

[411000-AR] Datos generales - Reporte Anual

Annual report:	Anexo N
Limited public offering:	No
Type of instrument:	Acciones
Foreing issuer:	No
Mentioning whether or not have collateral:	This element does not apply to WALMEX .
Detail the partial or total dependence:	No



WAL-MART DE MÉXICO, S.A.B. DE C.V.

WAL-MART DE MÉXICO, S.A.B. DE C.V.

BLVD. MANUEL AVILA CAMACHO # 647, COLONIA PERIODISTA

ALCALDIA MIGUEL HIDALGO, ZIP. 11220 CIUDAD DE MEXICO

PH. (52) 55 5283-0100

walmartmexicoycam.com

walmex.mx

Serie [Eje]	serie
Specification of the characteristics of outstanding securities [Abstract]	
Clase	Common
Serie	From the same series
Tipo	No-par value
Número de acciones	17,461,402,631
Bolsas donde están registrados	Bolsa Mexicana de Valores, OTCQX Market Tier
Clave de pizarra de mercado origen	WALMEX
Tipo de operación	
Observaciones	

Ticker:

WALMEX

The mention that the values of the issuer are registered:

Shares are registered with the National Registry for Securities and are traded in the Mexican Stock Exchange.

Article 86 legend of the LMV:

Registration with the National Registry for Securities does not imply certification regarding the soundness of the security or the financial standing of the issuer, or accuracy or veracity of the information contained in the prospect, nor does it confirm any actions that may, or may not, have been conducted in violation of the law.

Annual report CUE legend:

Annual report presented in keeping with General Provisions applicable to securities issuers and other market players.

Period representing:

2018-01-01 to 2018-12-31

Índice

[411000-AR] Datos generales - Reporte Anual	1
[412000-N] Portada reporte anual	2
[413000-N] Información general	6
Glossary of terms and definitions:	6
Executive Summary:	8
Risk factor's:	57
Other values:	66
Significant changes to the rights of securities registered:	67
Use of proceeds, if any.:	67
Public documents:	67
[417000-N] La emisora	69
History and development of the issuer:	69
Business Overview:	70
Main activity:	71
Distribution channels:	74
Patents, licenses, trademarks and other contracts:	75
Main customers:	76
Applicable law and tax situation:	77
Human Resources:	78
Environmental performance:	94
Market Information:	106
Corporate structure:	108
Description of key assets:	109
Judicial, administrative or arbitration proceedings:	111
Capital shares:	111
Dividends:	113

[424000-N] Información financiera	114
Financial information by business line:.....	116
Relevant credit report:.....	118
Comments and management analysis on operating results and issuer financial statement:.....	118
Operation results:	120
Financial position, liquidity and capital resources:.....	134
Internal control:	137
Estimates, critical accounting provisions or reserves:.....	138
[427000-N] Administración	139
External auditors of the administration:	139
Transactions with related parties:	139
Administrators and shareholders:	141
Association and other agreements:	158
[429000-N] Mercado de capitales.....	174
Shareholding structure:.....	174
Behavior of the share:.....	174
[431000-N] Personas responsables.....	177
[432000-N] Anexos	181

[413000-N] Información general

Glossary of terms and definitions:

ADR	American Depositary Receipt
ANTAD	National Association of Self-service and Department Stores
Associate	Employee who works at Walmart de México y Centroamérica
BAE	Bodega Aurrera Express
Bodegas & Discount stores	Austere stores offering basic merchandise, food and household items at the best prices
BPAyD	Storage and distribution best practices
CAM	Central America
CDP	Carbon Disclosure Project
Center region	Consisting of the following states: Aguascalientes, Colima, Hidalgo, State of Mexico, Guanajuato, Jalisco, Michoacán, Morelos, Puebla, Querétaro, San Luis Potosí and Tlaxcala
Centers of Excellence	Program establishing higher service and operation standards in our stores and clubs
Cetes	Mexican Federal Treasury Certificates
Clubs	Membership warehouse clubs focused on businesses and consumers who seek the best possible prices
CO₂eq	Carbon dioxide equivalent
Distribution Center/ DCs	Location for the receipt of goods from suppliers and store distribution
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EDLC	Every Day Low Costs
ESG	Environmental, social and governance
Every Day Low Prices / EDLP	Permanent philosophy of Walmart de México y Centroamérica, in order to contribute towards improving the quality of life for the region
GAP	Good Aquaculture Practices
GDP	Gross Domestic Product
GFSI	Global Food Safety Initiative
GhG	Greenhouse Gases
GJ	Gigajoule
GMV	Gross Merchandise Value

GRI	Global Reporting Initiative
IPC	Mexico's Consumer Price Index
ISSSTE stores	<i>Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado</i> (Social Security and Services Institute for Government Employees)
LGBT+	Lesbian, gay, bisexual and transgender
Metropolitan Area	Consisting of the following: Mexico City and the Metropolitan Area
Net sales	Income from the goods sold in our stores
NGO	Non-governmental organization
North region	Consisting of the following states: Coahuila, Chihuahua, Durango and Zacatecas
Northeast region	Consisting of the following states: Nuevo León and Tamaulipas
Northwest region	Consisting of the following states: Baja California Norte, Baja California Sur, Nayarit, Sinaloa and Sonora
Our Brands	Private label products of Walmart de México y Centroamérica
Sales floor	Surface area set aside for merchandise retail
SIMGREM	Mexico's Packaging and Pharmaceutical Waste Management System
SME	Small and medium-sized enterprises
Southeast region	Consisting of the following states: Campeche, Quintana Roo, Tabasco, Veracruz and Yucatán
Southwest region	Consisting of the following states: Guerrero, Chiapas and Oaxaca
Supermarkets	Self-service stores located in residential areas
TECHO	Organization seeking to build a fair, integrated and poverty-free society
The Alliance	Alliance for the security of the workers in Bangladesh
Total revenues	Net sales plus other income
UNAM stores	<i>Universidad Nacional Autónoma de México</i> (National Autonomous University of Mexico)
Walmart	Self-service stores providing the widest assortment of goods from groceries and fresh, to apparel and general merchandise
Walmart de México y Centroamérica/ The Company/ The Society	Wal-Mart de México, S.A.B de C.V.
WALMEX	Ticker symbol for Wal-Mart de México S.A.B. de C.V.

Executive Summary:

Walmart de México y Centroamérica is one of the most important retail chains in the region with operations in 648 cities located in six countries: Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua. As of December 31, 2018 it operates 3,249 units, including self-service stores and warehouse membership clubs.

During 2018, Walmart de México y Centroamérica achieved the following results.

Financial Data

	Million pesos		Growth
	2018	2017	(%)
RESULTS			
Net sales	Ps. 612,186	Ps. 569,015	7.6
Other income	4,724	4,356	8.4
Total income	616,910	573,371	7.6
Gross profit	141,586	131,072	8.0
General expenses	92,597	86,921	6.5
Operating income	49,190	43,838	12.2
EBITDA*	61,747	55,482	11.3

Income before income tax	48,860	43,290	12.9
Income tax	12,107	10,900	11.1
Discontinued operations	-	7,475	-100.0
Consolidated net income attributable to the parent	Ps. 36,753	Ps. 39,865	-7.8
FINANCIAL POSITION			
Cash and cash equivalents	\$ 38,830	\$ 35,596	9.1
Inventories, net	63,344	59,463	6.5
Other assets, net	25,144	22,742	10.6
Fixed assets, net	144,222	140,082	3.0
Goodwill	34,989	37,373	-6.4
Total assets	\$ 306,529	\$ 295,256	3.8
Suppliers	\$ 85,327	\$ 80,099	6.5
Other liabilities	56,288	55,623	1.2
Equity	164,914	159,534	3.4
Total liabilities, equity and non-controlling interest	\$ 306,529	\$ 295,256	3.8

Under International Financial Reporting Standards

*Walmart de México y Centroamérica considers this indicator in order to measure the operating performance of the business.

Shared Value Creation model

We aspire to create Shared Value by building a business that benefits all our stakeholders, making us the most trusted omnichannel chain and one of which they can feel very proud.

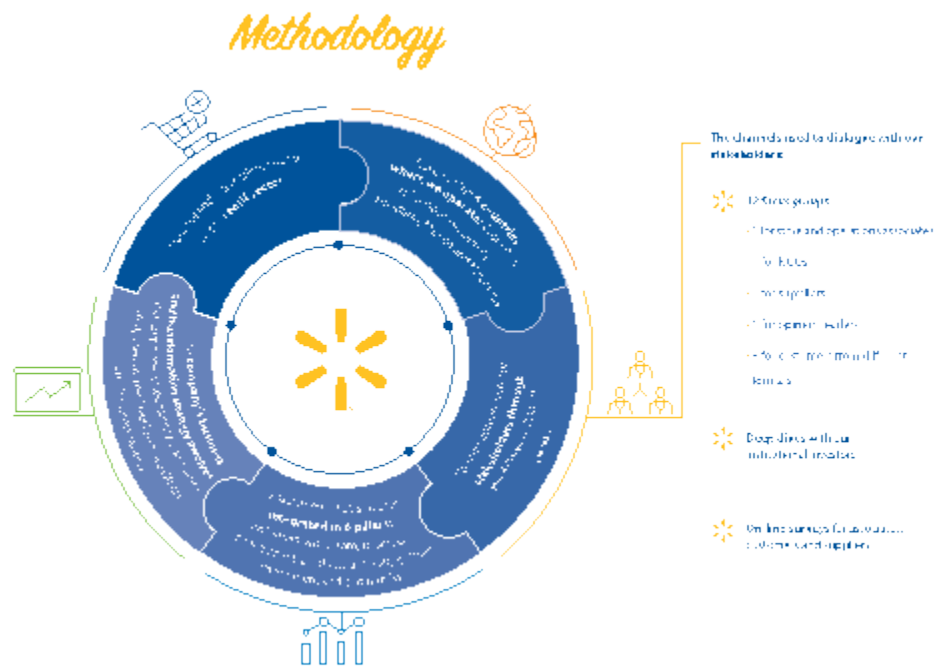
A company of our size -with over 234,000 associates, millions of customers, over 49,000 suppliers, and presence in 648 cities throughout the region- has the opportunity and responsibility to achieve a significant contribution to sustainable development. This is why we believe in our approach: Shared Value. The Corporate Responsibility principle is to guarantee sustainable growth for the company and ensuring our daily actions enhance environmental, social and governance aspects related to our operations.

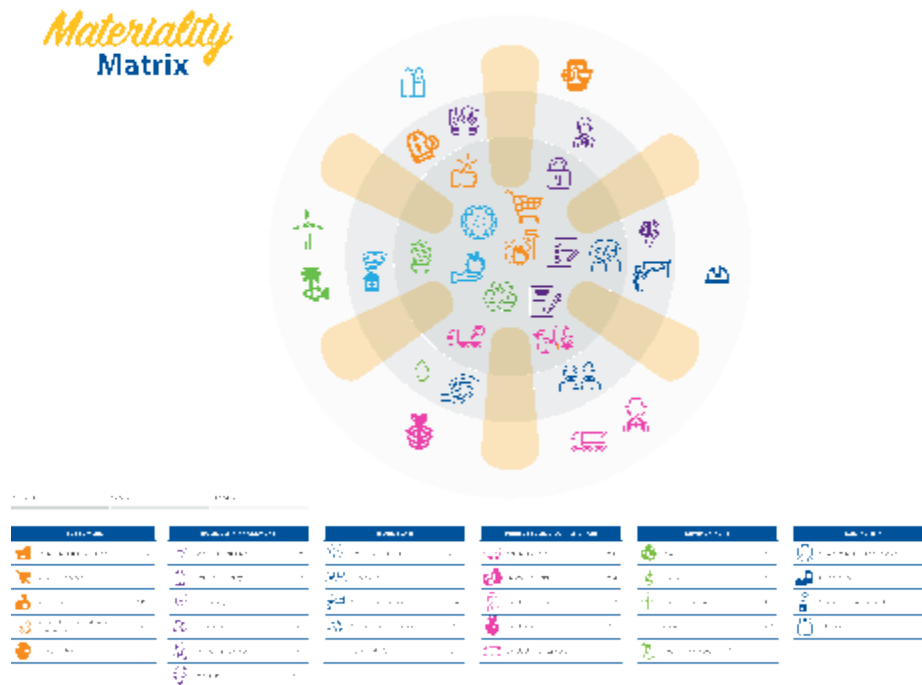
Materiality analysis

As an omnichannel chain, our company depends on the direct and frequent engagement with our stakeholders, whom we consider a key factor for the accomplishment of our business strategies.

With respect to environmental, social and governance (ESG) issues, we have engaged our stakeholders in continuous, intense and formal dialogues, using a number of mechanisms and updating our materiality. Stakeholder perspective and feedback improve the relevance and effectiveness of our operations, services, products, and initiatives. For that end, we conducted our first materiality analysis in 2009, updating it periodically, being the last one this year.

This year, as a result of a constant change in our environment and aimed at aligning our Corporate Responsibility Strategy to the economic, social and environmental context where we operate, we prepared, jointly with an external consultant, a new materiality analysis, which included the following aspects:



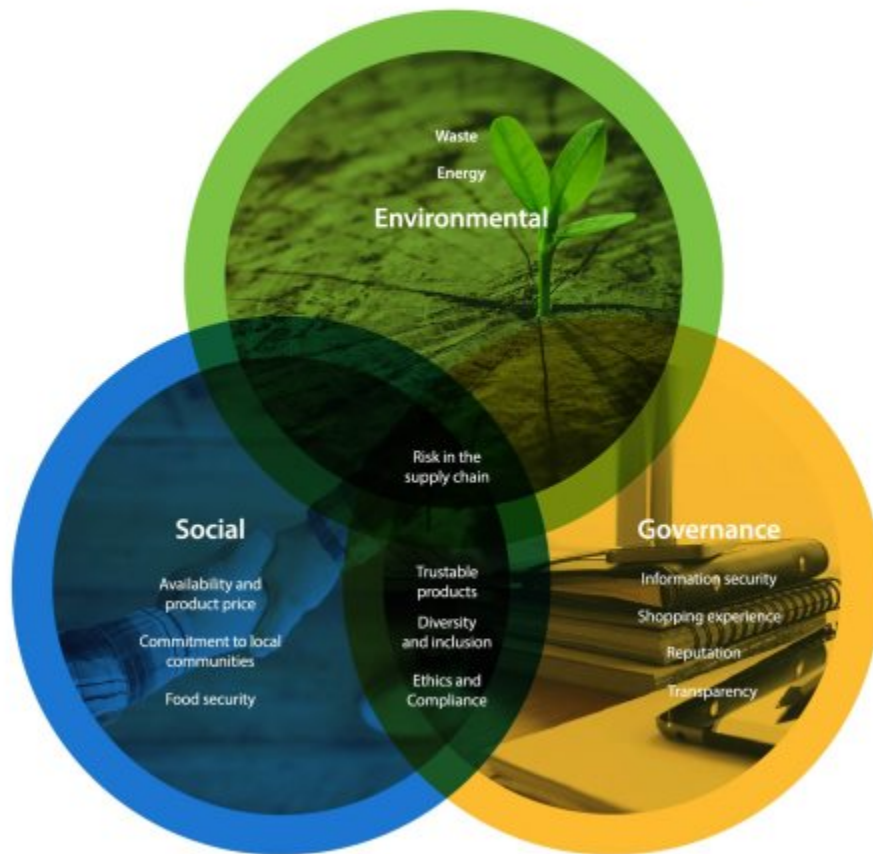


This solid materiality analysis process helped us to:

- Identify priority subjects for the company
- Identify priority subjects for each of our stakeholders
- Identify risks and opportunities
- Define and implement action plans contributing to improve our performance

With all the above mentioned, we validated our strategy articulating three major pillars: environmental, social and governance (ESG) and a set of related priorities, commitments and goals. Our approach to ESG issues goes beyond minimizing our footprint or mitigating risks. We have taken a more assertive approach towards: inspiring join efforts to transform the retail sector towards environmental, social and economic sustainability.

