets and rights	5 and 10 years
• Software – Development costs	3 years

Amortization methods, useful lives and residual values of intangible assets are reviewed at the end of each year and adjusted if necessary.

(i) Other assets-

Other assets include mainly security deposits on leased property, which are recorded at the cash value paid as collateral that is expected to be recovered at the end of the lease.

(j) Leasing-

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Company as lessor
Rental income (sublease) from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(ii) The Company as lessee
Lease payments are apportioned between financial expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company’s general policy on borrowing costs (see note 4(r).

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. The lease incentives received are recognized as an integral part of the total lease expenses during the term of the lease.

(iii) Determining whether an arrangement contains a lease
At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is leased if the fulfilment of the agreement depends on the use of that asset. An agreement transfers the right to use the good and the agreement transfers to the Company the right to control the use of the corresponding good.

At reception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. f the Company concludes for a financial lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed financial cost on the liability is recognized using the Company’s incremental borrowing rate.

(k) Goodwill-

Goodwill represents the future economic benefits that arise from other assets acquired that are not individually identifiable or separately recognized as a result of the acquisition of subsidiaries, which control is obtained. Goodwill is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

(l) Impairment-

(i) Financial assets
A financial asset not classified as at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both individual asset and a collective level. All individually significant receivables are individually assessed for impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables and investment securities with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted by the analysis made by Management as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

Changes in provisions for impairment attributable to time value are reflected as a component of interest income.

(ii) Non-financial assets
The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators of impairment are identified, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment.

For purposes of the impairment tests, the assets that may not be individually tested, are included in smaller groups of assets that produce cash inflows due to continuous use and that are mostly independent of cash inflows of other assets or groups of assets (the "cash generating unit"). For purposes of goodwill impairment testing, goodwill acquired in a business acquisition is allocated to the group of cash generating units that are expected to benefit from the synergies created by the combination. The allocation is subject to a ceiling test of the operating segment and reflects the lowest level at which the goodwill is monitored for internal reporting purposes. The recovery value of an asset or a cash-generating unit is the greater between the value in use and the fair value less the cost of sales.

In assessing the value in use, the estimated future cash flows are discounted at present value using the discount rate before taxes that reflects the current market assessments of the value of money over time and the specific asset risks.

An impairment loss is recognized if the carrying value of an asset or its cash-generating unit exceeds its recovery value. The impairment losses are recognized in the consolidated statements of comprehensive income. The impairment losses recorded regarding the cash-generating units are firstly allocated to reduce the carrying value of any goodwill that has been allocated to the units and then to reduce the carrying value of the other assets in the unit (group of units) on a prorating basis.

No impairment loss is reversed with respect of goodwill. Regarding other assets, the impairment losses recognized in previous periods are evaluated as of the reporting date to determine whether there is an indication that the loss reduced or no longer exists. An impairment loss will only be reversed if a change has occurred in the estimates used in determining the recovery value. An impairment loss is only reversed insofar as the carrying value of the asset does not exceed the carrying value that would have been determined net of depreciation or amortization, should any impairment loss have been previously determined.

(m) Employee benefits-

(i) Long-term employee benefits
The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(ii) Termination benefits
Termination benefits are recognized as an expense when it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer that is made to encourage voluntary redundancy.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment.

Net interest are calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income, and
- Remeasurement.

Any liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

(iii) Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term wages, salaries, vacations, sick leave, cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iv) Statutory employee profit sharing (PTU)-
PTU is recorded in the results of the year in which it is incurred and is presented in other operating expenses and supplies line in the consolidated statements of profit or loss and other comprehensive income.

As of December 31, 2017 and 2016 PTU is determined based on taxable income, according to Section I of Article 9 of Income Tax Law on January 1, 2014.

(v) Share-based payment-

The Company has established a share-based payment program based on its capital stock for certain employees, recognizing an operating expense in the consolidated statement of comprehensive income and an increase in the stockholders´ equity, during the vesting period, at fair value of the equity instruments provided.

According to the characteristics of this plan, shares net of tax withholding will be given to those officers who meet the vesting criterion of staying uninterruptedly in the Company during the vesting dates of the plan, as mentioned in note 18(b).

(n) Provisions-

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle that obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(o) Income taxes-

Income taxes include current tax and deferred tax. Current tax and deferred tax are recognized in income, except when it relates to a business combination or items recognized directly in equity, in other comprehensive income.

Current income tax is recognized in the results of the year in which it is incurred. Income in tax is calculated according to legal and tax requirements in Mexico, applying the tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax charged in respect of prior years.

Deferred income tax is recorded according to the asset and liability method, which compares the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, thus recognizing deferred taxes (assets and liabilities) for the temporary differences between these values. Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxes are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for tax loss carryforwards, tax credits and deductible temporary differences in as much as it is likely that the future taxable income will be available against which they can be used. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(p) Capital stock-

(i) Common stock

Common stock is classified within stockholders´ equity. Incremental costs that are directly attributable to the issue of common stock and stock options are recognized as a deduction in stockholders´ equity, net of tax effects.

(ii) Repurchase of shares

When the capital stock recognized as stockholders´ equity is repurchased, the amount of the consideration paid, including the directly attributable costs, net of tax effect, is recorded as a reduction in the stockholders´ equity. The repurchased shares are classified as treasury shares and are presented as a deduction of the stockholders´ equity. When the treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in the stockholders´ equity, and the surplus or deficit resulting from the transaction is transferred to retained earnings.

(q) Revenue-

Revenue is measured at the fair value of the consideration received or receivable, net of estimated customer returns, rebates and other similar discounts.

The Company provides services to the general public. The Company recognizes revenue from sales of memberships acquired by the club members to be able to use the facilities, from monthly maintenance fees, from the sale of some products and other services to the members, as well as the sponsorships and other commercial services to concession holders.

Revenue is recognized in consolidated statements of comprehensive income when the amount of revenue can be measured reliably, when: (i) the revenue is measured, (ii) the risks and rewards of products are transferred to the customer, (iii) is probable that the economic benefits associated with the transaction will flow to the Company, and (iv) the costs incurred or to be incurred in respect to the transaction can be measured reliably.

Revenue from sales of memberships is recognized at the time of sale, which generally coincides with the collection, considering that membership only makes the user to be a member of the club, and all the other services, products, and monthly maintenance fees are separately recorded, as a service is earned.

The deferred income or prepaid collections for maintenance fee are recognized as deferred income in the consolidated statement of financial position and recognized in the consolidated statement of comprehensive income for the year as earned.

The prepaid collections for maintenance fees and memberships of clubs under construction (presales) are recognized as deferred income in the consolidated statement of financial position.

Revenues for memberships are recognized in the consolidated statement of comprehensive income when the club is opened and revenues for maintenance fees are recognized in the consolidated statement of comprehensive income for the year as earned or when the club is opened.

Revenue from trading sponsorships are recognized as deferred income at the moment of executing contracts, and recognized in the consolidated statements of comprehensive income as earned.

(r) Finance income and finance costs-

Finance income including interest income for investments, is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset´s net carrying amount on initial recognition.

Finance costs comprise interest expense on borrowings. Borrowing costs are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Exchange income and exchange losses are reported on a net basis in the consolidated statement of comprehensive income.

(s) Earnings per share-

The Company presents information on the basic earnings per share (EPS) for their common stock. The basic EPS are computed by dividing the profit or loss attributable to the holders of the Company´s common shares by the weighted average number of common shares outstanding during the period, adjusted for the own shares held (note 19).

(t) Related-party transactions and balances-

Key management personnel compensation
Key management personnel compensation paid by the Company to the main directors and officers for the corporate year ended December 31, 2017 and 2016, was approximately $24,301 and $26,542, respectively. This amount includes the remunerations determined at the Company's General Stockholders' Meeting for the performance of their duties during such year, as well as wages and salaries to its employees.

The Company reviews on a continuous basis the salaries and bonuses in order to offer its employees competitive compensation conditions.

(u) Recently issued financial reporting standards-

IFRS 9 Financial Instruments
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IFRS 9 Financial Instruments are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The management of the Entity do not anticipate that the application of the IFRS 9 hedge accounting requirements will have a material impact on the Entity's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014, it was issued of IFRS 15, establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer,
Step 2: Identify the performance obligations in the contract,
Step 3: Determine the transaction price,
Step 4: Allocate the transaction price to the performance obligations in the contract,
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Apart from providing more extensive disclosures on the Entity's revenue transactions, the directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Entity.

IFRS 16, Leases
IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 was issued in January 2017 and will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. "Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of –use asset and a corresponding liability have to recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payment as well as the impact of lease modifications, among the others. Furthermore, the classification of cash flows will also affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

Apart from providing more extensive disclosures on the Entity's leases, the management is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements and/or financial performance of the Entity.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

   (i) The original liability is derecognized;
   (ii) The equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
   (iii) Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Company's consolidated financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Annual Improvements to IFRSs 2014 - 2016 Cycle
The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Entity. The package also includes amendments to IFRS 12 which is mandatorily effective for the Entity in the current year - see note 2.1 for details of application.

The amendments to IAS 28 clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at Fair Value Through Profit or Loss (FVTPL) is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of the amendments in the future will have any impact on the Entity consolidated financial statements as the Company is neither a first-time adopter of IFRS nor a venture capital organization. Furthermore, the Company does not have any associate or joint venture that is an investment entity.

IFRIC 22 Foreign Currency Transactions and Advance Consideration
IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements. This is because the Company already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

(5) Fair values determination-

Several accounting policies and disclosures of the Company require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value has been determined for measurement and/or disclosure purposes based on the following methods:

(a) Temporary investments
The fair value of the investment securities is determined considering the purchase quotation as of the end on the reporting date; all the market values are level 1 according to the terminology of IFRS 7 "Financial instruments: Disclosures".

(b) Trade receivables
The fair values of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables are measured at the original invoice amount, considering that such amount does not differ significantly from its fair value.

(c) Non-derivative financial liabilities
The fair value determination of the financial assets and liabilities for which there are not observable market prices, requires the use of valuation methodologies, as described in note 2(d).

Valuation methodologies include present value models and estimated discounted cash flows, and comparison to similar instruments for which there are observable market prices and other valuation methods.

- The Company's stock market level in the Mexican Stock Exchange Market.
- Debt instruments listed in the Mexican Stock Exchange Market, which issuers are similar to the Company as for the stock market level of the shares issued.

Notwithstanding the foregoing, the valuation made in accordance with level 2, there has not been a significant impact on the fair value measurements of the Company's financial liabilities.

(d) Share-based payment arrangements
The fair value for the shares assigned in the stock compensation plan for officers is equal to the average price of the share as of the assignment date.

When applicable, further information is disclosed regarding the assumptions made in determining the specific reasonable values of such asset or liability.

(e) Derivate financial instruments

The Company has a derivative financial instrument, and through it performs an economic hedge the financial liability that the Company has as of December 31, 2017 and 2016, which is denominated in Mexican pesos and pays interest based on the Interbank Interest Rate (TIIE). This instrument exchanges the profile TIIE liability for a fixed rate, however, there is an upper limit or "ceiling" of 5% and 6.5% on the TIIE rate for this coverage; the Company is not covered above this level. These transactions are referred to as "Bonus Swaps".

Therefore, the Company has modeled this instrument through two instruments base, an interest rate swap and an option on interest rates.

The following analysis shows the techniques and methodologies used in estimating the fair value of financial instruments categorized in Level 2 of the fair value hierarchy,

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE		
TYPE	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS
Interest rate swaps	Forward interest rate and estimated present value of cash flows expected is obtained	Not applicable
Options on interest rates	With inputs market forward interest rate is estimated and the Black & Scholes model is used to estimate the market value	Not applicable

Accounting classifications and fair value

The following analysis shows the carrying value and fair value of financial assets and liabilities, including the hierarchy level to which they belong. Information of the fair value of the non-financial asset or liability not measured at fair value is not included if the book value and fair value are reasonably close, particularly for the category of "cash and cash equivalents".

		BOOK VALUE				FAIR VALUE			
	NOTE	AT FAIR VALUE	ACCOUNTSS RECEIVABLE AND PAYABLE	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets (liabilities) measured at fair value									
Interest rate swaps with Cap on TIIE rate as of December 31:									
2017	14	1,214	-	-	1,214	-	1,214	-	1,214
2016	14	2,082	-	-	2,082	-	2,082	-	2,082

The valuation is performed by the Company in conjunction with an independent third party, to whom is provided with the mark to market determined by the financial institution that has the counterparty. The independent third party can present a prospective analysis of the effectiveness of the hedge in the event that it is intended to designate the operations for this purpose. The advisors employ commonly used methods to determine the effectiveness of quarterly coverage.