Classification of *material topics in ESG*

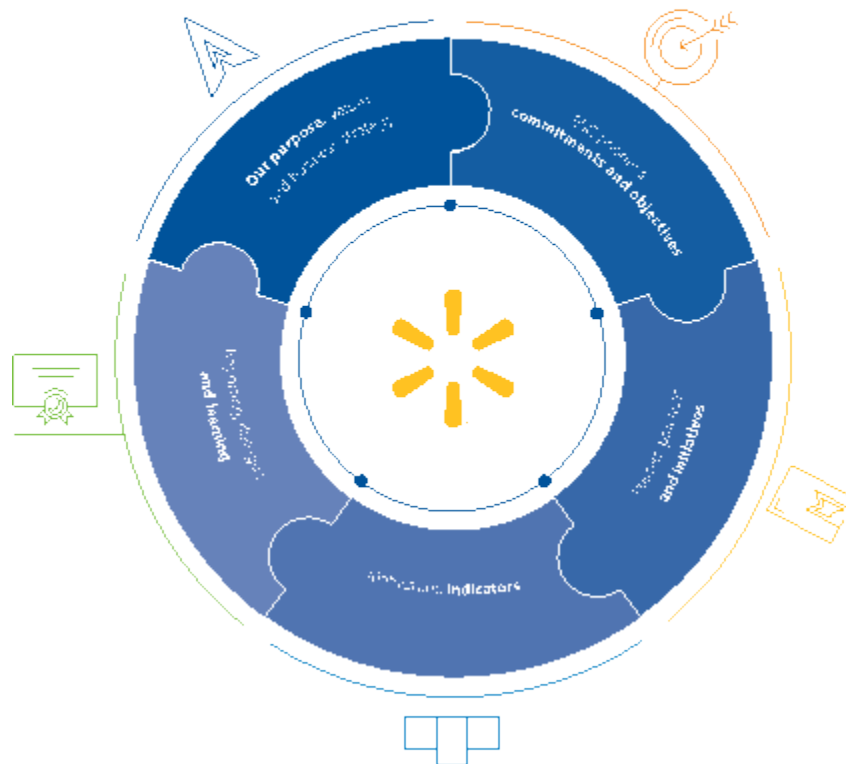


Our priorities are based on:

- Relevance to Walmart's purpose, key categories and market conditions.
- Shared Value: potential impact on our business and society based on our analysis and the importance to our stakeholders.
- Walmart's ability to make the difference through our strengths such as our 234,000 associates across the region, supplier relationships, expertise in food, groceries and other categories, 3,249 units, and capabilities such as logistics and technology.

Walmart's ESG priorities help us focus on the most salient opportunities inherent in shared value creation. Our commitments and goals help us aim high, be accountable and move at the right pace.

Continuous improvement process



We keep our strategy updated through a continuous improvement process and we share our commitments, progress and challenges with all of our stakeholders. We are always focused on informing about our performance with clarity and transparency.

When we make a public commitment, our top management is always involved and following up on it. This drives actions for our business, standards, programs, practices and metrics, including the annual publication of our financial and corporate responsibility report.

Creating financial value

Our value-creation financial strategy led us to deliver sound results this year. We were able to increase sales across all regions and business formats in an extensive, profitable and sustainable way.

Focused on improving a seamless, omnichannel shopping experience for our customers, along with transformational agility and a new digital mindset, we were able to obtain the necessary funds to reinvest in the business, drive future growth, and improve profitability in Mexico and Central America.

Improving quality all across the business

Our solid revenues increase, supported by our consistent price investment to keep up our competitiveness, and our commitment to generating operating efficiencies to reduce expenses and invest in the future growth of the business, allowed us to increment earnings higher than sales, and to strengthen the financial health of our company.

In Mexico, total revenues amounted to 503.7 billion pesos, 8.1% higher than last year, driven by sale increases across all merchandise divisions, and by more traffic in our stores and clubs, thus outperforming market growth (ANTAD selfservice stores and clubs). Our eCommerce sales are increasingly getting stronger, and since they grew 47.4% in GMV for 2018, they now account for 1.4% of sales in the country.

In Central America, total revenues amounted to 113.2 billion pesos, accounting for 5.9% growth on a constant currency basis, thanks to the solid commercial strategies in place and a positive beginning of the Center of Excellence program in our stores, which has led us to gain market share in spite of the challenging economic, political and social conditions in the countries of this region.



Managing expenses to reinvest in the business

We're aware that in order to offer our customers Every Day Low Prices, we need to maintain a disciplined control of expenses across our operations, so that we can create efficiencies and fund top performance projects to ensure our business growth in the future.

Encouraged by our successful productivity initiatives implemented in our stores, distribution centers and offices, we were able to decrease general expenses in Mexico by 10 basis points, so that they now account for 14.4% of the total revenues in the country. EBITDA totaled 51.7 billion pesos, accounting for 11.6% growth as compared to 2017, and for 10.3% of total revenues. Also in Central America, we were able to leverage expenses from operating improvements, by 120 basis points, thus getting EBITDA for 10.1 billion pesos, 10.4% over the figures reported last year, and 8.9% of the total revenues.

Due to the solid performance of our operations, we continue generating resources to keep developing a seamless, omnichannel shopping experience for our customers.

Strategic capital management

In 2018, we generated cash in our company for 60.5 billion pesos. This is a reflection of our financial soundness and the successful execution of our business strategy and operating efficiencies. Our capital was invested in productive, profitable and innovative projects aligned to our long-term priorities and strategies.

We opened 134 new stores this year, thus adding 1,662,000 sq. ft. worth of sales floor to our unit base and 2.3 percentage points to our consolidated sales growth. Also, we remodeled stores in Mexico to adapt them to our omnichannel approach and achieve a better shopping experience for our customers and members.

We believe in the potential for growth in the region so much that we opened two new distribution centers, one in Managua, Nicaragua and the other in Coris, Costa Rica; and announced the construction of another in Villahermosa, Tabasco, in Mexico, which will help us improve our supply chain capabilities and serve more customers in a more efficient way.

We updated our point of sale system to FlexPOS as part of the most important investments made in technology to facilitate the implementation of business strategies in the stores, to streamline our associate work by decreasing manual processes, and to drive our supply of financial services.

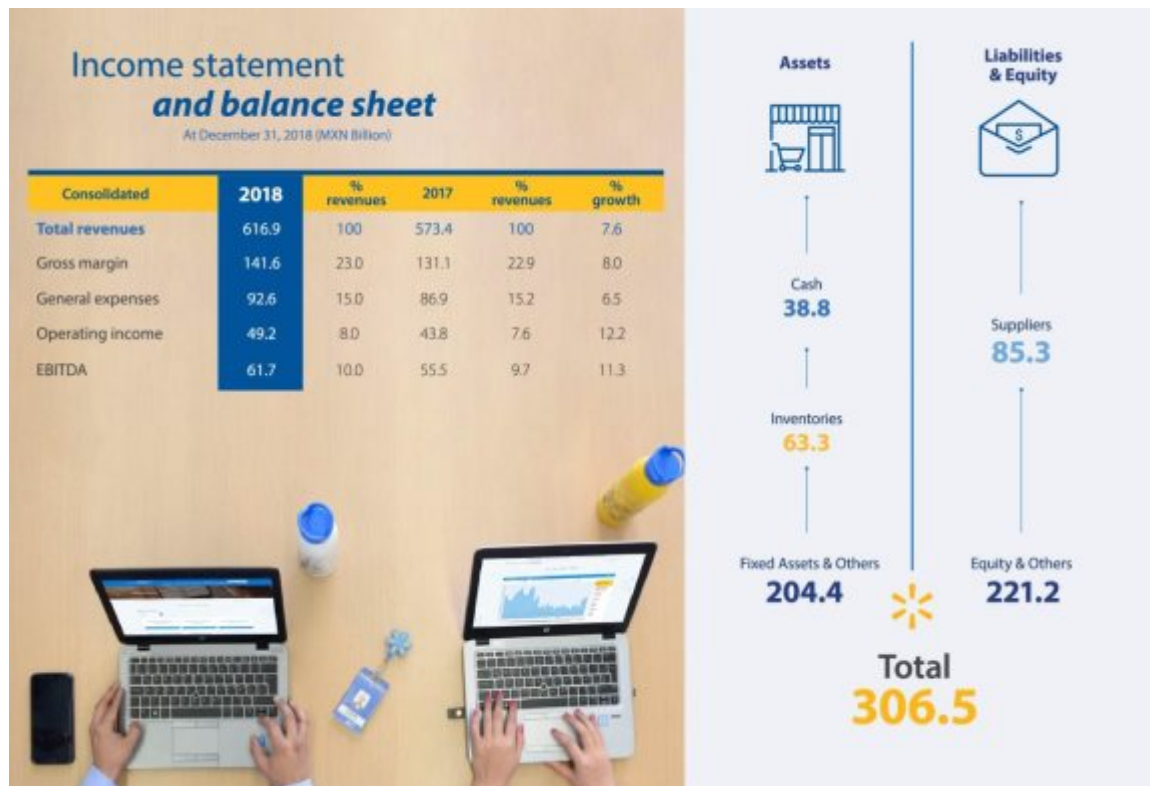
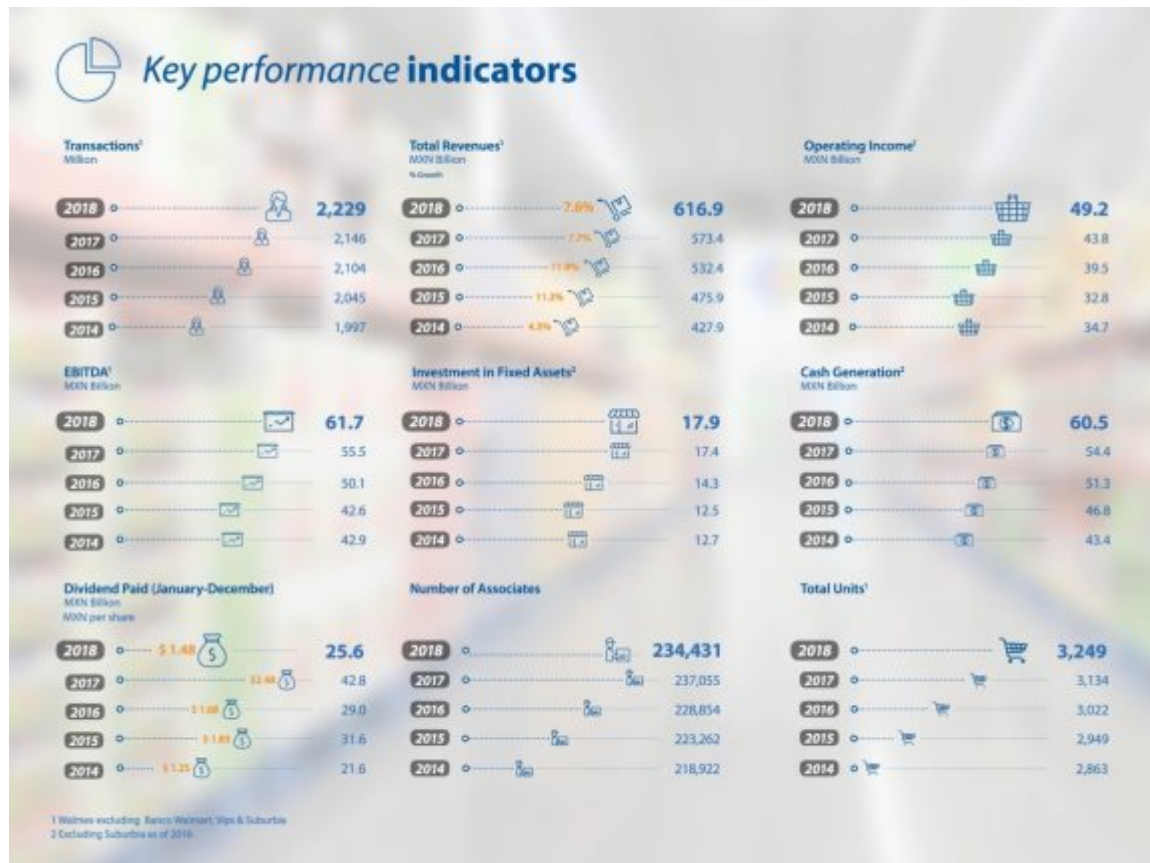
Another highlight is the release of our mobile application Cashi Más que Efectivo (Cashi, more effective than cash), which simplifies the use of cash for our customers and allows them to buy merchandise and pay services online without the need of a credit or debit card.



Delivering value to shareholders

We are a company which consistently compensates shareholders for their trust. This year, a dividend of 1.65 pesos per share was decreed, to be paid as follows: an ordinary dividend of 0.76 pesos per share in four installments of 0.19 pesos per share each, in April, August and November 2018, and February 2019; and an extraordinary dividend of 0.89 pesos per share, to be paid in four installments of 0.20, 0.10, 0.45 and 0.14 pesos per share in April, August and November 2018, and February 2019, respectively. On the other hand, the dividends paid during 2018 amounted to 25.6 billion pesos, at 1.48 pesos per share. This includes the 0.16 pesos per share corresponding to the remaining ordinary dividend decreed in 2017, and does not consider the dividends decreed in 2018, paid in February 2019.

Our performance in 2018 was very strong and our results reflect the right execution of our strategy and generate new opportunities for the future growth of our company.



Seamless shopping experience

We are convinced that in order to continue growing in the digital age, it is necessary to offer an omnichannel seamless shopping experience, a continuous innovation through new shopping solutions and turn our units into a more robust store base with new functionalities to meet the new habits and preferences of our customers and members. This year we made good progress in providing our customers with such seamless omnichannel experience in order to save them time and money.

Our foundation was on a solid commercial proposal and broad assortment of goods, which supported us in generating more traffic, in stores, digital platforms and applications. Likewise, we are evolving our way of working, centering on our customers, providing our associates with new tools to become more efficient, and accelerating innovation to cover new market trends in the digital age.

Omnichannel experience

With this approach of creating a more agile and simple omnichannel experience, we equipped physical stores and digital platforms to address the new market consumption patterns and increase shopping frequency in all our platforms and business formats.

We have included Bodega Aurrera to our omnichannel strategy; by the end of 2018 we had enabled 490 stores with free wireless internet access, and 302 with specialized kiosks for online sales of General Merchandise, under the brand *Bodega en 1 clic* (Bodega in one click). We widened our interaction scope with customers via WhatsApp, Facebook and Twitter. We conducted the first cooking reality show in social media in Mexico, named: *Cocinando con tu morralla* (Cooking with your spare change), where our customers participated by creating recipes with 5, 10, 15 and 20-peso items from our stores.

Based on quick response codes (QR codes, in promotional flyers), we redirected our customers to the entrecampeonas.com site, which is focused on sharing recipes, day-to-day tips and handcrafts. Partnering with a private-transportation service application, during the *Buen Fin*, we recognized the loyalty of our customers by granting them 2,000 free trips, departing from our stores in Mexico City.

At Walmart, we continue to be focused on being leaders regarding assortment, increasingly broadening the product assortment we offer to our customers at brick-and-mortar and online stores. We strengthened our emblematic campaign *Martes de Frescura* (Fresh Tuesdays), with a larger amount of items and features, thus offering fresher produce. We expanded our grocery home-delivery service to 113 stores and we enhanced our online platform, making navigation and promotion visibility more agile in addition to optimizing payment processes. Early in 2018, we opened our first 100% omnichannel store in Tlalnepantla, State of Mexico, which was among the five global finalist stores to be awarded an international recognition as Global Store of the Year, by the British Self-service consulting firm IGD for the most innovative concepts.

We made Superama's value proposition more robust, offering high-quality items at competitive prices, with a rapid and friendly service at brick-and-mortar and online stores. We improved perishable prices, extended our

grocery catalogue and successfully completed the image renewal of all our stores, with positive results in traffic generation. In line with our omnichannel strategy, we opened the first Superama with self-check-out functionalities and intelligent lockers, in addition to the relaunch of our mobile application to streamline the purchasing process.

Our goal at Sam's Club is to continue providing the best omnichannel experience to our members, through differentiated goods, attractive memberships and the option to pick up items purchased online in all our clubs or have them home-delivered. We launched our new Sam's Club Plus membership offering a 2% special benefit on purchases made, as well as exclusive goods on sale for our members, in addition to all the benefits of our Benefits membership. We evolved the design of all our clubs, so that we can adapt to our member needs, in addition we kept on expanding our Member's Mark products. We had excellent results during *El Buen Fin*, due to successful bets and adequate volume of exclusive items that fit the taste and needs of our members.

It is worth highlighting the launch of the Hot Days event, the first in its kind in Mexico, during which we offered appealing prices and an extended catalogue of products both online and in all our physical stores and clubs throughout the country. This event helped our customers and members to shop the products of their choice through their preferred channel.

Supported by the good results obtained in Mexico, this year we started the implementation of the Centers of Excellence Program in Central America, aimed at improving operational execution in our stores by enhancing standards and routines to drive more loyalty from our customers. By the end of 2018, more than 56% of our stores operated under this strategy, with very good results. Simultaneously, we continued to strengthen our price gap measurement methodology, broadening our direct competitor sample in the current and traditional channels alike, thus reinforcing our price leadership in the region. Also our co-branded credit card, partnering with solid financial institution in the region, had an excellent performance. Thanks to it, we contributed to generate additional savings to our customers via available benefits granted by loyalty programs.