(6) Financial risk management-

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Exchange risk
- Interest risk
- Operational risk

The Company´s Board of Directors has overall responsibility for the establishment and oversight of the Company´s risk management framework.

The Company´s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company´s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk-

Credit risk is the risk of financial loss to the Company if a club member or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Company´s account receivables, and cash and cash equivalents.

(i) Accounts receivable
The maximum exposure to credit risk is represented by the balance of each financial asset mainly in accounts receivable. The total of these accounts are mainly diluted among different debtors, users and concessionaires, which do not represent an individual risk concentration. The Company periodically evaluates the financial conditions of its debtors. The Company does not believe that there is a significant risk of loss due to a concentration of credit in its customer base, because the services provided by the Company are mainly paid in cash, it also considers that its potential credit risk is adequately covered by its reserve of doubtful accounts that represents its estimate of losses incurred due to impairment with respect to accounts receivable and accounts receivable due are reserved.

(ii) Cash and cash equivalents
The Company limits its exposure to credit risk by investing only in liquid securities, and counterparties are banks with high credit ratings assigned by rating agencies. Management continuously monitors credit ratings and since the Company has only invested in highly rated securities, management does not anticipate any counterparty default.

(iii) Derivative financial instruments
The carrying amount of financial assets represents the maximum exposure to credit risk. Because the Company has as of December 31, 2017 a liability for derivative financial instruments, the Company has no exposure to credit risk on these instruments.

Derivative financial instruments have been agreed by the Company with a bank as counterparty, and this institution is rated between the range AA- and AAA according to the rating agency Standard & Poors.

(b) Liquidity risk-

Liquidity risk is the risk that the Company encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company´s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company´s reputation.

Normally, the Company makes sure that it has sufficient cash available to cover the projected operating expenses, maintaining cash allowances, disposing of credit lines available, continuously monitoring the projected and real cash flows, reconciling the maturity profiles of the financial assets and liabilities.

The table below details the Company's remaining contractual maturities for its non-derivative financial assets and liabilities with reimbursement periods agreed:

		DECEMBER 31,	
		2017	2016
Financial liabilities			
Trade accounts payable	$	100,250	70,853
Documents payable to banks in 1 year		104,246	231,568
Documents payable to banks from 2 to 3 years		218,542	166,121
Documents payable to banks in more than 3 years		210,000	16,666
Financial lease in 1 year		3,054	3,634
Financial lease from 2 to 3 years		7,881	10,548
Financial lease in more than 3 years		11,555	12,097
Total, carried forward		655,528	511,487
Financial assets:			
Cash and cash equivalents		68,792	134,269
Accounts receivable, net		79,808	23,986
Total		148,600	158,255
Net	$	(506,928)	(353,232)

The following are the remaining contractual cash flows of financial liabilities as of December 31, 2017 and 2016, including estimated interest and excluding the impact of netting agreements payments.

	BOOK VALUE	CONTRACTUAL FLOWS	6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS
Derivative financial assets (liabilities)						
Interest rate swaps with Cap TIIE rate at December 31:						
2017	1,214	1,397	563	436	386	12
2016	2,082	2,591	755	653	840	343

The inflow/(outflow) disclosed in the above table represent the expected cash flows related undiscounted financial liabilities arising from derivatives held for risk management purposes and that the Company does not intend to close before the contractual maturity. The disclosure shows net cash flow amounts for derivatives that are settled in cash inflows and cash gross output for derivatives that are settled simultaneously in gross cash.

(c) Market risk-

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company has derivative financial liabilities and financial obligations to manage market risk. These operations are carried out according to the policies established by the Management.

(d) Currency risk-

The Company is exposed to an exchange risk; it ensures that its net exposure is maintained at acceptable by purchasing and selling US dollars at spot exchange rate as required for meeting short-term unforeseen events. The Company does not use any hedging instrument.

Monetary assets and liabilities denominated in foreign currency as of December 31, 2017 and 2016, were as follows:

	THOUSANDS OF U. S. DOLLARS AS DECEMBER 31,	
	2017	2016
Assets	233	39
Liabilities	(367)	(28)
Net (short) long monetary position	(134)	11

The exchange rate of Mexican peso/U.S. dollar, as of December 31, 2017 and 2016, was $19.66 and $20.66 respectively. At February 20, 2018, the exchange rate of Mexican peso/U.S. dollar was $18.54.

(e) Interest rate risk-

The Company's exposures to interest rate risks are primarily in the interest paid for the credit line with Santander Serfín, S. A., Institución de Banca Múltiple (Santander) at an Inter-bank Interest Rate of Equilibrium (TIIE) plus three point five (3.5) and two point five (2.3) percentage points and with HSBC Mexico, S.A. at TIIE plus three percentage points (3.0). The sensitivity analysis determined by the Company is conducted in accordance with exposure to the interest rates of its total unhedged financial debt supported on variable rates; an analysis is conducted assuming that the amount of the outstanding liability at the end of the reporting period has been the outstanding liability for the entire year. The Company internally informs to the Board of Directors about the interest rate risk.

The Company has contracted this derivative instrument with the purpose of performing an economic hedge, due to the risk associated with the interest rate of the liabilities it maintains with its counterpart Santander. However this instrument has not been formally designated as hedging by the Company, situation that can be evaluated in the short term.

Exposure to interest rate risk

The interest rate profile of the financial instruments of the Company that accrues interest is defined as follows:

		NOMINAL AMOUNT	
THOUSANDS OF PESOS		2017	2016
Variable rate instruments			
Financial liabilities	$	(152,721)	(172,121)
Effect of interest rate swap with Cap in TIIE		1,214	2,082
	$	(151,507)	(170,039)

During 2017, there were no maturities in derivative transactions. Existing swap transactions have not included margin calls. As of December 31, 2017, the Company has not failed to comply with the obligations related to this type of transaction.

(f) Sensitivity analysis of cash flow for instruments of variable rate

The Company´s exposures to interest rate risk are mainly in TIIE interest rates on bank loans, and in derivate financial instruments as of December 31, 2017. Sensitivity analysis determined by the Company is prepared based on exposure to interest rates for its total debt at variable rates, and the derivative financial instrument that has contracted to cover that debt. The Company prepares an analysis assuming that the liability at the end of reporting period has been the liability for the year.