Ecosystems

We accelerated innovation to create new ecosystems with shopping solutions to supplement our value proposition, to meet the market trends in this digital age, thus generating more loyalty among our customers.

One of the key elements to strengthen our omnichannel value proposition was the launch of *Cashi Más que Efectivo*; which is a platform that allows our customers to shop and pay via their cell phones in more than 500 stores of Walmart, Superama and Sam's Club in Mexico, without the need to have a bank card or cash. *Cashi Más que Efectivo* helps reduce the use of cash in day to day activities and provides the opportunity to pay for utilities and digital applications. We will continue to work to add more stores and more functionalities, generating more loyalty from our customers.

As part of the efforts to improve our home delivery service, this year we announced Walmart Inc.'s strategic agreement to acquire Cornershop platform. Such acquisition is subject to approval from the Antitrust

Authority. In the meanwhile, we executed a commercial agreement by means of which our customers will benefit from the same prices we offer in our stores in Mexico City, Guadalajara and Monterrey when they use that platform.

Lastly, our catalogue continued to expand with more products available to our customers in our Marketplace walmart.com.mx, enabling us to add an increasing number of commercial partners.

Growth vehicles

As part of our omnichannel approach, and supported by our new way of working, we continued to invest in the opening of new stores, and revamping of our unit base so that our customers could enjoy a seamless shopping experience.

We continued to expand our presence in the region; we opened 134 new stores, 100 in Mexico and 34 in Central America. In the particular case of Bodega Aurrera Express, this year we opened store number 1,000 in Mexico, reflecting the success of said format value proposition and continuous loyalty from our customers. At the same time, we started to work with new digital tools to strengthen and make project assessment processes more agile regarding potential new openings. This represented important savings of work hours in report generation, and the analysis of market and financial scenarios in the decision-making process.

We remodeled stores in Mexico and in Central America, always seeking to offer a more agile and simple shopping experience. We enabled specialized areas to pick up merchandise purchased online, both inside and outside stores. In addition, we integrated eCommerce and customer service counters, where we offer comprehensive solutions in a personal way, for any shopping option, either in store or through electronic devices. We kept on equipping our store base with free wireless internet, in order to make our extended catalogue available online so that our customers can find and buy the product they want through the channel they want.

We also explored new ways of generating traffic in our stores and clubs, so in 2018 we started a pilot program with 6 gas stations distributed throughout the country, operated by third parties, aimed at helping our customers save time and money while shopping with us.

Capabilities for continuous success

Aware of the business challenges and opportunities that we face for the medium and long term, we devoted efforts to strengthen and develop key capabilities that will allow us to keep on writing a story of continuous success and profitability. As a consequence, we accelerated the transformation process of our company, training our associates, reinforcing our distribution network, and generating operating efficiencies that translate into higher savings for our customers.



Digital transformation

Two years ago, we started working on our transformation into a digitally-enabled company to be able to respond to the new trends in a market with increasingly technology-empowered customers and a wider array of options and assortment of products available to them.

To this end, we started changing our way of working and developing new digital tools to train our associates in customer-focused processes. Our digital factory evolved and gave way to *Zona 18*, a business incubator working as the foundations for the digital transformation and the right execution of our strategy.

Zona 18 comprises four main areas: labs focused on developing digital products (such as recruiting apps for stores and clubs, an omnichannel logistics brain, purchasing process automation, and virtual assistants for store associates), a design center in charge of making new experiences and services, an area to manage cross-functional teams created to work in strategic projects and under an agile methodology, and the *Walmart Laboratoria*, which along with external collaborators, helped us create solutions that generate operating efficiencies and value to our customers.

Supply chain

In 2018, we invested in, and fostered, new ways of working aimed at strengthening our supply chain and enabling us as a more profitable, efficient omnichannel company which is closer to customers.

We reinforced our presence in Central America with the opening of a new distribution center in Managua, Nicaragua, and a new agroindustrial plant in Coris, Costa Rica. In parallel, in Mexico we signed an agreement in April for the construction of a new perishables distribution center in Villahermosa, Tabasco, which will allow us to service our stores in the region better and to take our value proposition to more customers.

We kept up the development of eCommerce projects to increase our capabilities, reduce shipping costs and improve our customers' shopping experience. We also implemented our Omnichannel Shipping Process, along with *Zona 18*, to link our eCommerce logistics network to our distribution centers and brick-and-mortar stores. For the third consecutive year, we were granted the National Logistics Award *Galardón Tameme 2018*, after our efforts to develop an omnichannel last-mile fleet.

We were awarded the AEO (Authorized Economic Operator) Certification by the SAT (Tax Administration Service, per its acronym in Spanish), thus becoming the first self-service company to receive it. This recognition earns us the position of trusted importer that has such an internal control approach that imported merchandise is guaranteed to enter our supply chain in an agile, safe and transparent way.

Throughout the year, we moved over 1.2 billion cases, accounting for a 5.5% increase versus the previous year, and our cases per man-hour productivity indicator had a 5.3% increase in the same period. We traveled over 306 million kilometers in a total of 963,000 trips across Mexico. Supported by backhaul initiatives, we completed 282,000 trips and traveled almost 24 million kilometers.

Productivity

We had another year of important productivity progress in stores, distribution centers and offices, reflected in a better use of resources, expense reductions, and investments that drive the future of our business.

As of last year, all of our stores and clubs in Mexico started operating under the Centers of Excellence program, and since the results have been positive, we are encouraged to keep on striving for operating excellence across all of our units so as to improve our omnichannel shopping experience and generate more loyalty among our customers. At the end of 2018, over half of our stores in Central America were operating under this approach and delivering positive results versus 2017.

We supported our store and club associates through new digital programs and tools focused on driving productivity indicators, such as UPLH (Units per Labor Hour).

We updated our point of sale system to FlexPOS, enabling new payment functionalities such as self-checkout and the possibility to pay for a wider variety of services that facilitate our Checkout associates work, and improve our customer shopping experience. Also, this new system help us drive key initiatives, such as the Sam's Club Plus membership, and *Cashi Más que Efectivo*.

We implemented enhancement programs along with digital tools to successfully reduce the time it took to put together purchase orders for home delivery services at Walmart and Superama, and monitor the delivery process from the moment carriers leave the stores to deliver the orders.

We also drove digitization in our company through new work tools and mobile apps for our store associates, giving them access to all the digital reports and information they need. With this, we streamlined the processes to follow up on everyday backlog. By digitizing reports, we achieved a reduction of over 100 million printouts a year.

Our customers/members are always, first

Every day we listen to opinions and needs from customers and members and we strive to improve our performance.

We have digital tools in 100% of our formats across the region. The purpose of the Customer Experience Index (CEI) and Member Experience Index (MEI) is to monitor the shopping experience within the units. These indexes help to improve decision-making and to generate action plans that will ensure the proper operation of the units, in keeping with customer needs and expectations.

In Central America we changed the methodology and the way of collecting data so as to optimize monthly costs and measurements. We managed to migrate from face-to-face surveys in our stores with constant samples and monthly reports, to self-administered surveys with an unlimited number of respondents and weekly progress. The results have served as a guideline for working on the more relevant opportunities and for developing programs or initiatives that will improve our customer in-store shopping experiences in the region.

Maintaining an open and constant dialogue with our customers is of the utmost importance, thus we offer several communication channels:

Multichannel Contact with customers and members

- Customer Service Line (CAT) customized per business, where customers can schedule a call based on their needs
- E-mail
- Online chat
- Social media

Encouraging healthier choices

We have a team specialized in responsible marketing communication, transparency in the nutritional content of products, as well as in product innovation and improvement of nutritional profiles through sodium, fat and sugar reductions, among other aspects. We offer products with the health of our customers in mind, and therefore we increased the offering of healthy products, such as:

- Gluten free
- Sugar free
- Low sodium
- Kosher
- Free of trans fat
- Free range

The Consumer Goods Forum is a global organization that brings together main retailers and producers of massive consumption goods around the world to achieve positive changes in the industry and among its consumers. Doug McMillon, President and Chief Executive Officer for Walmart, Inc., serves in the Global Board, and, Enrique Ostalé, Chairman of the Board of Directors for Walmart de México y Centroamérica, represents the company in the Latin American region chapter.

As these subjects are so important for the region, we decided that our initial efforts should be centered on Health and Wellness. Consequently, together with suppliers, who joined this organization, we created a campaign called *Dale un giro saludable a tu vida* (Switch to a healthy life), in order to raise awareness among Costa Rican consumers about conscious shopping decisions that allow them to adopt healthy and balanced life styles. The Campaign was launched in Costa Rica where several Health Stations were set up in Walmart San Sebastián

The purpose of this project is to guide consumers so that they can take care of their wellbeing and their family's through various tools. During the campaign, consumers were informed on healthy habits and routines, hand in hand with participating brands.

In 2019, this event will be held for the first time in Mexico and will be implemented in the other five countries where we have presence in Central America.

Labeling

When reviewing the product labels for Our Brands, we ensure that the nutrition information complies with all Mexican National Standards (NOMs) applicable to each product.

In Central America, we offer coaching and develop various tools to check the labels used for operations.

Main requirements for labeling are:

- Origin of the product or service components
- Contents regarding substances that might have an environmental or social impact
- Instructions for product or service safety

923 labels were validated

153 labeling incidents

- 20 resulting in penalties or fines
- 35 authority actions due to lack of compliance

87 visits from health and consumer protection authorities

Responsible marketing

Compliance consistently offers training to key areas and sends information to all our units on customer communication guidelines and on comparative advertising.

64 marketing incidents

- 8 resulting in penalties or fines
- 64 resulting in lack of compliance of voluntary codes

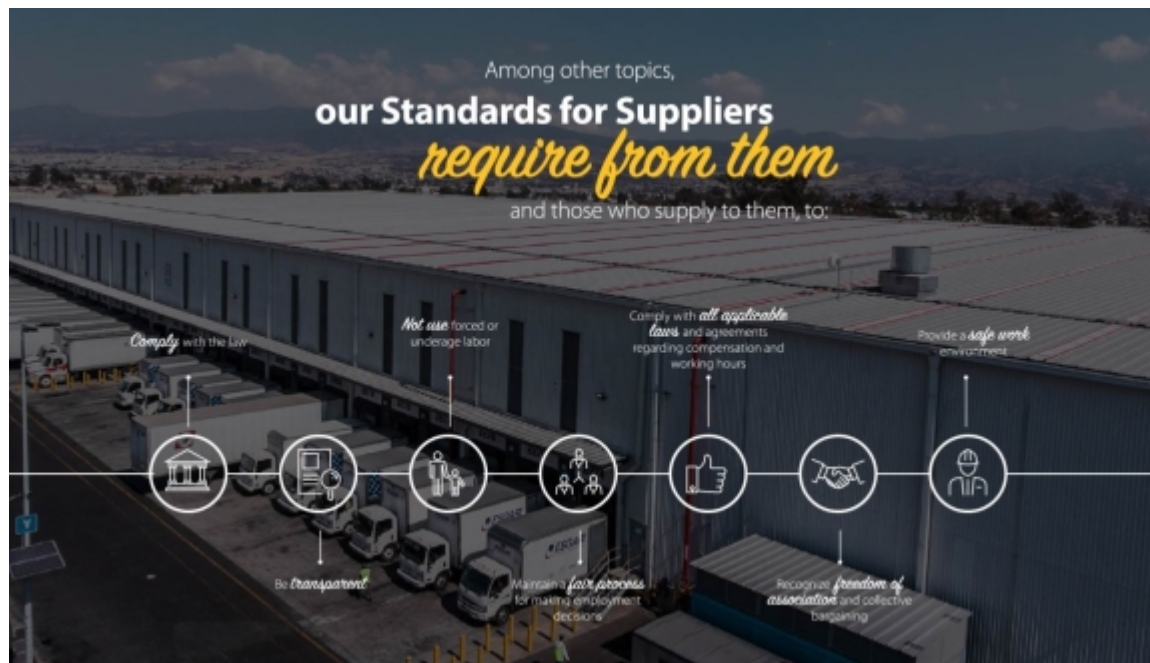
Responsible supply chain

One of Walmart de México y Centroamérica objectives is to foster a more inclusive supplier base that leads to an economic opportunity for people and their families, while driving economic growth. We promote local productive innovation and development in the region, and are committed to help improve the lives of small producers through better access to the market, the building of skills and training on business vision.

We also believe that our supply chain should reflect the diversity of our customers and communities around the world where we live and work.

Promoting responsible sourcing practices

Walmart is committed to working with suppliers and other stakeholders to make the global value chain more responsible, and the foundation of our Responsible Sourcing program is our Standards for Suppliers. Our Standards align to Walmart's basic beliefs of customer service, respect for the individual, striving for excellence and acting with integrity. Suppliers, their facilities and agents are expected to comply with these standards throughout the product value chain.



Establishing accountability through audits and other tools

We use detailed third-party audits to evaluate supply-chain standards, including social, safety and environmental issues. The audits are conducted through a number of internationally-recognized third-party programs. Audits focus on a variety of issues, including compensation for all hours worked in accordance with law, voluntary labor practices, observance of working-age laws and standards, non- excessive working hours consistent with local laws and regulations, and facility health and safety standards.

Suppliers within our audit scope are required to submit audit reports to Walmart and work with their facilities to remediate identified issues. Facilities are typically re-audited on a schedule set by their chosen third-party audit program or based on the severity of issues found. Most of the third-party audit programs assign their own scores or ratings based on the results of the audit, while others operate as certification systems.

Walmart also reviews each audit report submitted by suppliers and assigns it a color rating based on the type and severity of issues found. Walmart's review may lead to a facility receiving a lower rating than it would

have received relying on program scoring alone, particularly where there are indicators of forced labor, underage labor or unsafe working conditions. This helps suppliers prioritize remediation efforts and provides Walmart internal teams with a consistent view of value chain performance across audit programs.

All facilities should be reported and be available for audits. If we find a supplier producing merchandise at non-authorized facilities, or outsourcing them, including those facilities that must be reported, have not, the supplier may be ineligible for a business relationship with Walmart.

Risk-based audit approach

Not all of these facilities pose the same degree of potential risks to worker safety and well-being. Using the Worldwide Governance Indicators from the World Bank, we consider factors such as government effectiveness, rule of law, prevalence of corruption, and government stability to assess the likelihood of noncompliance in different countries around the world.

Risk-based auditing allocates more resources to facilities located in countries with greater potential risks; facilities in higher-risk countries are required to submit regular audits, while facilities in lower-risk countries are audited on a sample basis.

Assessments of audit results, particularly in higher- risk geographies, provide us and our suppliers with important information to help address potential issues and make a positive impact for workers and communities.

We believe promoting accountability and continuous improvement throughout our value chain has a positive impact on the communities where we and our suppliers conduct business; for that reason, our continued presence in challenging parts of the world is more likely to address potential risks to worker dignity than would withdrawing our business.

Audit clasificación



Facilities in which Responsible Sourcing has found **no** non-conformities.



Facilities among in which we're **generally** compliant with the standards, but which have failed to meet at least one important requirement.

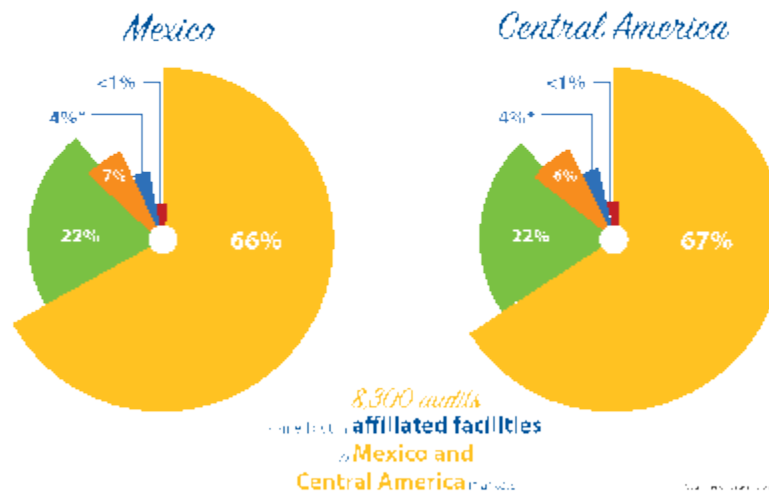


Facilities where Responsible Sourcing has found **more serious violations of the standards**, but from which we've agreed and mutually agreed on the violations present and the corrective actions to be taken. Facilities may receive a red flag if they have a serious non-conformity or if they are not following good standards in the audit protocol follow-up.



Facilities for which Responsible Sourcing has discovered **violations of a nature** that may make it appropriate to temporarily or permanently suspend their supply chain to conduct measures to fix serious violations. The facility is given a red flag, which will be taken as a non-conforming point for the final audit only, with a prediction of suspension or refusal to accept refused.

Risk-based audit assessment



In addition to monitoring suppliers' facilities through audits, Walmart investigates certain alleged violations of our Standards for Suppliers. Each allegation is reviewed and may be referred to our Responsible Sourcing Investigations team or other compliance teams within Walmart. In addition, we began a new process in 2017 of direct supplier engagement on issues where a formal investigation may not be warranted. This issue-response process typically includes a discussion regarding the allegations, a clarification of expectations, and review, approval, and follow-up with the supplier on a corrective plan.

We believe that staying engaged with suppliers through dialogue and corrective plans can have a more positive impact on workers than simply abandoning the supplier relationship. However, substantiated findings may result in consequences for suppliers, facilities or both, up to and including termination of business relations with Walmart and its subsidiaries.

Empowering workers

We want workers to understand our expectations of suppliers and facility management and to report instances of noncompliance. In 2017, when we reissued our Standards for Suppliers, we provided an updated series of posters that suppliers are required to place in their facilities. The posters were available in several languages, and we will continue to add languages throughout the coming year.

The posters focus primarily on issues of higher risk to workers, including forced labor and trafficking risks, unsafe working conditions, working hours and wages, and intimidation and discrimination. Workers have several options for reporting issues of concern, including those directly related to Walmart.

Providing supplier training and resources

Although responsibility for compliance in the supply chain rests with suppliers, we believe we have the potential to influence the global value chain by leveraging our size and scale. With that in mind, we developed the Responsible Sourcing Academy Training Portal, which is publicly accessible through Walmart's corporate website.

The portal provides suppliers and their facilities with tools and training materials designed to encourage continuous and sustainable improvement.

The portal features the following:

- *Audit guidance*

The portal offers information and training to help suppliers understand and comply with Walmart's Responsible Sourcing audit requirements, as well as tools and guidance to help them select the third-party social compliance program that works best for their business.

- *Global Compliance Guidance Tool*

To use this tool, suppliers answer questions about their products—including origin and destination—and they receive guidance on compliance requirements to initiate or continue doing business with Walmart. Topics include Responsible Sourcing, Food Safety, Health and Wellness, Product Safety, Factory Capability and Capacity, and Supply Chain Security.

- *Training information and tools*

Walmart maintains a suite of resources that provide suppliers with access to training information and tools from a variety of sources, including Walmart, Walmart's approved third-party audit programs, audit firms and other organizations.

Enabling responsible sourcing

Our merchants play an important role in reinforcing our Standards for Suppliers. For that reason, we developed a multi-pronged strategy to help integrate responsible sourcing in the business to promote responsible-sourcing practices.

Embedding responsible sourcing in our markets

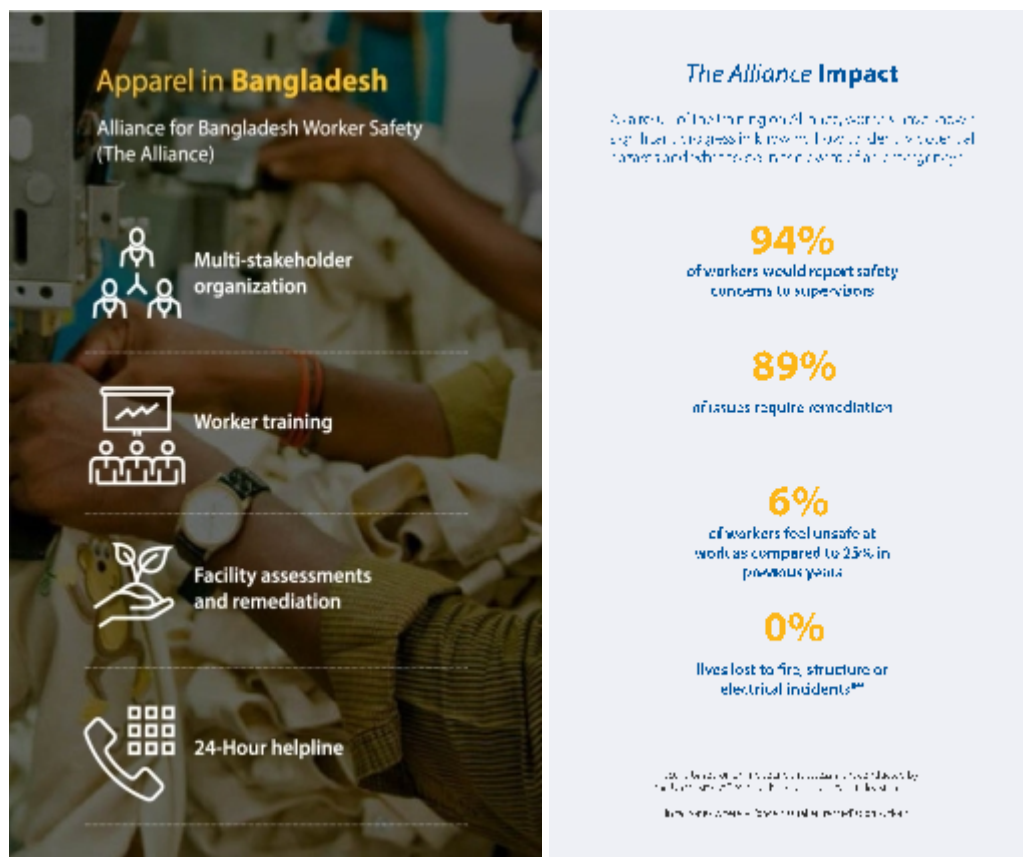
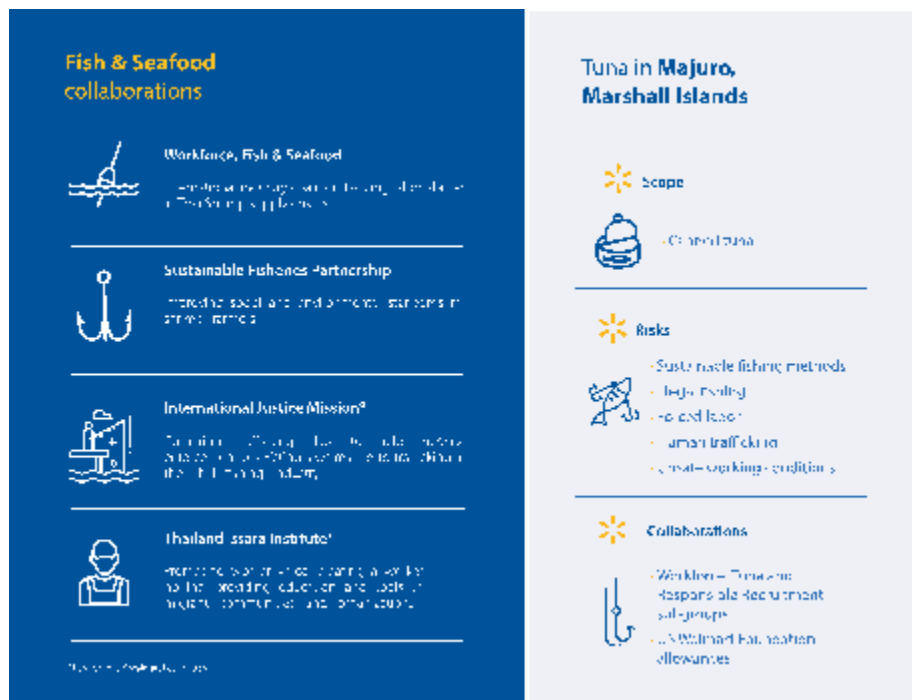
Responsible Sourcing business-enablement teams physically sit in our merchandising offices and fulfillment centers to help integrate responsible sourcing in buying decisions. These teams answer merchants' questions, participate with sourcing teams in supplier meetings, and accompany merchants on in-country visits to better explain regional challenges and best practices. Business-enablement associates discuss business trends and emerging risks with merchants and bring business intelligence back into the Responsible Sourcing team to keep the program nimble and relevant to merchandising decisions.

Measuring performance

The Responsible Sourcing team developed supply chain health check reports and key performance indicators that measure current facility audit performance, supplier history and facility improvements. Business - enablement teams share these reports with their respective retail-market and fulfillment centers leaders to encourage sustained improvement.

Future plans for scorecards include new views to focus on specific value chains.

Value chain initiatives



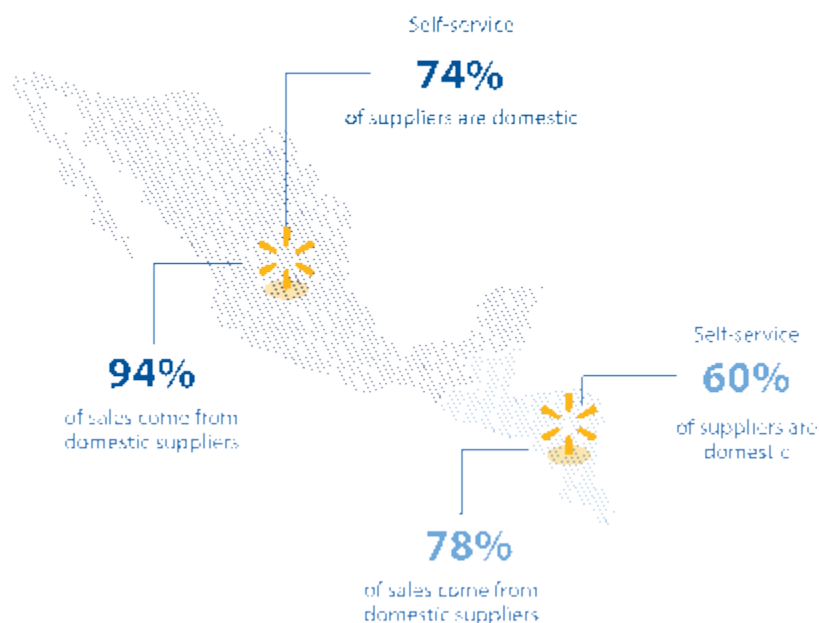
Our work on Responsible recruitment

Our Commitment
We will mitigate risk by helping make ethical recruitment the norm for the global supply chain within a decade.

Our Goal
Decreased worker exposure to exploitation, forced labor and trafficking risks.

- 1 **Leadership Group for Responsible Recruitment**
Support the development and adoption of responsible recruitment principles
- 2 **Employer Pay Principle**
Promote the Employer Pay Principle across the industry
- 3 **Pilots**
Roll out the approach in key regions

Direct sourcing from local suppliers of *Our Brands*





Supply chain development

Considering that one of our main strengths has to do with our closeness to customers and our local presence, we have become a development channel for suppliers in all countries where we operate, thus we are a sales, income and employment driver in the region.

We operate different development platforms based on the nature of those producers who are focused on sustainability in order for them to have access as suppliers, permanence and growth in the company, and in other markets.

Our efforts to build a supply chain include the following programs:

Adopt an SME

In Mexico and Central America, Adopta una Pyme (Adopt an SME) supports a group of SMEs so that they increase their sales and develop operational, financial and logistics capabilities, through the Merchandising and Supplier Development areas. The program contemplates an array of benefits and obligations for the participating suppliers, as well as commitments from responsible areas.

Lending a Helping Hand (Una Mano Para Crecer)

In Central America, this program encourages the addition of new small and medium-sized enterprises to our supply chain, with strong focus on female economic empowerment.

Benefits:

- Early payment
- Taste testing in points of sale
- Special rates in logistics conditions
- Monitoring and follow-up on the development of their business
- Online managerial training supported by Fundación para el Desarrollo A.C.
- Customized attention

In addition, we carried out the second SME Congress, where representatives from several countries participated, highlighting and encouraging the importance of entrepreneurship in the region. We implemented for the second consecutive year the initiative, *Llévate a tu casa lo mejor de tu país* (take home the best of your country), which promotes our customers knowing, supporting and consuming from SMEs that manufacture goods locally; stamps are used for their identification.

Tierra Fértil (Fertile Soil)

This program supports direct sourcing in Central America benefiting 560 small and middle-sized agribusiness, impacting some 4,023 Central American families. A fundamental part of the program is the continuous training of producers on Good Agricultural Practices (GAP, BPA in Spanish). In 2018 we trained +3,400 farmers, 27% of whom were females, in order to reduce our environmental impact, improve their productivity, guarantee safety of the goods we buy to increase sales.

In Mexico, rural areas are not very productive, for this reason, farmers migrate to other cities looking for better opportunities in an effort to earn a living. Agriculture, as a means of living and its potential to produce and generate development, is very limited vis-à-vis the lack of training, funding and information to access markets that can transfer the crop value directly to the farmer in an efficient manner. Some 68% of rural areas in Mexico are in hands of small producers with low productivity, representing 39% of the farming production in the country and suffer from lack of direct access to consumers, which results in less income due to intermediation margins.¹

13% of the workforce belongs to the farming industry - a low share compared to other developing countries. This share has dropped down significantly from 58% in 1950 to 26% in 1991 largely due to the increasing competition from imports (particularly of grains) impacting negatively the income of farmers of those specific crops.

As a consequence, we created a productive inclusion model in 2004 to bring small farmers into contact with buyers, thus eliminating the barriers they face when trying to sell through companies, and paving the way for buyers to get to know small farmers and buy from them. In 2011, we added the agricultural program, which has proven to be a great development driver by integrating market and production focus into productive practices so that farmers can better manage their harvests, improve their agricultural and post-harvest practices, increase sales and revenues, generate jobs and, most importantly, develop those skills and competencies that will lead them to envision their own development to open up to new opportunities in this and other markets, and to grow in consistence with that vision.

To participate in these programs, beneficiaries need to comply with specific requirements regarding their socioeconomic status. Small farmers participating in the program have an average income level close to the poverty line and/or have low access to key social rights, such as housing, education, nutrition and social security.





Outcome of the farmers' program, main focus of the model

Learned abilities, access to information, working capital and better income lead farmers to trusted growth, investment and share in new markets, thus allowing them to prefer those markets that have proved loyal to buying their products and reliable in the formal customers who buy them. With this, they can get the funding needed to invest and grow.

Our company and its allies have had the opportunity to develop new suppliers of top-quality items who meet standards and have high fill rates, growth potential and fresher products for our customers, accounting for a longer shelf life and less shrinkage. We have also had the opportunity to work in a different way, under such business conditions that allows farmers to have working capital, and buyers to participate in the program and become more aware of the social impact their business decisions have and of the potential of the program for development.

Open and continuous dialogue

Having constant dialogs with our suppliers through various channels is key to our company:

- The Supplier Advisory Board was created 10 years ago and is constituted by 13 companies of all sizes in Mexico. We use it as a means to exchange ideas and foster best practices aimed at increasing competitiveness in our companies.
- The supplier survey is an annual, independent assessment tool completed by big, medium and small-sized suppliers. This survey allows for the identification and evaluation of those key areas that help increase company efficiency in getting products to our customers.

Building strong communities

The local communities where our stores, clubs and offices are located and where our customers and associates live are the cornerstone of our business. We support these communities every day by providing our customers with convenient access to affordable food and other products and by providing our associates with good jobs and advancement opportunities. To further support and strengthen these communities, we collaborate with NGOs, draw on our expertise in logistics and enable the engagement of our more than 234,000 associates in the region.

Our associates are residents, neighbors, friends and relatives in thousands of towns around the world. We aim to strengthen the communities we serve, not only by providing products, services and jobs through our retail business, but also by facilitating associate volunteerism, local donations through stores and customers, and support for strategic diversity and inclusion initiatives. We believe that strengthening local communities creates a virtuous circle of value for business, as well as society.