If TIIE interest rates had had a change of 100 and 200 basis points (bp), up and down each reporting period, and all other variables held constant, current earnings would have increased (decreased) in the amounts shown below:

	100 BP		200 BP	
DECEMBER 31, 2017	INCREASE	DECREASE	INCREASE	DECREASE
Interest rate swap with Cap in TIIE	17	(62)	19	(337)
	17	(62)	19	(337)
DECEMBER 31, 2016				
Interest rate swap with Cap in TIIE	224	(522)	304	(1,569)
	224	(522)	304	(1,569)

(g) Operational risk-

The operational risk is the direct or indirect loss derived from different reasons relating to the Company´s processes, personnel, technology and infrastructure, as well as from external factors other than credit, market and liquidity risks, such as those deriving from legal and regulatory requirements, and generally accepted corporate governance standards. The operational risk arises from the Company´s operations.

The Company´s policy is to manage the operational risk in order to balance the prevention of financial losses and damage to its reputation with the overall effectiveness of costs while avoiding control procedures that limit initiative and creativity.

The responsibility for the development and implementation of controls for hedging operational risks lies with senior management of each business unit. This responsibility is focused on developing policies for managing the Company´s operational risk, in the following areas:

- Proper segregation of duties, including the independent authorization of transactions;
- Transaction reconciliation and monitoring;
- Compliance with the regulatory and legal requirements;
- Controls and procedures documentation;
- Periodic evaluation of operational risks being faced, the appropriateness of the controls and procedures to tackle identified risks;
- Reporting requirements for operational losses and corrective measurements proposed;
- Development of contingency plans;
- Training and professional development;
- Ethics and business standards;
- Risk mitigation, including the procurement of insurance as required.

Compliance with the Company´s policies is monitored by the senior management.

(h) Equity risk management-

The Company´s Board of Directors policy is to maintain a strong capital base in order to maintain the confidence of investors, creditors, and market participants on the Company and sustain the future development of the business.

The Board of Director´s objective is that the Company´s managers, assistant managing directors and managing directors hold a percentage of the Company´s common stock.

Periodically, the Company purchases its own shares in the market; the moment of such purchases depends on the market prices. Some shares are devoted to the Company´s share-based payment program.

The Executive Committee takes decisions based on the evaluation of every specific transaction. During the period, there were no changes with regard to the Company´s policies in the capital management.

The Company is obligated to maintain the minimum consolidated stockholders' equity of $802,000 and $889,664, as part of its obligations with Santander and HSBC, if it is not complied with, the Bank is entitled to terminate in advance the agreements that cover the lines of credit.

The Board of Directors seeks maintaining the balance between the highest returns that could be reached with higher levels of loans and the advantages and security provided by a strong capital position.

The Company´s Management reviews periodically the financial lease debt and bank loans with interest cost and its relation with the EBITDA (earnings before income tax plus depreciation and amortization, interest and exchange rate fluctuations), by submitting their financial projections, as part of the business plan, to the Company´s Board of Directors and stockholders.

The debt index is the relation with the EBITDA and the net debt with interest cost, and the interest hedge index is the relation with interest expense and the EBITDA. The net debt index as of the end of the reporting period is as follows:

		2017	2016
Net debt with interest cost	$	486,486	306,365
Net income	$	52,747	29,723
Depreciation and amortization		180,996	158,665
Finance cost, net		50,196	30,032
Income taxes		8,818	9,806
EBITDA		292,757	228,226
Debt index	$	1.66	1.34
EBITDA	$	292,757	228,226
Interest expense		56,261	34,416
Interest hedge index		5.20	6.63

(i) Fair values versus carrying amounts

The Company estimates, given the nature of its financial assets and liabilities that the carrying amounts of financial assets and liabilities, do not differ significantly from their fair values.

(7) Cash and cash equivalents-

		2017	2016
Cash	$	68,583	48,126
Temporary investments		209	86,143
Cash and cash equivalents in the consolidated statement of cash flows	$	68,792	134,269

(8) Accounts receivable-

		2017	2016
Mainly members	$	78,222	22,183
Other accounts receivables		4,418	3,803
		82,640	25,986
Less allowance for doubtful accounts		2,832	2,000
	$	79,808	23,986

(9) Leasehold improvements, construction in progress, furniture and equipment-

The movement of leasehold improvements, construction in progress, furniture and equipment is a follow:

	BALANCES AT DECEMBER 31, 2016	ADDITIONS	DISPOSALS/ DEPRECIATION	TRANSFERS	BALANCES AT DECEMBER 31,2017
Investment:					
Leasehold improvements	1,252,282	-	-	248,170	1,500,452
Gym equipment	314,782	81,939	8,520	-	388,201
Audio and video equipment	23,834	4,345	209	-	27,970
Club furniture and equipment	53,179	9,076	152	-	62,103
Computer equipment	44,304	13,837	719	-	57,422
Transportation equipment	664	-	52	-	612
Machinery	81,496	4,332	276	-	85,552
Office furniture and equipment	2,994	-	68	-	2,926
Construction in progress	22,575	242,660	-	(248,170)	17,065
Investment total	1,796,110	356,189	9,996	-	2,142,303
Depreciation:					
Leasehold improvements	305,271	102,763	-	-	408,034
Gym equipment	159,654	43,240	7,791	-	195,103
Audio and video equipment	18,364	4,768	126	-	23,006
Club furniture and equipment	35,516	7,239	81	-	42,674
Computer equipment	35,874	7,680	342	-	43,212
Transportation equipment	613	25	26	-	612
Machinery	32,195	7,994	128	-	40,061
Office furniture and equipment	2,553	191	59	-	2,685
Accumulated depreciation	590,040	173,900	8,553	-	755,387
Net investment	1,206,070	182,289	1,443	-	1,386,916
Advance to suppliers	222	7,138	-	(222)	7,138
	$ 1,206,292				1,394,054

The Company is in process of constructing two new clubs; thus, the estimate cash disbursement necessary to complete such clubs and be under operating conditions is $61,094. As of December 31, 2017, construction in progress amounted to $17,065.

	BALANCES AT DECEMBER 31, 2015	ADDITIONS	DISPOSALS/ DEPRECIATION	TRANSFERS	BALANCES AT DECEMBER 31, 2016
Investment:					
Leasehold improvements	$ 1,102,822	-	-	149,460	1,252,282
Gym equipment	278,051	42,943	6,212	-	314,782
Audio and video equipment	20,528	3,326	20	-	23,834
Club furniture and equipment	50,705	4,066	1,592	-	53,179
Computer equipment	38,480	6,088	264	-	44,304
Transportation equipment	664	-	-	-	664
Machinery	76,718	4,175	11	614	81,496
Office furniture and equipment	2,994	-	-	-	2,994
Construction in progress	34,160	140,755	2,266	(150,074)	22,575
Investment total	1,605,122	201,353	10,365	-	1,796,110
Depreciation:					
Leasehold improvements	221,772	83,652	153	-	305,271
Gym equipment	122,712	41,307	4,365	-	159,654
Audio and video equipment	12,971	5,393	-	-	18,364
Club furniture and equipment	27,336	8,180	-	-	35,516
Computer equipment	28,842	7,292	260	-	35,874
Transportation equipment	460	153	-	-	613
Machinery	24,417	8,225	447	-	32,195
Office furniture and equipment	2,332	221	-	-	2,553
Accumulated depreciation	440,842	154,423	5,225	-	590,040
Net investment	$ 1,164,280	46,930	5,140	-	1,206,070
Advance to suppliers	-	222	-	-	222
	$ 1,164,280				$ 1,206,292

(10) Intangible assets-

The rollforward of intangible assets is shown below:

	BALANCES AT DECEMBER 31, 2016	ADDITIONS	DISPOSALS/ DEPRECIATION	TRANSFERS	BALANCES AT DECEMBER 31, 2017
Investment:					
Trademarks	$ 27,795	-	-	-	27,795
Rights	6,819	250	-	-	7,069
Computer software	32,020	8,531	-	-	40,551
Development costs	-	3,550	-	-	3,550
Other intangibles	-	12,121	-	-	12,121
Investment total	66,634	24,452	-	-	91,086
Amortization:					
Trademarks	27,795	-	-	-	27,795
Rights	860	934	-	-	1,794
Computer software	24,923	4,014	-	-	28,937
Other intangibles	-	2,146	-	-	2,146
Accumulated amortization	53,578	7,094	-	-	60,672
Net investment	$ 13,056	17,358	-	-	30,414

	BALANCES AT DECEMBER 31, 2015	ADDITIONS	DISPOSALS/ DEPRECIATION	TRANSFERS	BALANCES AT DECEMBER 31, 2016
Investment:					
Trademarks	$ 27,795	-	-	-	27,795
Rights	2,282	4,537	-	-	6,819
Computer software	28,121	3,899	-	-	32,020
Investment total	58,198	8,436	-	-	66,634
Amortization:					
Trademarks	27,795	-	-	-	27,795
Rights	273	587	-	-	860
Computer software	21,266	3,657	-	-	24,923
Accumulated amortization	49,334	4,244	-	-	53,578
Net investment	$ 8,864	4,192	-	-	13,056

Impairment tests for cash-generating units that contain goodwill

For purposes of impairment tests, goodwill is assigned to the Company´s asset units per club, which represent the Company´s lowest level to which goodwill is monitored for management´s internal purposes.

Both in 2017 and 2016, the cash flows were projected over the basis of past experiences, the real operating results and the business plan of each business unit for ten years. The cash flows for an additional period of 10 years were extrapolated using a constant growth rate in the order of 2.5% for 2017 and 2016. The annual discount rate used in these projections was 13%.

(11) Short-and long-term loans-

This disclosure provides information on the contractual terms for the Company´s loans that bear interest, which is measured at amortized cost.

During 2017, the Company, through its subsidiary Operadora y Administradora SW, S.A. de C.V., has contracted: a) simple credit for $350,000 with HSBC payable in 5 years with a grace period of 18 months in amortization capital, which shall bear interest at TIIE plus 3.0 percentage points, b) an unsecured loan for $40,000 with HSBC, which was paid in December 2017 and c) a credit line with Santander for $20,000, paid in December as well.

The disposals made in the credit line as of December 31, 2017 and the respective interest rate are detailed on the next page.

DISPOSAL DATE	INTEREST RATE	DUE DATE	AMOUNT DISPOSED	PAID	SHORT TERM	LONG TERM
23/08/2012	TIIE + 3.50%	23/08/2017	$ 65,800	65,800	-	-
23/10/2012	TIIE + 3.50%	23/10/2017	24,900		-	-
23/11/2012	TIIE + 3.50%	23/11/2017	31,790	31,790	-	-
23/08/2013	TIIE + 3.50%	23/08/2018	59,774	56,514	3,260	-
23/09/2013	TIIE + 3.50%	23/08/2018	17,736	16,751	985	-
23/06/2014	TIIE + 3.50%	23/06/2019	78,315	48,947	19,580	9,788
28/09/2014	TIIE + 3.50%	28/06/2019	35,095	21,935	8,774	4,386
23/12/2014	TIIE + 3.50%	23/12/2019	25,000	15,625	6,250	3,125
23/04/2015	TIIE + 3.50%	23/12/2019	26,590	16,618	6,647	3,325
22/05/2015	TIIE + 3.50%	13/04/2020	25,000	10,417	6,250	8,333
23/06/2015	TIIE + 3.50%	13/04/2020	35,000	14,583	8,750	11,667
23/07/2015	TIIE + 3.50%	13/04/2020	35,000	14,583	8,750	11,667
25/08/2015	TIIE + 3.50%	13/04/2020	35,000	14,583	8,750	11,667
25/09/2015	TIIE + 3.50%	13/04/2020	35,000	14,583	8,750	11,667
25/11/2015	TIIE + 3.50%	13/04/2020	35,000	14,583	8,750	11,667
11/07/2016	TIIE + 3.00%	01/01/2017	25,000	25,000	-	-
21/07/2016	TIIE + 4.00%	18/07/2017	25,000	25,000	-	-
21/09/2016	TIIE + 3.50%	21/01/2017	40,000	40,000	-	-
10/10/2016	TIIE + 3.50%	21/02/2017	15,000	15,000	-	-
25/10/2016	TIIE + 3.50%	21/02/2017	10,000	10,000	-	-
24/03/2017	TIIE + 3.00%	15/03/2022	150,000	-	3,750	146,250
24/04/2017	TIIE + 3.00%	15/03/2022	50,000	-	1,250	48,750
24/05/2017	TIIE + 3.00%	15/03/2022	50,000	-	1,250	48,750
23/06/2017	TIIE + 3.00%	15/03/2022	50,000	-	1,250	48,750
24/07/2017	TIIE + 3.00%	15/03/2022	50,000		1,250	48,750
16/10/2017	TIIE + 2.75%	31/12/2017	30,000	30,000	-	-
30/10/2017	TIIE + 2.75%	31/12/2017	10,000	10,000	-	-
			$ 1,070,000	537,212	104,246	428,542

On September 20, 2016 the Company, through its subsidiary Operadora y Administradora SW, S.A. de C.V., obtained a new line of credit of up to $70,000 with Arrendadora Actinver, S.A. de C.V., which shall bear interest at TIIE plus 3.5 percentage points, payable at maturity on January 21, and February 21, 2017.