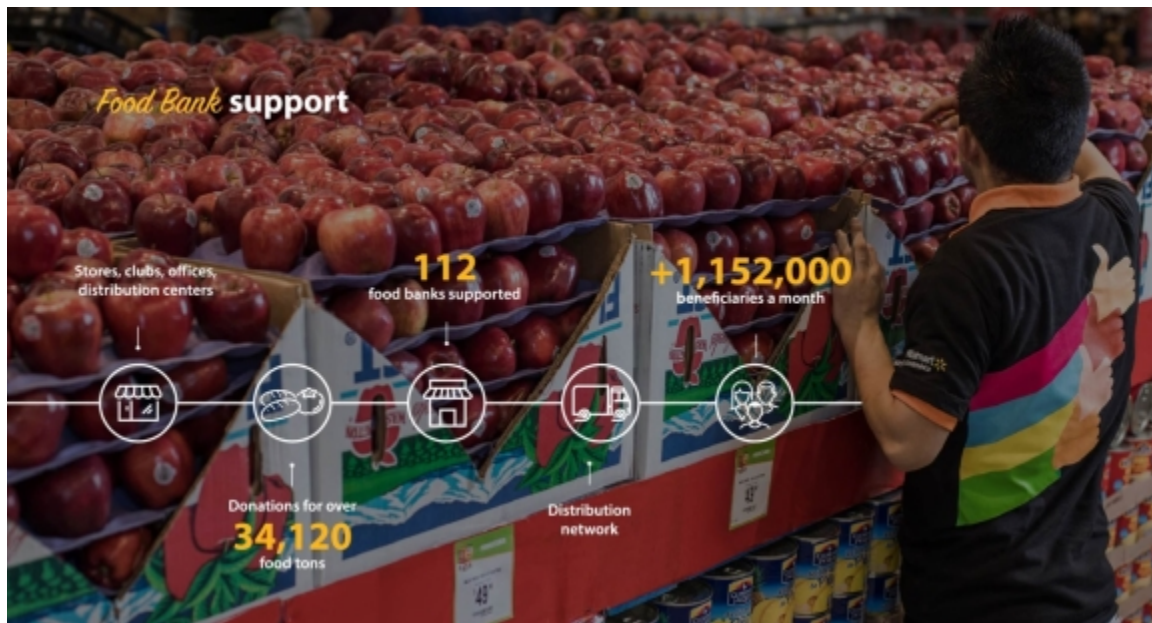
Food security

We are working together strengthening and extending the food banks system. We donated food and merchandise not fit for sale but fit for human consumption from our stores, clubs, offices and distribution centers.

More than 34,000 tons of food donated to 112 food banks serving over 1,150,000 people in the region.

We fight hunger and are determined to help families who need ready access to nutritious food. To achieve long-term impact, we aim at changing the whole system.

The charitable food network is only as strong as its infrastructure. We have provided funds for equipment, trucks and expertise to help organizations, on the front lines of charitable food provision, extend their reach and impact.

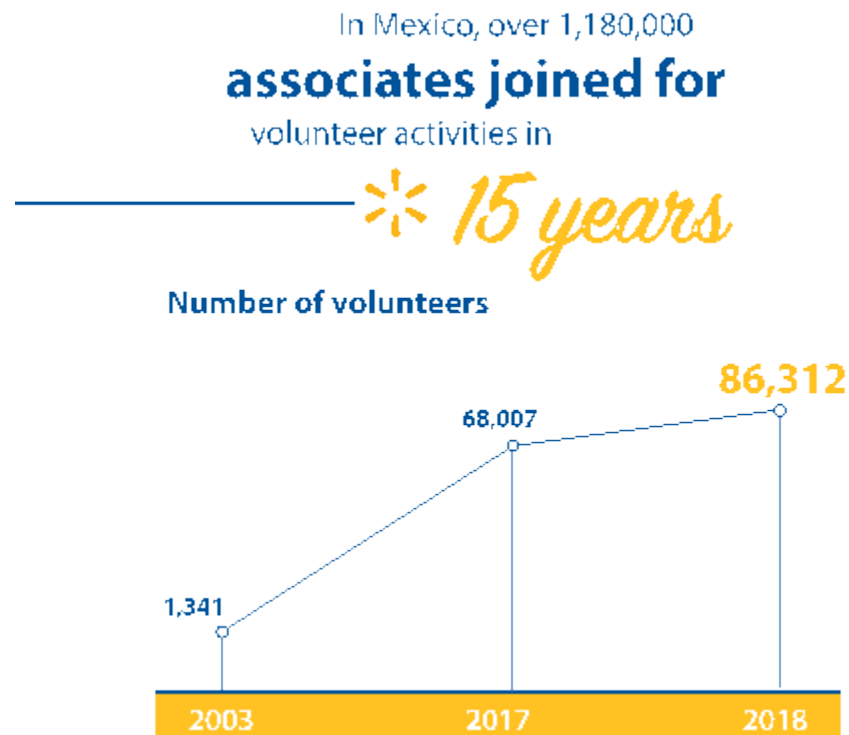


In Nicaragua, we donated more than 961,000 pesos to Fundación Mana to strengthen the food bank. This amount was used to buy a truck with carrying capacity of up to 3.5 tons, a refrigerated trailer lined with heat insulator, and a compressor to be used when carrying both dry and refrigerated products for donation purposes. Equally, in El Salvador we donated 961,000 pesos to Asociación Civil Alimentos Solidario to improve the components of the supply chain of the Food Bank. The funds were used to enhance its infrastructure, equipment and technological capabilities.

We also contributed to food security in communities living in food poverty by driving the building of vegetable gardens, farms and rainwater catchment systems. This program fosters sustainable nutrition, increases in available income, and empowerment of women; and helps build a development platform for production capabilities.

Volunteerism

In Mexico, it all began in 2003, when Walmart de México Foundation started operating under the main basis of associates volunteering their work. The time and talent they have devoted have built one of the biggest corporate volunteer programs in the country, with a solid structure that allows for each store, office, club and distribution center to build participation opportunities for all associates.



In Central America, we carried out a regional SME volunteer activity attended by 137 SMEs currently part of the Lending a Helping Hand program. With the support of 130 field associates, we offered talks and consultation meetings about legal, tax and business issues, in addition we conducted reviews to participating SMEs to help them identify areas of opportunity and put in place an action plan.

The volunteer program provides the chance for associates to participate in community support activities, whereby their talent and time can contribute towards projects to improve the community and the environment.

In Mexico, we devoted our efforts to four regional volunteer activities on environmental care, SMEs support, nutrition events and our *Haz Magia* (Do Magic) program. In the latter, we donate toys to children in poverty.

Mexico

86,312 volunteer participations

12,643 from customers and their families

73,669 from associates

2,101 activities carried out to improve public spaces of the communities

Assistance during natural disasters

Over the past year, many of the communities in which we operate were victims of disasters such as earthquakes, floods and hurricanes that swept across the region; in every case, Walmart de México y Centroamérica responded quickly to help local communities that were hit the hardest.

In times of disaster, we made alliances with companies, civil society organizations and government agencies so as to take humanitarian aid where it was required and thus multiply efforts hand in hand with our associates, customers and community members.

Due to the company's infrastructure, the Mexican Red Cross capacity, and the humanitarian aid revolving funds, we were always able to respond in record time.



In Guatemala, through our Friendly Hands program, we were in a position to respond immediately by donating food and personal hygiene products to the *Coordinadora Nacional para la Reducción de Desastres* (National Coordinator for the Reduction of Disasters) to help the victims of Fuego volcano's eruption.

We donated +192,000 pesos to TECHO Guatemala for the construction of 50 temporary housing modules that benefitted the victims of such eruption.

15.3 million pesos channeled to 2,641 associates who suffered damages in their houses. Building Works in alliance with TECHO and country associates.

Ethics and compliance

We are committed to doing what is right and acting with integrity in everything we do. It is a fundamental part of who we are and the foundations over which we build our success.

For several years, Walmart has published a summary of our efforts to build and refine our ethics and compliance program.

This past year we've made particular progress in:

- Our efforts to further improve the safety of our operations
- To implement innovative technologies in our business
- To reduce our corruption risks
- To enable the growth of our eCommerce businesses

We have a dynamic and effective Ethics and Compliance program designed to prevent, detect, and act on any noncompliance regarding legislation in-force and internal policies and procedures. This program establishes the guidelines that each and every associate must follow to act correctly and in keeping with the values and fundamental principles of the company, with the main purpose to be the most trusted omnichannel chain for our stakeholders.

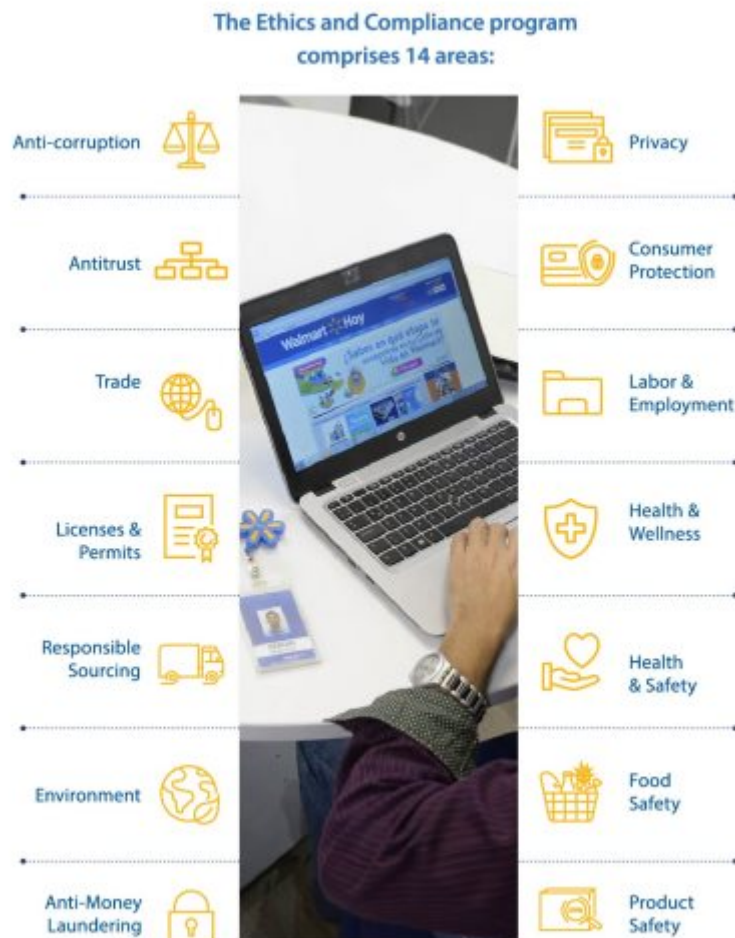
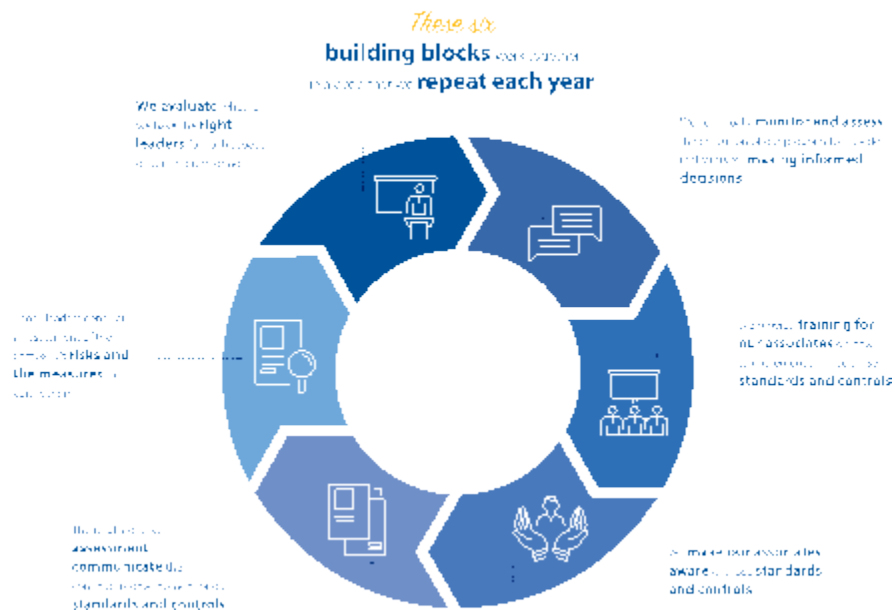
Since 2014, we have a CECO –Chief Ethics & Compliance Officer– for Mexico and Central America who oversees a dedicated team made up of over 350 associates in charge of each of the 14 different areas, ranging from anti-corruption to food safety.

To provide the relevant expertise in each subject area, we designated 14 Global Subject Matter Leaders and installed Subject Matter Experts for each of the 14 risk areas in each retail market. These Subject Matter Leaders and Subject Matter Experts work together to identify and coordinate common standards and procedures, share best practices, provide training, monitoring, and support in their subjects. They report to their respective CECOs in each business unit.

Finally, in response to a variety of guidelines provided by governments and private agencies, we developed six basic building blocks of our unified program:

- Leadership
- Risk assessment
- Standards and controls
- Awareness
- Training
- Monitoring and response

This process keeps our Ethics & Compliance program agile and responsive as our business and the external environment change.



Ethics

Ethics Hotline available 24/7

Through your ethical behavior and willingness to speak up for the highest standards, keep the trust of our customers, each other and our local communities. We believe in Everyday Low Cost and Everyday Low Prices, but only if accomplished through our everyday integrity.

Our Statement of Ethics is the guide to exemplifying integrity as a Walmart associate, it's a daily resource for making honest, fair and objective decisions while operating in compliance with all laws and our policies. This Statement of Ethics applies to all associates at every level of our organization around the world and all Board and Committee members. Walmart expects all suppliers, consultants and contractors to act right and in a consistent manner. Throughout their careers with the company, our associates are provided with different resources to help them succeed and to promote and recognize ethical choices.

These resources include:

- Annual training to 100% of our associates
In 2018, we conducted training courses on our Statement of Ethics for over 94,470 hours, for our field and staff associates, who completed them by 94% and 98% in Mexico, and 95% and 93% in Central America, respectively.
- WalmartEthics.com
This website is available in 14 languages and accessible globally. It provides a platform where stakeholders can ask questions, read our Statement of Ethics, submit ethical concerns and follow up on previously reported concerns.
- Integrity in Action Award
Our Global Award Program recognizes associates who are role models for integrity or encourage others to act with integrity. Walmart associates nominate candidates, and the company recognizes the award winners at our Annual Shareholders' Meeting.

+94,470 hours in Statement of Ethics training

We are committed to maintaining a work atmosphere that encourages our associates to voice any concerns regarding possible violations of our Statement of Ethics, and any kind of retaliation against any associate who presents such concerns is strictly prohibited. Reports can be made through various ways:

- Open Door Communication is the most direct way to voice any situation to a leader through open communication.
- The Global Ethics Help Line. We have local telephone numbers available that any person can dial to ask questions or concerns 24/7. This help line is fitted to serve in the local languages of all the markets where we operate, and is serviced by a non-Walmart affiliated company.

Most reported ethical issues:

- Conflict of interest
- Wages and schedules
- Failure to report
- Harassment
- Compliance

Anti-corruption

The anti-corruption program strives to assist the company to achieve the highest standards of integrity in our business, while also serving as benchmark for the global business marketplace. Walmart's anti-corruption program includes:

- **Global anti-corruption policy and procedures**
Our policy prohibits offering, giving, or receiving anything of value to gain an improper benefit for the company. Our procedures address several anti-corruption risk areas, including third-party due diligence, business expenditures, donations and sponsorships, licenses and permits, property acquisitions or lease, government inspections, record keeping, as well as how to report allegations.
- **Training and communications**
Our anti-corruption policies and procedures are communicated to all of our associates. Also, anti-corruption classroom and online training was provided to 59% of our associates. All of our suppliers receive communication and training on anti-corruption policies, and 723 of them took the training again or for the first time in the year. Anticorruption training is valid for two years. In 2018, we trained 135,573 associates on anti-corruption. This kind of training is offered to the Board of Directors once a year.
- **Monitoring and assessment**
We conduct an annual risk assessment to identify risks and allocate program resources accordingly. Our continuous improvement team regularly assesses and enhances the program's implementation, providing timely feedback and enabling early identification and remediation of issues. In addition, the Global Internal Audit team performs periodic, independent audits of our program.
- **Third-party due diligence**

We use a customized electronic system to screen for and conduct due diligence on third-party intermediaries who seek to represent us. Our contracts with third-party intermediaries require them to commit to following our anti-corruption policy. Said process should be renewed at least every other year. Once approved, the supplier receives training on the Anti-corruption Policy to ensure his awareness and his adherence to it throughout the duration of his commercial relationship with Walmart. In 2018, 984 suppliers completed their anti-corruption training, or took it again.

- Audits of third-party intermediaries

Each year, we proactively audit a sample of our third-party partners based on several factors, including the risks associated with the region where they operate and the type of service that they provide. This process allows us to examine the way that third-parties respond to our anticorruption program and identify areas where we can continue to improve our training and controls.

Health and Safety

Our vision: Be the safest place to shop and work, through our initiative Zero-Accident Mission

We employ over 234,000 associates and serve millions of customers and members and want all of them to go home safely at the end of the day. Our objective is safety for our associates, customers and operation-related third parties. We implemented new ways of gathering and analyzing safety data.

This achievement has been possible by launching strategies that allow for higher safety conditions in operations, both for associates and customers, and reinforcing controls for safe actions and behaviors. We have SiRI (Incident Report System), a tool we use to design preventative programs aimed at having a zero-accident Walmart.

Other examples are how we have had guards and safety devices reengineered for production equipment. Paying attention to the higher links of our value chain, we have transferred the work of cutting meat on the bone from our stores to the meat plant, so that every day more units get rid of electric saws from our meat departments.