During July 2016, the Company, through its subsidiary Operadora y Administradora SW, S.A. de C.V., obtained two additional borrowings of $25,000 each with Santander, which shall bear interest at TIIE plus 3.0 percentage points and TIIE plus 4.0 percentage points, payable at maturity in 180 days and 12 months, respectively.

The disposals made in the credit line as of December 31, 2016 and the respective interest rate are detailed as follows:

DISPOSAL DATE	INTEREST RATE	DUE DATE	AMOUNT DISPOSED	PAID	SHORT TERM	LONG TERM
23/08/2012	TIIE + 3.50%	23/08/2017	$ 65,800	57,027	8,773	-
23/10/2012	TIIE + 3.50%	23/10/2017	24,900	20,750	4,150	-
23/11/2012	TIIE + 3.50%	23/11/2017	31,790	25,962	5,828	-
23/08/2013	TIIE + 3.50%	23/08/2018	59,774	43,472	13,043	3,259
23/09/2013	TIIE + 3.50%	23/08/2018	17,736	12,810	3,941	985
23/06/2014	TIIE + 3.50%	23/06/2019	78,315	29,368	19,579	29,368
28/09/2014	TIIE + 3.50%	28/06/2019	35,095	13,160	8,774	13,161
23/12/2014	TIIE + 3.50%	23/12/2019	25,000	9,375	6,250	9,375
23/04/2015	TIIE + 3.50%	23/12/2019	26,590	9,972	6,647	9,971
22/05/2015	TIIE + 3.50%	13/04/2020	25,000	4,167	6,250	14,583
23/06/2015	TIIE + 3.50%	13/04/2020	35,000	5,833	8,750	20,417
23/07/2015	TIIE + 3.50%	13/04/2020	35,000	5,833	8,750	20,417
25/08/2015	TIIE + 3.50%	13/04/2020	35,000	5,833	8,750	20,417
25/09/2015	TIIE + 3.50%	13/04/2020	35,000	5,833	8,750	20,417
25/11/2015	TIIE + 3.50%	13/04/2020	35,000	5,833	8,750	20,417
11/07/2016	TIIE + 3.00%	01/01/2017	25,000	-	25,000	-
21/07/2016	TIIE + 4.00%	18/07/2017	25,000	10,417	14,583	-
21/09/2016	TIIE + 3.50%	21/01/2017	40,000	-	40,000	-
10/10/2016	TIIE + 3.50%	21/02/2017	15,000	-	15,000	-
25/10/2016	TIIE + 3.50%	21/02/2017	10,000	-	10,000	-
			$ 680,000	265,645	231,568	182,787

Bank loans establish certain affirmative and negative covenants, the most significant of which refer to limitations on dividend payments and the compliance with certain financial ratios determined in accordance with the consolidated figures of Grupo Sports World, S. A. B. de C. V. and subsidiaries, as well as not incurring direct or contingent liabilities, or any other contractual debts.

As of December 31, 2017 such obligations were complied, except for the financial liquidity index, however, the Administration has obtained a waiver by the Bank.

The interest expense, for years ended December 31, 2017 and 2016, was $53,286 and $30,444, respectively.

(12) Financial leases-

The Company has contracted capital lease liabilities covering certain leasehold improvements leased for two sport clubs, which mature in 15 years, from 2008 and up to 2023. As of December 31, 2017 and 2016, leasehold improvements acquired through capital lease are as shown below:

		2017	2016
Leasehold improvements	$	42,281	42,281
Less accumulated amortization		(25,994)	(23,038)
	$	16,287	19,243

Interest expense on capital leases, for the years ended December 31, 2017 and 2016, was $2,975 and $3,278, respectively.

The financial lease obligations are payable as described below:

		TOTAL AMOUNT OF THE MINIMUM FUTURE LEASE PAYMENTS	(INTEREST)	PRESENT VALUE OF THE MINIMUM LEASE PAYMENTS
December 31, 2017:				
Less than one year	$	5,518	2,464	3,054
From two to three years		11,596	3,715	7,881
More than three years		13,392	1,837	11,555
	$	30,506	8,016	22,490
December 31, 2016:				
Less than one year	$	6,515	2,881	3,634
From two to three years		16,727	6,179	10,548
More than three years		13,392	1,295	12,097
	$	36,634	10,355	26,279

(13) Accounts payable-

The trade accounts payable are analyzed as follows:

		2017	2016
Accounts payable to suppliers of leasehold improvements and equipment	$	48,472	33,187
Accounts payable to other suppliers and creditors		51,778	37,666
	$	100,250	70,853

(14) Derivative financial instruments-

As of December 31, 2017 and 2016 the carrying amount and the fair value of financial assets and liabilities, including their hierarchy level to which they belong were as follows:

		2017	2016
Financial assets measured at fair value			
Interest rate swaps with Cap on TIIE rate	$	1,214	2,082

The exposure of the Company to market and liquidity risk in relation to financial liabilities are disclosed in note 6.

(15) Employee benefits-

As of December 31, 2017 and 2016, there were short-term direct benefits from accumulating compensated absences for vacation aggregating to $6,412 and $4,903, respectively, which are recorded in other payables in the statement of financial position.

The cost, obligations and other elements of the seniority premium plans were determined based on computations prepared by independent actuaries at December 31, 2017 and 2016.

The present value of benefit obligations of the plans at December 31, 2017 and 2016 is as follows:

		2017	2016
Seniority premium	$	2,878	2,225
Other post-retirement plans		9,425	7,018
Net liability recorded	$	12,303	9,243

(a) Rollforward in the present value of the defined benefit obligation (DBO)

		SENIORITY PREMIUM 2017	2016	OTHER POST-RETIREMENT PLANS 2017	2016
DBO at January 1	$	2,225	2,080	7,018	6,711
Service and interest cost		760	626	2,309	2,217
Benefits paid by the plan		(129)	(151)	-	-
Net actuarial gain and loss recognized in OCI		22	(330)	98	(1,910)
DBO as of December 31	$	2,878	2,225	9,425	7,018

(b) Expense recognized in the statement of comprehensive income-

		SENIORITY PREMIUM 2017	2016	OTHER POST-RETIREMENT PLANS 2017	2016
Service cost	$	593	489	1,756	1,753
Interest cost		167	137	553	464
	$	760	626	2,309	2,217

(c) Net actuarial (gains) and losses recognized in other comprehensive income (OCI)

		2017	2016
Amount accumulated as of January 1	$	(3,412)	(1,172)
Recognized during the year		120	(2,240)
Amount accumulated	$	(3,292)	(3,412)

The (income) expense is presented as "personnel services" in the statement of comprehensive income.