Another strategy is constant training for associates, and the creation of brigades all across our company, who participate in constant exercises and general drills in their work areas, such as the Active Breaks in our offices. Also, 100% of associates are represented by a Health and Safety Committee.

In Mexico, we have achieved the reduction of fire outbreaks started from internal causes by over 10% year on year, meaning a 27.5% reduction of fire risk within the last three years.

In Central America, we implemented the Zero Accident Mission initiative, following the behavior-based safety trend. This initiative looks to generate free-accident environments from observation and correction of unsafe behaviors, mainly focusing on the six main causes of accidents in the region.

In Central America, the Accident Prevention Program for Dangerous Works is used in the region to prevent falls during height works, and was expanded this year to the four kinds of dangerous works that we have identified as the most common in our operations. With this, we reinforced the training provided to 193 suppliers and associates on safety expectations for hot, electrical, height and confined space works.

Our operations in Costa Rica had a successful participation in the Benefit of Standardization of the Occupational Risks Management System program, which aims to recognize those companies that have implemented an Occupational Risk Management System to guarantee the total compliance with applicable laws in the country and best practices to prevent and decrease accidents. Under this process, Walmart Costa Rica obtained the standardization of the Human Safety Management System.

The commitment of Walmart de México y Centroamérica and its associates to being the safest omnichannel chain is constant in our daily operations. While these results are encouraging, we continue focusing on safety of our associates and customers.

Food Safety

Our customers are increasingly interested in knowing the origin, contents and manufacture of the products they buy.

Our mission is to offer our customers affordable prices and, at the same time, continuously raise the bar for food quality and safety. Thus, we have the following programs in place:

- Food Fraud program

This program is in place at receiving areas of distribution centers, and stores to make sure that the products that we merchandise match the specifications on Our Brands packages. This program includes a risk matrix per kind of product, and any discrepancy will trigger an action based on the risk level.

- 75 analyses for the identification of species in meat raw material and ready-to-eat food.
- 47 analyses to verify integrity of ingredients in Our Brand products (honey, milk, olive oil, 100% natural juices and coffee).
- Certificate validation of 364 organic products.
- Certificate validation for alcoholic beverages of 127 products (tequila/mezcal).

- High Five program

- Keep it cold, keep it hot
- Cook it and cool it
- Keep clean, keep healthy
- Avoid cross-contamination
- Wash, rinse and sanitize

These principles are evaluated in our stores on a monthly basis through a system based on regular measurements and monitoring.

- Comprehensive Pest Control program

This program is in place in stores, distribution centers and offices in Mexico and includes crawling insect, bird and fly controls to avoid any risk of contamination throughout the supply chain, and indicators to regularly measure compliance and to follow up on those geographical areas considered as top risk after their flora and fauna.

- GFSI (Global Food Safety Initiative) program

This programs contains various recognized certification systems, such as the following:

- BRC *Global Standards*
- FSSC22000
- SQF
- IFS
- Primus
- GRMS
- Global Gap

We're members of the GFSI's Local Group in Mexico, and all of our suppliers for Our Brands are required to get certified under FGSI's parameters within a reasonable period. Additional to this, our meat plant in Cuautitlán has earned the SQF Level 2 Certification, which was renewed in June, 2018.

In Central America, we created a training plan for suppliers not having a GFSI certification that includes free workshops on issues that require strengthening capabilities so as to be able to be eligible for such certification. In 2018, 50 small, medium and big-size suppliers participated, representing an investment of over 5.6 million pesos.

- Food Safety in Logistics Program

This initiative focuses on relevant issues such as housekeeping, cold chain control, pest control, and best practices to store products and turn them over properly. This has allowed for our distribution centers in Central America to comply with operating pest audits, and to improve the control of operating processes.

- Spark Program

This is an electronic system that helps with temperature taking at the point of sale to make sure that fresh products keep the proper temperature, and thus avoid microbial food spoilage of the items that we sell, and the resulting foodborne disease outbreaks.

Our Brands, Food-Mexico	
(\$B400+)	
Suppliers	245
Facilities	279
Audits	279
Good Practices Global Markets	6
Global Food Safety Initiative Certification (GFSI)	273
% certified facilities	97.8%
Storage and distribution best practices audit to perishable distribution centers and redistribution center	19
Unannounced audits of food safety	28,269

Environmental

The Environmental Compliance area guarantees the company complies with applicable regulations throughout all business operations, from the prospecting, design and building of new units, to running them.

In this regard, the necessary controls to meet environmental impact, hazardous and non-hazardous waste generation, wastewater quality, and air emission obligations have been designed and implemented. In alignment with the company's digitization strategy, last year we implemented ENVIANCE, a system used to follow up on regulatory obligations of environmental programs, and on equipment and facilities that are relevant for applicable regulation compliance.

We also worked to improve authorized collection services to make sure of waste correct disposal, and to set up stricter controls aimed at improving the quality of wastewater in hydro-sanitary installations.

In 2018, we had a protected natural areas project in Mexico for Mi Bodega Aurrera Jalpan (impacted area: 0.005355 km²), and a protected species project for Mi Bodega Aurrera Nanacamilpa (impacted area: 0.002924 km²).

Privacy

The Privacy program aims to comply with every applicable law and regulation regarding personal data protection, including Walmart internal policies and procedures. We encourage responsible treatment of associate, customer, member and supplier personal data, through policies, procedures and guidelines governing the protection processing of the personal information we handle in our day to day operations.

We are transparent in communicating in our privacy notices the use we can give to our customer, member, associate and supplier personal information, and how we protect it.

We have mechanisms available so that personal data owners make informed decisions on its use, as well as the means used to exercise their rights of access, rectification, cancellation and objection (ARCO rights)

We have been assigned with managerial responsibility in relation to personal data protection, where leaders from different areas are part of a Privacy Committee and meet on a quarterly basis. Such Committee gives us support for the socialization and awareness of the program within their areas, including important decision making processes.

We have official channels so that our associates and third parties can report any personal information leak enabling us to take actions to protect it; we also have in place protocols to react in a fast and efficient manner when facing personal data leaks including an Incident Response Committee in office, made up by representatives from different key areas of the organization.

We have not received claims on privacy violation matters and/or the improper release of customer data.

Anti-money Laundering Prevention

At Walmart Mexico we are committed to complying with all applicable Laws and Regulations to prevent, detect and fight Money Laundering.

We have policies, procedures, guidelines and controls in place in order to prevent and detect any event or transaction involving illegal origin resources and prevent criminal organizations from using the company as a means to commit this crime.

We have technological tools, which enable monitoring, analysis and report of potential unusual transactions, based on risk. We train our associates so that they learn how to identify and report warning signs regarding potential transactions with illegal origin resources. In addition, we also have official channels for associates and third parties to report unusual activities; we keep track of our financial services to prevent and detect transactions with illegal origin resources.

Representatives of different areas are part of an Anti-Money Laundering Committee that meets on a bimonthly basis to get visibility of the main risks in this regard and make mitigation decisions.

Licenses and Permits

The GLM (Global License Management System) manages the over 20,000 licenses needed to build and operate our units; this allows us to reduce expiration risks, enables end-to-end traceability of a license, including applications and payment monitoring of fees for handling such applications.

There are standard procedures that support the License and Permit Compliance Area from the moment the location process of a new site starts, when an expert evaluates license feasibility before a new project is approved in order to control the risk of low-feasibility projects. Likewise, for a new construction and operation project, a License and Permit Committee, made up by experts different from those who manage the process, analyzes all the documents required and assesses if the project is released or not.

One of the most important strategies for the 2018 Growth Plan was the implementation of Fast Track BAE units, Walmart adapts to the commercial space and not the other way around, and that means adapting already constructed buildings which results in, at least, 50% time reduction in the securement of license processes.

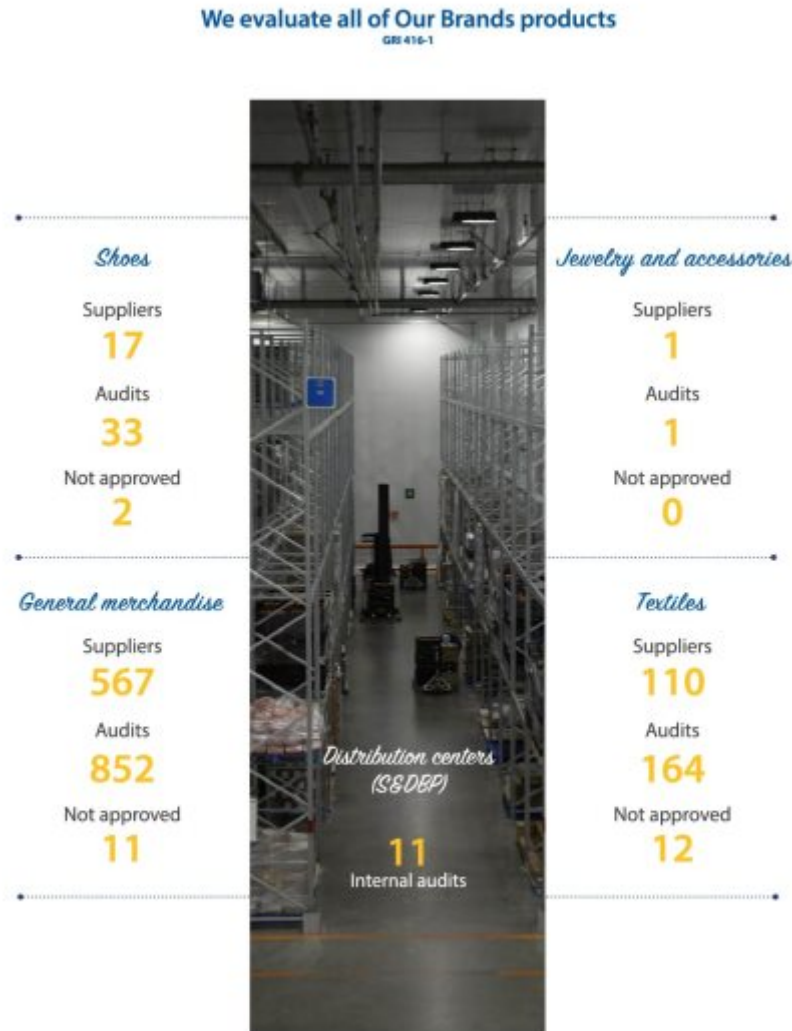
Product Safety

Our goal is to comply with the safety and regulations for products, cosmetics, consumables, apparel, footwear and general merchandise sold by the company, in order to ensure product safety for our customers.

We have a monitoring protocol in place for high-risk products in our stores and clubs. We require certifications for high-risk items in our stores and clubs. Similarly, we have different protocols for safety and quality checks of textile products, for complaint tracking and control, and if necessary, for product recall in our stores and clubs.

We ensure the quality and adherence to the regulations of the clothing and linen categories sold in different formats of the company through laboratory tests and inspections at source, distribution centers or stores.

These actions allow us to train suppliers in quality control issues, establish compliance indicators to measure their behavior in each delivery, and prepare improvement plans.



Labor and Employment

Our goal is to provide our associates with all rights provided by labor regulations regarding wages and compensations; benefits; and fair, egalitarian and inclusive treatment. We pursue this goal in order to generate a positive labor environment and be a company that respects the rights of all our associates and third parties in our workplaces.

For this end, we have permanent campaigns in all our units to ensure payment of overtime work, and respect to breaks and schedules, to avoid and prevent harassment, and to have internal regulations for promoters.

Trade

This program aims at ensuring the compliance with all requirements of foreign trade regulations regarding imports and exports of the company in order to guarantee securement of permits and certifications, and payment of taxes stemming from any foreign trade transaction.

Likewise, our program is focused on guaranteeing that our company does not do business nor commercialize products from countries sanctioned by the OFAC (Office of Foreign Assets Control).

To ensure this does not happen, we have a specific program for imports, we digitally add products, identifying the country of origin, and we also have a monitoring protocol for exports and customs agents.

We were awarded with the AEO (Authorized Economic Operator) certification granted by the SAT (Mexican Income Revenue System), and became the first company in this sector to obtain this distinction. Such certification is aimed at strengthening the security of foreign trade logistics chains in companies, by implementing internationally approved minimum standards in terms of security. This recognition of the authorities positioned our company as a reliable importer, because it has an internal control system strong enough so as to guarantee that merchandise is safely and transparently imported.

Antitrust

We comply with the Mexican Antitrust Commission Law by establishing controls to avoid antitrust practices or behaviors, thus guaranteeing the best value proposition to our customers and members alike.

As part of our main controls to achieve this purpose, we have put in place guidelines and rules of behavior, as well as campaigns for Merchandising areas to ensure that negotiations and/or any other kind of contact with suppliers or competitors comply with regulations regarding antitrust issues.

As a result of the aforementioned, we have not incurred in antitrust practices or against free competition.

Consumer Protection

This program seeks to ensure that our customers and members receive clear and proper information regarding the goods we carry, in order to contribute to the best shopping decision process through controls that guarantee promotions, prices, labeling and features of our goods. In order to accomplish this, we conduct an exhaustive yearly communication and training program for our store, club and staff associates in charge of developing advertising or promotions, so as to make sure that they're clear, accurate, and in adherence to the requirements of the applicable regulation.

This includes specific rules per category of products having specific standards, such as alcoholic beverages, cigarettes, baby formula and medicine. Also, we trained new and transferred associates, and Merchandising and Replenishment trainees, on key issues on consumer protection that are relevant for their jobs, such as prices, promotions, labeling and supply. Consumer Protection has a communication program available for staff and field associates to constantly reinforce rules and best practices and thus avoid penalties from the government and assure satisfied customers.

We have put in place a scale calibration program in all our stores, as well as product return procedures, with the purpose of complying with applicable laws, and generating satisfactory shopping experiences.

We have implemented a Trust and Safety program for our eCommerce platforms in order to verify that product information is correct and avoid selling products prohibited by applicable regulations or internal company policies, such as offensive products (discriminatory ones or with inappropriate language).

Walmart de México y Centroamérica's Statement on Human Rights

Our business and values

The purpose of Walmart de México y Centroamérica is to save people money and help them live better. We achieve our purpose through our associates, and recognize that they make the difference. Through our business, we provide customers with convenient access to affordable products and services, contribute to the communities that we serve, create career opportunities, and provide opportunities for suppliers to grow their businesses that, in turn, employ others.

Walmart de México y Centroamérica respects human rights, and our work is guided by our values:

- Service to our customers
- Respect for the individual
- Strive for excellence
- Act with integrity

We engage in diverse business activities across the globe, with more than two million full-time and part-time associates from a variety of ethnicities, orientations, backgrounds and life experiences. Our associates are also members of thousands of local communities around the world. We endeavor to act in an ethical and responsible manner and have policies and procedures in place, which guide our decisions and behaviors.

Our associate base is large, our supply chain includes thousands of suppliers and we serve millions of customers in communities around the world through our store and online presence. We are mindful that many adverse human rights risks are complex and can be the result of systemic issues, making it challenging for any single organization to have an impact. When it comes to addressing these human rights issues, we seek to go beyond our own policies and procedures by working collaboratively with other stakeholders to inform our approach and identify root causes; sharing our work with others; and using our leverage to help drive positive change.

We identify our salient human right priorities based on the relevance to our company purpose, key categories and markets; the scale and severity of the potential human rights risks; and the company capability to make

the difference. Our response to human rights issues is informed by international instruments including, but not limited to, the United Nations Universal Declaration of Human Rights, the International Labor Organization's 1998 Declaration on Fundamental Principles and Rights at Work and the United Nations Guiding Principles on Business and Human Rights. We have also taken into consideration input from relevant internal and external stakeholders and experts.

This statement describes Walmart's approach to human rights in all aspects of our operations globally, including all associates at all levels of the organization.

A Foundation for Compliance

Governments have the responsibility to protect and uphold human rights of their citizens. Walmart respects those human rights and complies with the laws of the countries where we operate. We expect our associates, suppliers, contractors and others within our sphere of influence to act accordingly.

We respect the basic rights of workers as those rights are defined under applicable law in the countries where we operate and from which we source the products we sell. Those basic rights include freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced labor, the effective abolition of underage labor and the elimination of discrimination in respect to employment and occupation.

Our Values in Action

Service to the Customer

Our customers are the reason we are in business. We strive to meet and exceed their expectations by providing safer, more affordable, more accessible, healthier and more sustainable goods and services.

Respect for the Individual

We believe in treating all people with respect, whether they are co-workers, suppliers, customers or any person doing business with us. This means treating one another with fairness and dignity in all our interactions in the workplace and as members of society. We also seek and embrace differences in people, ideas and experiences.

We recognize there are different views about freedom of association. Our view is, consistent with applicable law; Walmart de México y Centroamérica respects the rights of associates to join, form or not an employee association or trade union of their choice without interference. Associates should exercise these rights in an informed manner, based on a thoughtful consideration and available information. In the exercise of these rights, we believe in the free exchange of ideas, opinions and information, provided there is no interference.