(d) Actuarial assumptions

The main actuarial assumptions at the reporting date (expressed as weighted averages):

	2017	2016
Discount rate	8.0%	8.0%
Rate of compensation increase	4.5%	4.5%

(16) Operating leases-

The rents for operating leases not subject to cancellation are as follows:

		DECEMBER 31, 2017
Less than one year	$	412,973
From two to five years		2,343,924
More than five years		2,754,628
	$	5,511,525

The facilities where the Company has sport clubs are leased to third parties. Such leases are classified as operating leases because, independently from the lease term and the amounts fulfilled or committed with the owners of the leased property, no transfer of risks and benefits attributable to the ownership thereof is made.

In many leases, a fixed rent is established, fulfilled on a monthly basis and annually updated in accordance with an inflation effect rate. In other cases, the amounts payable to the lessor are added with a percentage of sales obtained by the Company in the leasehold. Sometimes, staggered rents are agreed, which allow to reduce the monetary flow during the first years of use; however, the expense is recognized on a straight line basis.

The total expense of the rents for the years ended December 31, 2017 and 2016 amounted to $406,346 and $356,315, respectively, and are recorded as operating expenses in the consolidated statement of comprehensive income.

Payable rents

In some cases, the leases set forth payment plans that include deferred or free payment periods. The Company recognizes the rent expense of such property by estimates, in accordance with the lease.

Differences resulting between the expenses recognized and the amounts paid in accordance with the payment plans are recorded in the consolidated statement of comprehensive income.

(17) Income taxes-

The Company is subject to income tax. The rate of current income is 30% as of December 31, 2017 and 2016, and will continue for future years.

(a) The income tax expense is as follows

		2017	2016
Income tax expense:			
Current	$	50,765	35,154
Deferred		(41,947)	(25,348)
	$	8,818	9,806

Income tax expense of the year can be reconciled with the accounting profit, as follows:

		2017	%	2016	%
Income before income tax	$	61,565	100%	39,529	100%
Income rate 30%		18,470	30%	11,859	30%
Deferred tax effect previously unrecognized		(242)	(1%)	(1,689)	(4%)
Non-deductible expenses		589	1%	1,417	4%
Recognition of income or deductions for inflation, net		(14,646)	(24%)	(5,669)	(14%)
Non-deductible portion of exempt salaries		4,647	8%	3,888	10%
	$	8,818	(14%)	9,806	(25%)

(b) Income tax recognized in other comprehensive income

		2017	2016
Deferred tax			
Remeasurement of defined benefit obligation	$	120	(2,240)
Income tax (note 15)		(36)	672
	$	84	(1,568)

(c) Deferred tax assets and liabilities

		2017	2016
Deferred tax assets			
Leasehold improvements, furniture and equipment	$	106,896	76,549
Deferred revenues		55,910	48,208
Accruals		20,282	11,131
Allowance for doubtful receivables		849	600
Other long-lived assets		469	392
Total gross deferred tax assets		184,406	136,880
Deferred tax liabilities			
Inventories		1,546	2,539
Prepayments		7,794	2,137
Accounts receivable		1,709	830
Total gross deferred tax liabilities		11,049	5,506
Net deferred tax asset	$	173,357	131,374

In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Management estimates that the temporary differences for deferred tax assets and liabilities as of December 31, 2017 will be realized as follow:

			REALIZATION	
		AS OF DECEMBER 31, 2017	CURRENT FROM 1 UP TO 12 MONTHS	NON- THAN CURRENT MORE 12 MONTHS
Deferred tax assets				
Leasehold improvements, furniture and equipment	$	106,896	-	106,896
Deferred revenues		55,910	55,910	-
Provisions		20,282	17,876	2,406
Allowance for doubtful receivables		849	849	-
Intangibles, and Other long-lived assets		469	-	469
Deferred tax assets		184,406	74,635	109,771
Deferred tax liabilities				
Inventories		1,546	1,546	-
Prepayments		7,794	7,794	-
Accounts receivable		1,709	1,709	-
Deferred tax liabilities		11,049	11,049	-
Net deferred tax asset	$	173,357	63,586	109,771

(18) Stockholders´ equity and reserves-

(a) Capital stock-

As of December 31, 2017 and 2016, the subscribed capital stock of the Company is represented by the following number of shares:

	NUMBER OF SHARES
S Class – Fixed Capital	36,963
S Class – Variable Capital	82,081,986
	82,118,949

The holders of common shares are entitled to receive dividends as periodically stated and at one vote per share in the Company´s meetings.

(b) Reserve for own shares-

Repurchase shares

At Ordinary and Extraordinary General Stockholders´ Meeting held on April 27, 2017, a resolution was passed to repurchase own shares up to a maximum amount of $182,000 during the period 1 of January to 31 of December of 2017. The National Banking and Securities Commission in Mexico permits the companies to acquire their own shares at the market, charged to retained earnings.

The repurchased shares as of December 31, 2017 amounted to 2,454,247 shares in the amount of $49,396, which represent 2.99% of the total shares in the Company´s capital stock. The market value of the shares as of December 31, 2017 is $18.25 Mexican pesos per share. The repurchased own shares available are reclassified to retained earnings. On the other hand, 614,485 shares were purchased and sold in the amount of $10,565 which includes a loss of $32.

The repurchased shares as of December 31, 2016 amount to 1,839,762 shares in the amount of $38,831, which represent 2.24% of the total shares in the Company´s capital stock. The market value of the shares as of December 31, 2016 was $16.57 Mexican pesos per share. The repurchased own shares available are reclassified to retained earnings. On the other hand, 119,700 shares were purchased in the amount of $2,155.