Strive for Excellence

Sam Walton, founder of Walmart, wanted his company to be a force for good, so we seek to use our scale, capabilities and influence to help people and surrounding communities. This spirit is an important component for how we engage on human rights topics to drive meaningful change. We find this approach not only mitigates risk—it can also generate significant, lasting value for our business and for society.

Act with Integrity

Acting with integrity guides how we approach our work on human rights. To implement this work, we:

- Assess, on an ongoing basis, potential adverse human rights impacts, the severity of the potential impact, and the relevant processes in place;
- Integrate relevant findings into policies and procedures, based on assessments;
- Track progress as part of Walmart de México y Centroamérica efforts to continuously improve;
- Communicate with relevant internal and external stakeholders to help shape and inform our work and priorities; and
- Adjust our human rights priorities, as needed.

While there exist a variety of mechanisms—including those offered by governments—to raise and address actual or perceived human rights concerns, Walmart de México y Centroamérica also has developed its own grievance mechanisms to enable workers, customers, workers in the supply chain, communities where we operate and other stakeholders to be heard and be given proper consideration. These mechanisms include, but are not limited to, our anonymous ethics hotlines and our longstanding Open Door

Communications Policy for associates, and the internal structures that support resolution of each issue raised. We encourage stakeholders to raise their concerns and to report activities they suspect may contravene the values and positions we express in this statement or any Walmart policy. We will not retaliate against any party for raising concerns in good faith.

We seek to be transparent about our human rights efforts and we periodically provide additional details and priorities, through our Global Responsibility Report or similar means. The work is overseen by company executives, led by cross-functional teams, relying upon existing or new standards, programs, practices, training and reports.

Our Statement of Ethics articulates how we promote our culture of integrity across the company, which is the foundation of our approach to human rights. Our work to address social issues in the supply chain of goods for resale is based on our Standards for

Suppliers. Our Diversity & Inclusion website lays out how we build an inclusive workplace culture where every associate feels empowered to bring their authentic selves to work every day.

Walmart de México y Centroamérica abides by this Statement on Human Rights, strengthening its commitment to doing the right thing and to acting with integrity in everything we do. This is the foundation of what we are and on which we build our success.

WALMEX in the stock market

Walmart de México y Centroamérica (**WALMEX**) is listed in the Mexican Stock Exchange since 1977. It is one of the most important companies in the Mexican Stock Exchange index and in capitalization value. Its market value as of December 31, 2018 was 872.5 billion pesos, represented by 17,461 million shares.

Wal-Mart Inc., through one of its subsidiaries (Intersalt, S. de R.L. de C.V.), is the majority shareholder of Wal-Mart de México S.A.B. de C.V. and as of December 31, 2018, its equity interest represented 70.51% of the capital stock.

Top ten companies in the MSE

**Million
pesos**

	Stock symbol	Market capitalization	Total revenues 2018	Employees
1.	América Móvil	Ps. AMX 922,506	Ps. 1,020,820	189,447
2.	Walmart de México y Centroamérica	WALMEX 872,526	616,910	234,431
3.	Fomento Económico Mexicano	FEMSA 603,754	469,744	125,821
4.	Grupo Financiero Banorte	GFNORTE 276,178	166,650	30,538
5.	Coca-Cola FEMSA	KOF 250,310	182,342	35,014
6.	Grupo Elektra	ELEKTRA 217,670	103,522	82,668
7.	Arca Continental	AC 193,146	158,953	38,010
8.	Grupo Financiero Inbursa	GFINBUR 188,610	63,468	11,400
9.	Grupo Bimbo	CEMEX 182,932	288,266	31,272
10.	El Puerto de Liverpool	LIVEPOL 169,345	135,535	74,989

*Source: Mexican Stock Exchange (MSE), Bloomberg and corporate websites. Figures as of December 31, 2018.

Risk factor's:

The risks described herein could have a material and adverse effect on our business, our business results, our financial standing and liquidity. They are not the only risks we face. Our business operations could also be affected by additional factors that apply to all the companies operating in Mexico and around the world, in addition to risks yet unknown that may arise and affect our operations.

Both domestic and international macroeconomic factors that could adversely affect our financial performance

The overall economic conditions, both global and in one or more countries where we operate, could have an adverse effect on our financial performance. In Mexico and Central America the list includes stock market fluctuations, volatility in the price of our shares, increases in interest rates, in the costs for fuel and other energy sources, the plummeting of the real estate market, inflation/deflation, rising costs for basic services, higher unemployment rates, reduced income for consumers, consumer credit restrictions, greater consumer indebtedness, exchange rate fluctuations, higher tax rates, new taxes, changes to tax legislation, other regulatory changes, economic slowdowns, and other economic factors could adversely affect consumer demand for the products and services offered in all our formats and markets where we operate, with the possibility of over demand or excess supply. The aforementioned conditions could have an adverse effect on our gross margins, sales costs, inventory sell-thru, and markdown policies.

The factors that could affect our operations could also have repercussions on the operations and economic performance of our suppliers, both in Mexico as well as Central America. Said factors could possibly lead to cost increases for the products we sell our customers or, even worse, could cause problems for certain suppliers, making them unable to provide us with the volumes needed in our units.

Our current commercial strategy may not identify and respond effectively to consumer trends in a timely manner, whether involving physical retail, eCommerce retail or a combination of retail offerings, which could negatively affect our relationship with our customer, the demand for our products and services, and our market share

It is difficult to predict consistently and successfully the products and services our customer will demand. The success of our business depends in part on how accurately we predict consumer demand, availability of merchandise, the related impact on the demand for existing products and the competitive environment, whether for customers purchasing products at our stores and clubs, through our eCommerce businesses or through the combination of both retail offerings. A critical piece of identifying consumer preferences involves price transparency, assortment of products, customer experience and convenience. These factors are of primary importance to customers and they continue to increase in importance, particularly as a result of digital tools and social media available to consumers and the choices available to consumers for purchasing products online, at physical locations or through a combination of both retail offerings.

Failure to timely identify or effectively respond to changing consumer tastes, preferences (including key factors described above) and spending patterns, whether for our physical retail offerings, eCommerce offerings or through a combination of these retail offerings, could negatively affect our relationship with our customers, the demand for our products and services and our market share.

Failure to successfully execute our omni-channel strategy and the cost of our increasing eCommerce investments may materially adversely affect our market position, net sales and financial performance.

The retail business is rapidly evolving and consumers are increasingly embracing shopping digitally. As a result, the portion of total consumer expenditures with retailers and wholesale clubs occurring through digital platforms is increasing and the pace of this increase could accelerate.

Our strategy, which includes investments in eCommerce, technology, store openings, remodels and other customer initiatives may not adequately or effectively allow us to grow our eCommerce business, increase comparable store sales, maintain or grow our overall market position or otherwise offset the impact on the growth of our business of a moderated pace of new store and club openings. The success of this strategy will depend in large measure on our ability to build and deliver a seamless omni-channel shopping experience and is further subject to the risks we face. As a result, our market position, net sales and financial performance could be adversely affected, which could also result in impairment charges to intangible assets or other long-lived assets. In addition, a greater concentration of eCommerce sales could result in a reduction in the amount of traffic in our stores and clubs, which would, in turn, reduce the opportunities for cross-store or cross-club sales of merchandise that such traffic creates and could reduce our sales within our stores and clubs and materially adversely affect our financial performance.

Furthermore, the cost of certain eCommerce and technology investments, including any operating losses incurred will adversely impact our financial performance in the short-term and may adversely impact our financial performance over the longer term.

If we are not sufficiently able to properly manage our trademarks, it could affect our image, operations and financial performance

All commercial names for our different business formats -both in Mexico and in Central America- and all the commercial notices used in the advertising of our different private labels found on labels and products are duly registered by Wal-Mart de México, S.A.B. de C.V., and other companies of the group, rights that are used directly by the holders of the same and by the companies operating the different business formats under indefinite licensing and/or sublicensing agreements. Registered trademarks belonging to third parties are also used in Mexico, for which there are licensing agreements executed so as to guarantee the legal use of the same and to comply with applicable legislation regarding the subject of brands. Said property rights are protected and in use, pursuant to applicable legislation on brands and copyrights. The legal and proper use of the aforementioned copyrights is of crucial importance to the company, any violation of the same could generate harmful effects to our prestige, corporate wealth, and financial performance.

Delays and/or commercial expansion obstacles for our operations could affect our financial performance

In both Mexico and the Central American nations where we operate, our capacity to open new units, perform remodels, and relocate existing units depend largely on our ability to identify, hire and retain qualified personnel and on our capacity to locate, lease and/or acquire sites with acceptable terms. Compliance with municipal, state and federal legislation can affect and/or delay commercial expansion processes. Adherence to zoning and construction regulations, in addition to local opposition to the building of certain units at specific sites can affect our ability of opening new units, converting existing units to new formats, and/or relocating and expanding units in certain cities and states. Our growth opportunities could be limited by increases in real estate prices and construction/development costs. If we are kept from opening new units in our different formats, our financial performance, growth in net sales, and our operating income could be adversely affected. Moreover, if consumers in the markets where we expand our business are not receptive to our value proposition and to our self-service, club and apparel store concepts, or do not want us in their communities, then our financial performance could suffer.

Access to certain types of product and service suppliers could limit our ability to increase the number of units or to expand our selection of products in existing units in certain regions, particularly markets with consumers wanting to buy locally-produced goods. In addition, cultural differences in certain regions where we operate, or where we expand our self-service units and clubs could impact those consumers unable to respond as positively to our commercial proposition as we would have expected, thus potentially affecting our financial performance.

We may be unable to continue to identify suitable acquisition candidates at acceptable prices and may not be successful in completing the acquisition of any such candidate identified.

Although we ultimately believe we will be able to successfully integrate any newly acquired operations into our existing operations, no certainty exists that future acquisitions or alliances will be successfully integrated into our operations or can be successfully integrated in a reasonable time. Our failure to identify appropriate candidates for acquisition or alliances or to integrate effectively future acquisitions and alliances into our existing operations could adversely affect our growth and our future financial performance.

The inability to attract and retain qualified associated, changed to laws and labor matters could have an adverse effect on our financial performance

The capacity to continue expanding our operations hinges on our ability to attract and retain a growing number of qualified associates. The capacity to cover our needs for labor, including our ability to find talent to cover vacant positions in our existing stores, clubs and distribution centers while maintaining the nominal structure and other controlled labor-related costs are generally contingent on numerous external factors, including the availability of a sufficient number of qualified people within the set of the economically active population in the markets where we operate –labor force-, unemployment levels, salary levels in effect, changes in the demography, health and other related insurance costs, the implementation of new and/or amended labor laws, and applicable regulations. If we are incapable of identifying, attracting and retaining

talent, if labor and related costs increase significantly or if new and/or amended labor and labor safety laws and regulations are adopted or enforced, our labor performance could be adversely affected.

We face fierce competition from existing and/or new market players (whether through physical retail, eCommerce retail or through a combination of both offers), which could have an adverse effect on our financial performance

The retail and club sectors are highly competitive. Each one of our business segments competes for customers, employees, store sites, products, services and in other important aspects of its business with many other local, regional and international market players, which could increase in the future. Our competitors consist of companies from the retail, price club and apparel store sectors. They operate discount, department, pharmacy, single-price, convenience, specialty, supermarket, hypermart, price club, eCommerce and catalog segments. These operators compete in a variety of ways including merchandise assortment and availability, by offering added-value services, location site, operating hours and price. Our ability to respond effectively to these competitive pressures, the arrival of new market players, and changes in the retail and club sectors could affect our financial performance.

Risks associated with suppliers providing products and the safety of said products could adversely affect our financial performance

The products we sell are sourced from a variety of national and international suppliers. The supply of products we sell is an important factor for our financial performance.

All our suppliers must comply with applicable legislation, including labor, safety and environmental laws; they must also be certified regarding compliance with our quality and performance standards. Our ability to find qualified suppliers who meet our standards and who can access products efficiently and in time constitutes a significant challenge, especially in the case of suppliers and products sourced outside of Mexico and Central America. Political and economic instability in countries where our suppliers are located, financial instability, the inability to meet our quality and performance standards, access and availability of raw materials, merchandise quality issues, exchange rates, transportation availability, costs, and safety, inflation rates, and other factors related to suppliers and the countries where they are located are factors outside of our control.

In addition, regulations governing foreign trade, tariffs and other taxes on imported goods, commercial sanctions applied in certain countries, limitations regarding the importing of certain types of goods, or goods containing specific materials from certain countries, and other factors related to foreign trade are all beyond our control. These and other factors affecting our suppliers and the access we may have to products could adversely affect our financial performance.

Our customers trust that we will offer safe products. Therefore, matters concerning food safety and safe non-food products that we later sell could lead customer refusal to purchase certain products in our units, or that they seek out other alternatives to meet their food and non-food needs, especially if the entire matter is out of our control. Any loss of customer confidence could prove difficult and costly to regain. Therefore, any matter

pertaining to the safety of food and non-food products sold by us –regardless of the cause- could have a negative impact on our financial performance.

Changes in government regulations.

The Company is exposed to the changes in different laws and regulations in Mexico, which, after becoming effective, could affect the Company's operating results, such as an impact on sales, expenses for payroll indirect taxes and changes in applicable rates. Currently, the level of scrutiny and discretion by the tax authorities has greatly increased. Mexican legal courts have changed their position favoring the authorities with respect to ignoring violations of form and procedure.

Our operations outside Mexico make us susceptible to legislative, judicial, accounting, regulatory, political, economic and environmental risks and conditions specific to the countries in which we operate, which could adversely affect our financial performance.

As a result of our expansion in Central America, our operating results could become affected by a variety of factors, many of which are out of our control. These include political conditions and/or instability, economic conditions, legal and regulatory limitations, money laundering prohibitory laws and regulations, commerce policies, exchange rate regulations, or any other similar matter in any of the countries where we currently operate and/or those situations or events which could affect us on an international level. Our future operating results in the countries where we operate could be negatively affected by a variety of factors, most of which are beyond our control. Exchange rate fluctuations can impact costs and future cash flows for our operations in Central America, which could then adversely affect our financial performance.

On the other hand, the economies for certain countries where we operate in Central America have, in the past, undergone high inflation rates and the devaluation of their currency, which if it happens again, could have a negative effect on our financial development. Other factors that could impact our operations in Central America include foreign trade, monetary and tax policies in Mexico and in other countries; laws, regulations and other foreign government activities; agencies and similar organizations and risks associated with having diverse installations located in countries which historically have been less stable than Mexico. Additional risks inherent to our operation generally include such things as the costs and difficulties of managing international operations, the consequences for adverse taxes and greater difficulty for having complied with intellectual property rights in countries other than Mexico. The range of risks inherent to doing business in Mexico generally exist when running commercial operations outside the country, and these may increase due to the difficulties of doing business in different venues due to cultural, legal and regulatory differences.

Both in Mexico and in the Central American nations where we operate there is the risk that our associates, contractors or agents, in violation of our policies, could conduct practices forbidden by Mexican and Central American laws and regulations. We maintain policies that prohibit such business practices and we have implemented anticorruption regulatory compliance programs designed to ensure full adherence to these laws and regulations.

Nevertheless, we are subject to the risk that one or more associates, contractors or agents could perform business transaction that are forbidden under our policies, violating our regulatory compliance programs and therefore, violating said laws and regulations. Any infringement, even of our internal policies, could adversely affect our financial performance.

Natural disasters, climate changes and geopolitical events could adversely affect our financial performance

One or more natural, environmental and/or accidental disasters such as hurricanes, cyclones, typhoons, tropical storms, flooding, earthquakes, and droughts, or things such as geopolitical events like civil uprisings or terrorist attacks in any of the countries where we operate or in any country where our suppliers are located could have a negative impact on our operations and financial performance.

Said events could cause physical damages and/or partial or total losses to one or more of our properties; the closing of one or more of our units of any type due to the lack of an adequate labor force in any given market; to the incapacity of our customers and associates of using means of transportation to the units directly affected by any such event; to the evacuation of the population located where our operating units are situated; to the change in consumer habits and in available income for shopping for the duration of the any of the aforementioned events, and/or definitive out-of-stock for products provided by suppliers both national and international; to the impact on the transportation of the imported goods; to lack of supplies or delays in product deliveries to our distribution centers, units or facilities; to the loss of communication with our stores. These events and the ensuing impact could alter and affect our operations in the areas where said events may have taken place and could adversely affect our financial performance.