Below is the detail of the reserve for own shares as of December 31, 2017:

	SHARES		VALUE
Repurchased shares as of December 31, 2016	1,839,762	$	38,831
Purchase and (sale), net	614,485		10,565
	2,454,247	$	49,396

Share-based payment

The Company has a trust in order to purchase own shares for the employees´ share-based payment. The start date of the plan was April 1, 2012. The main characteristics of the plan include: (i) 3-years validity from the assignment to each of the executives, (ii) release of a third party on each anniversary and (iii) not having ceased to render services to the Company during that term. This plan allows the Company to incorporate new employees during its term.

The Company´s Technical Committee authorizes and assigns the shares of the plan at least once a year to new employees who are eligible, according to the policies. The fair value for each share assigned in the stock plan is equal to the average price of the share as of the assignment date.

The trust shares for the share-based payment as of December 31, 2017 and 2016 are 315,303 and 331,628 in the amount of $4,463 and $4,694, respectively. According to the terms of the plan, the expenses of $1,008 and of $2,780 were recognized and the net effect of taxes of $606 and $2,070 were credited to the stock repurchase reserve as of December 31, 2017 and 2016, respectively.

Increases (decreases) of the trust shares as of December 31, 2017 and 2016 are as follows:

	2017	2016
Shares as of January 1	331,628	394,801
Shares recognized during the year	(16,325)	(63,173)
Shares as of December 31	315,303	331,628

Below is the detail of the reserve for own shares as of December 31, 2017:

	SHARES		VALUE
Shares repurchase	2,454,247	$	49,396
Share-based payment	315,303		4,463
	2,769,550	$	53,859
Cost accrued by shares assigned in 2012			(5,188)
Cost of shares released in 2013			7,263
Cost accrued by shares assigned in 2013			(7,693)
Cost of shares released in 2014			6,340
Cost accrued by shares assigned in 2014			(5,247)
Cost of shares released in 2015			5,636
Cost accrued by shares assigned in 2015			(2,495)
Cost of shares released in 2016			894
Cost accrued by shares assigned in 2016			(2,070)
Cost of shares released in 2017			231
Cost accrued by shares assigned in 2017			(606)
Reserve for own shares		$	50,924

(c) Restrictions on stockholders´ equity

Five percent of net income for the year must be appropriated to the statutory reserve, until it reaches one-fifth of capital stock. As of December 31, 2017, the statutory reserve amounts to $18,000, and has not reached the required amount.

Stockholder contributions restated as provided for by the tax law, may be refunded to stockholders tax-free, to the extent that such contributions equal or exceed stockholders´ equity.

Retained earnings on which no income tax has been paid, are subject to income taxes in the event of distribution, at the rate of 30%, payable by the Company; consequently, the stockholders may only receive 70% of such amounts.

(19) Earnings per share-

Basic earnings per share calculation as of December 31, 2017 and 2016 was based on the earnings attributable to the common stockholders, and in a weighted average of current common shares, as detailed below:

	NUMBER OF SHARES	EQUIVALENCE FACTOR	WEIGHTED AVERAGE OF SHARES
December 31, 2017			
Current shares on January 1	79,947,559	1.0000	79,947,559
Net sale of shares repurchase	(598,160)	0.6139	(367,183)
Current shares as of December 31	79,349,399		79,580,376
December 31, 2016			
Current shares on January 1	80,004,086	1.0000	80,004,086
Net sale of shares repurchase	(56,527)	0.6430	(36,345)
Current shares as of December 31	79,947,559		79,967,741

The total shares not included in the basic earnings per share are 2,769,550, see note 18(b).

(20) Commitments-

(a) The Company has the commitment of providing the operating service of sport clubs, and providing different services in the sport and recreation areas to the active members, as well as providing some sponsorship services and exchange obligations.

(b) As mentioned in note 9, the Company is in process of constructing two new clubs; thus, the estimate cash disbursement necessary to complete the construction of such clubs and be under operating conditions is $61,094. As of December 31, 2017, construction in progress amounted to $17,065.

(21) Contingencies-

(a) Lawsuits

The Company is involved in a number of lawsuits and claims arising in the normal course of business. It is expected that the final outcome of these matters will not have significant adverse effects on the Company´s financial position and income.

(b) Tax contingencies

In accordance with Mexican tax law, the tax authorities are empowered to examine transactions carried out during the five years prior to the most recent income tax return filed.

In accordance with the Income Tax Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm´s-length transactions.

Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.

GRI CONTENT INDEX / ESSENTIAL CONFORMITY OPTION

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102-3	Location of headquarters	Mexico City	
102-4	Location of operations		26, 70
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102-49	Changes in reporting	GSW changed from GRI G4 to GRI Standards	
102-50	Reporting period	GSW changed from GRI G4 to GRI Standards	

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102-52	Reporting cycle	2016 Annual Report	
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102-54	Claims of reporting in accordance with the GRI Standards	This report has been elaborated in line with GRI standards: Essencial option	
102-55	GRI content index		106-110
102-56	External assurance		62
103-1	Explanation of the material topic and its Boundary		52
103-2	The management approach and its components		27-47
103-3	Evaluation of the management approach	In 2018 we will evaluate our Sustainability strategy based on our materiality 2018 and, if necessary, there will be changes made to our management model and focus.	
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201-1	Direct economic value generated and distributed		57-60
205-2	Communication and training about anti-corruption policies and procedures	To prevent breach of our Code of Ethics, we senbilize our collaborators in terms of the 10 principles of the World Pact. To handle any discrimination case, we have complaint mechanisms.	
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301-1	Materials used by weight or volume		40, 42
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305-1	Direct (Scope 1) GHG emissions)		44-45
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403-3	Workers with high incidence or high risk of diseases related to their occupation		32
403-4	Health and safety topics covered in formal agreements with trade unions	All of our collaborators are covered with collective agreements.	
404-1	Average hours of training per year per employee		30-31
404-2	Programs for upgrading employee skills and transition assistance programs		30-31
404-3	Percentage of employees receiving regular performance and career development reviews		30-31
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406-1	Incidents of discrimination and corrective actions taken	To prevent breach of our Code of Ethics, we senbilize our collaborators in terms of the 10 principles of the World Pact. To handle any discrimination case, we have complaint mechanisms.	
408-1	Operations and suppliers at significant risk for incidents of child labor		33
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		33
413-1	Operations with local community engagement, impact assessments, and development programs		36-37
416-1	Assessment of the health and safety impacts of product and service categories		32-33
417-2	Incidents of non-compliance concerning product and service information and labeling	Does not apply	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	In 2017 we continued to update our Integral Notice of Privacy for our collaborators, which allows us to protect them..	

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