We could be subject to liabilities, penalizations, and other sanctions and adverse consequences stemming from our ongoing investigations

The company is an indirect subsidiary of Walmart Inc., who owns approximately 70% of the representative shares of its owner's equity and voting rights, with the possibility of appointing the majority of the members of the Board of Directors. The remainder its shares trade publicly on the Mexican Stock Exchange and, as far as we know, no shareholder with the exception of Walmart Inc., and its related companies own more than 2% of shares in circulation.

Walmart Inc. must comply with a wide range of laws and regulations in the United States of America and in the countries where we operate, including but not limited to the FCPA –the U.S. Foreign Corrupt Practices Act.

As was publicly announced on April 23, 2012, Walmart Inc. is under investigation pursuant to the FCPA, by the Department of Justice and by the United States Foreign Exchange Commission, due to revelations made to said agencies in November 2011.

Walmart Inc. is voluntarily conducting a global review of its policies, practices, and internal controls regarding FCPA compliance, with the purpose of strengthening its anticorruption program through implementation of measures to prevent corruption. Our company is part of said global review and strengthening of programs.

In the USA, claims have been filed regarding matters under investigation by shareholders of Walmart Inc. against said company, its current Directors, certain former Directors, and some of the current and former officers of the company.

The Audit and Corporate Practices committees and the Board of Directors have been informed of these matters, and its independent Directors have unanimously voted to continue cooperating with Walmart Inc., and with the Mexican and American agencies conducting these investigations.

In the best interest of the company and all its shareholders, the company cooperates with the independent investigation into alleged corrupt practices that the Audit Committee for Walmart Inc., is conducting of some of its subsidiaries outside the US, including the company. It is also cooperating with investigations initiated by Mexican authorities regarding this subject. As a result, the company could be exposed to a series of consequences stemming from these investigations and which could affect our business and its future financial performance.

We could be exposed to a series of consequences stemming from these matters. One or more measures by the authorities could be enforced related to the subject of the current investigations underway, and said measures, if the case, could lead to trials, out-of-court agreements, fines, penalizations, preliminary injunctions, discontinuances, dismissals and other legal actions and/or consequences. At this juncture we are unable to predict the outcome or impact of the government investigations, lawsuits by shareholders, or of our own investigations and reviews. These investigations could require the involvement of certain members of our top management, possibly affecting the time available to perform duties and functions required of their respective positions. We also estimate that the media and the government will continue interested in the case, to include additional newspaper articles that could impact the perception of our role as a company, vis-à-vis certain audiences.

We continue with our processes to face and respond to the government investigations. Despite current estimates that these matters will not have a material adverse effect on our business, we cannot ensure that these issues will not in some way considerably affect our business in the future.

If the technology-based systems that provide the capacity to our customers of making online purchases of merchandise do not work efficiently, our operating results as well as our capacity to grow within the eCommerce segment could be adversely affected

A certain portion of our customers shop via our eCommerce sites, which in turn are part of an omnichannel sales strategy. Increasingly more customers are using computers, tablets, smart phones and other devices to shop from us and our competitors online, and to compare offerings. Therefore, any failure by us in providing the necessary technological interfaces in our eCommerce programs, including user-friendly software for smart phones, tablets and other devices could place us in a disadvantageous position vis-à-vis our competitors, with the resulting loss in online sales, damage to our reputation with our customers, negative impacts on our eCommerce business, and also negatively affecting the results of our operations.

Any incident related to the security of the information we have on our customers, associates and suppliers, stemming from the activity of hackers, could damage our reputation and lead to very high additional costs, make us susceptible to lawsuits, and possibly affect our operations

Much like the majority of commercial sector companies, we obtain information on our customers, associates, and suppliers. In addition, our online commercial operations via our websites depend on the safe conveyance of confidential information through public networks, including information on electronic payments. Each year, hackers make countless attempts at accessing data stored in our information systems.

We have considerable security measures to protect against and prevent unauthorized access to said data. Nevertheless, it is possible that some form of hacking –new methods are rapidly evolving and becoming increasingly sophisticated- may exceed our security measures in the future and manage to obtain personal data that we have on our customers, associates and suppliers. An infiltration of this type could adversely affect our reputation with our customers, associates, and suppliers and also affect our operations, our financial standing and liquidity, leading to possible litigation against us or the imposing of sanctions.

What is more, a security violation could require the further investment of a considerable amount of resources to improve security measures employed in safeguarding such sensitive information against hackers and any other attempt at accessing the same, thus interrupting our operations, especially our online sales.

As a retailer who accepts debit and credit cards for payment, we are subject to compliance with guidelines and standards with regard to security surrounding the physical and electronic storage, processing and transmission of individual cardholder data.

Despite our compliance with these standards and other information security measures, we cannot be certain that all of our information technology systems are able to prevent, contain or detect any cyberattacks, cyber terrorism, or security breaches from known malware or malware that may be developed in the future. To the

extent that any disruption results in the loss, damage or misappropriation of information, we may be materially adversely affected by claims from customers, financial institutions, regulatory authorities, payment card associations and others. In addition, the cost of complying with stricter privacy and information security laws and standards could be significant to us.

We are highly dependent on computer systems to process transactions, consolidate results and manage our business. Any interruptions to our primary and backup systems could damage our capacity to manage the business

Despite having primary and backup computer systems that are independent, sufficient and physically separate, given the number of individual transactions we have each year it is critical to maintain the seamless operation of our computer systems. Said systems, including backups, are subject to damage or interruption due to cuts in the power supply, computer and telecommunication failures, viruses, security violations –from hackers and sophisticated organizations- catastrophic events such as fires, tornados, earthquakes, hurricanes, and incorrect use by our associates. If our computer and backup systems are damaged, violated or no longer work properly, we will be forced to invest heavily in the necessary repairs or replacements, leading to temporary interruptions in our operations. Any interruption in either the computer or backup systems could have considerable negative effects on our business and our operating results. The risk of interruption increases when significant changes to the systems are conducted; however, we feel our processes and management changes would mitigate this risk. If we fail in the integration of our systems and computer processes, we could fail to achieve the savings that are expected to stem from said initiatives.

Other values:

Walmart de México y Centroamérica with its sponsored level 1 ADR program that has Bank of New York as depositary bank is one of the three first international issuers to trade in “International OTCQX Market Tier” (www.otcqx.com).

The “International OTCQX Market Tier” recognizes the companies that have ADRs trading in the Over the Counter market in the U.S., who distinguished themselves by providing credible information to investors, and meet the financial qualifications of the NYSE listing standards. Among the main benefits is the electronic quotation and trading system, and an online financial information system.

Walmart de México y Centroamérica has complied, in the last three fiscal periods, in form and time with the requirements of Mexican and foreign legislations regarding relevant matters and periodical information such as quarterly and yearly reports on results.

Significant changes to the rights of securities registered:

This element does not apply to Walmex.

Use of proceeds, if any.:

This element does not apply to Walmex.

Public documents:

Copies from this report as well as from the following documents are available to the investor public at large, through the MSE website, www.bmv.com.mx, and Walmart de México y Centroamérica's website, www.walmartmexicoycam.com.mx and Investor Relations website www.walmex.mx:

- Annual report – MSE format
- Notification of relevant events
- Monthly sales report
- Quarterly report on results: Consolidated Financial Statements (Financial Statements compared against the same quarter of the previous year)
- Annual Report, including the Consolidated and Audited Financial Statements for the latest fiscal periods, as well as a comparison of the previous period.
- Annual Report is based on the methodology used in Global Reporting Initiative (GRI).
- Code of Corporate Best Practices.
- Corporate bylaws.

Moreover, copies of this report can be provided via:

Pilar de la Garza Fernández del Valle

Investor Relations

pilar.de@walmart.com

+52 55 5283-0289

[417000-N] La emisora

History and development of the issuer:

- 1958 The first Aurrera store was opened to the public in Mexico City.
- 1960 Superama begins operations.
- 1964 Vips begins operations.
- 1965 On October 25, the company is formed in Mexico City under the name Compañía Mexicana de Desarrollo Internacional, S.A., with a duration of 50 years.
- 1968 The company changes its name to Midco, S.A.
- 1970 Suburbia and Bodega Aurrera initiate operations.
- 1973 The company changes its name to Aurrerá, S.A.
- 1977 Company shares were first traded in the Mexican Stock Exchange. Its stock symbol was AURRERÁ.
- 1982 Corporate conversion to Aurrerá, S.A. de C.V.
- 1986 The company changes its name to Cifra, S.A. de C.V. (Cifra).
- 1991 A joint venture agreement is signed with Wal-Mart Stores, Inc. (50%-50%) to open Sam's Club in Mexico. The first club opened its doors in December of the same year.
- 1992 Joining the agreement are the new Aurrera, Bodega Aurrera and Superama units, in addition to the Walmart Supercenters. With this purpose in mind, two companies are created: Cifra-Mart and WMHCM, of which Cifra owns 50% and Wal-Mart Stores, Inc., the other 50%. Cifra keeps 100% of its units opened prior to May 1992.
- 1993 The duration of the company is extended 99 years, starting March 8, 1993.
- 1993 Walmart Supercenter initiates operations.
- 1994 The new Suburbia and Vips units are incorporated into the agreement.
- 1997 The joint venture companies merge into Cifra. Wal-Mart Stores Inc. makes a public tender offer in the Mexican Stock Exchange acquiring control of the Company. Cifra remains a public company that operates all the businesses in Mexico (Bodega Aurrera, Walmart Supercenter, Aurrera, Sam's Club, Superama, Suburbia and Vips).
- 2000 The General Shareholders' Assembly approves the change in name from Cifra, S.A. de C.V., to Wal-Mart de México, S.A. de C.V. Its stock symbol is **WALMEX**.
- 2001 All Aurrera stores are converted to either Walmart Supercenter or Bodega Aurrera.
- 2004 Our Shareholders' Assembly granted voting rights to holders of Series "C" shares, and converted them to Series "V". The conversion was par value, that is, a Series "V" share for each share of Series "C". All capital stock for Walmart de México is represented by a single series, thus giving all shareholders equal voting rights.
- 2006 The General Shareholders' Assembly approved the official name change from Wal-Mart de México, S.A. de C.V. to Wal-Mart de México, S.A.B. de C.V., its current official name.

The Ministry of Finance and Public Credit grants the Company the authorization for the incorporation of Banco Wal-Mart de México Adelante, S.A.

- 2007 Walmart Bank begins operations.
- 2009 Approval of the acquisition of 100% of Walmart Centroamérica's operation, the leading retailer in the region in Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica.
- 2010 On February 15, the acquisition of Walmart Centroamérica was completed, changing the commercial brand name to Walmart de México y Centroamérica
- 2011 First Walmart Supercenter in Central America (Honduras)
- 2013 Walmart.com.mx launches
- 2014 Sale of the restaurant division (Vips)
- 2015 Sale of Banco Wal-Mart de México Adelante, S.A.
- 2017 Sale of apparel stores (Suburbia)

Corporate Headquarters

Boulevard Manuel Ávila Camacho 647

Colonia Periodista

Alcaldía Miguel Hidalgo

11220 Ciudad de México

Teléfono: +52 55 5283 0100

walmartmexico.com

walmex.mx

Investment in Fixed assets	2018	2017	2016
Openings (number of units)	134	125	92
Investment (billion pesos)	Ps. 17.9	Ps. 17.4	Ps. 14.3

Business Overview:

Walmart de México y Centroamérica is one of the leading retail sector companies in the region. As of December 31, 2018, it operated 3,249 units, throughout 6 countries (Costa Rica, Guatemala, Honduras, El Salvador, Mexico and Nicaragua), including self-service stores, membership clubs and omnichannel sales.

Walmart shares trade in the Mexican Stock Exchange since 1977; the ticker symbol is **WALMEX**.

Sales growth will come from:

- Same-store sales
- Sales from new stores
- eCommerce

Main activity:

As of December 31, 2018, Walmart de México y Centroamérica operates 3,249 units, including self-service stores and warehouse membership clubs located in 648 cities in the six countries where we have presence.

Format	Value Proposition	Income Levels	Units
Bodegas & discount stores	Price	D, E	2,593
Walmart	Assortment & price	B, C, D	305
Supermarkets	Quality, convenience & service	A, B, C	188
Clubs	Price leader, volume, new & unique merchandise	A, B, C, Business	163

In Mexico is present in 496 cities throughout the country.

Presence by geographical region								
	Total	Metropolitan	Center	Northwest	Southwest	Northeast	North	Southeast
Bodega Aurrera	1,910	439	695	264	164	124	111	113
Walmart	274	67	84	27	29	34	23	10
Sam's Club	163	35	47	13	21	19	15	13
Superama	91	56	25	2	7	-	-	1
TOTA	2,438	595	853	306	221	177	149	137

L



In Central America is present in 155 cities throughout the country.

Presence in Central America by country

	Total	Costa Rica	Guatemala	El Salvador	Nicaragua	Honduras
Bodegas and Discount Stores	683	208	214	75	92	94
Supermarkets	97	37	26	17	9	8
Walmart	31	11	10	5	2	3
TOTAL	811	256	250	97	103	105



Cyclical Performance

The demand for goods and services increases significantly during the last few months of each year as result of the holiday season. In 2018, the fourth quarter represented 28.8% of the year's total revenues.

Revenues by Quarter		
	2018 Total revenues (million pesos)	Contribution (%)
1 st Quarter	Ps. 145,054	23.5
2 nd Quarter	146,666	23.8
3 rd Quarter	147,768	23.9
4 th Quarter	177,422	28.8
TOTAL	Ps. 616,910	100.0

Vacations and national holidays also have a significant impact on sales performance.

Distribution channels:

14 distribution centers in Mexico

City	Name	Service
Mexico City	Cuautitlán	Dry goods
	San Martín Obispo (2)	Dry goods / Perishables
	Santa Bárbara	Dry goods
	Chalco	Dry goods
Monterrey	Dry	Dry goods
	Perishables	Perishables
	Meat Plant	Perishables
Guadalajara	Dry	Dry goods
	Perishables	Perishables
Villahermosa	Dry	Dry goods
	Perishables	Perishables
Culiacán	Dry	Dry goods
	Perishables	Perishables



12 distribution centers in Central America

Country	Name	Service
Guatemala	Amatitlán	Dry goods

	Bárceñas (2)	Dry goods / Perishables
El Salvador	Apopa	Dry goods / General Merchandise
Honduras	San Pedro Sula (2)	Dry goods / General Merchandise
	Tegucigalpa	Dry goods / Perishables
Nicaragua	Miraflores	Dry goods / Perishables
	Managua	General Merchandise
Costa Rica	Coyol	Dry goods / Perishables
	Santa Ana	General Merchandise



Patents, licenses, trademarks and other contracts:

As of this date, the commercial brands for the different business formats in Mexico (Bodega Aurrerá, Mi Bodega Aurrerá, Bodega Aurrerá Express, Superama, Medimart and Prichos), are owned by Wal-Mart de México, S.A.B. de C.V. as well as the trademarks Aurrera, Medimart, Atvivo, GRX, etc. Additionally, trademarks for the business formats Wal-Mart and Sam's Club and other private trademarks such as Great Value, Equate, Mainstays, Members Mark and Carrito Wal-Mart, etc., are trademarks property of WALMART APOLLO, LLC. Said trademarks are used by the operating companies under license agreements and/or sub-license agreements for an indefinite term. The Company also uses registered trademarks owned by third parties through license agreements to guarantee the correct use and compliance with the applicable and in force legislation.

All the banners for the different retail formats in Central America such as Despensa Familiar, Palí, la Despensa de Don Juan, La Unión, Paiz, Más x Menos, Maxi Bodega and MaxiPalí, as well as the different private labels such as SABEMAS, SuperMax and Suli, are registered as different subsidiaries of TFB Corporation N.V., that operates throughout Central America. The private labels Walmart, Great Value, Equate, SAM's Choice, George & Design are traded under license by WALMART APOLLO, LLC.

Included among the distinct banners of the Group are the various brands owned by the subsidiaries of the Agroindustrial Division, an operation that was created with the purpose of supporting the Walmart Centroamérica retail operations, through the supply, distribution and sale of fresh products and, separately, the development of private label grocery and consumer products.

The legal use and preservation of the rights of our various private brands is of utmost importance for the issuer, as they are part of its net worth, beyond the fact that the consumer population identifies the quality of the items merchandized under those brands together with the services granted by the operating formats. All this involves the issuer prestige, as a result of which, we have an area specialized in industrial and intellectual property rights, which is responsible for guaranteeing the use and defense of such rights.

Wal-Mart de México has politics and procedures for the development of their products bearing our Trademarks that establishes the guidelines for the creation, management and marketing of said trademarks; as well as the steps and the specific scope of each of those involved in product development. Strategic brand direction is responsible for verifying that the products marketed by the area of ??strategic brands are used with trademark registrations owned by Walmart de Mexico and Centroamérica and registrations by WALMART APOLLO, LLC., in those cases where Walmart México y Centroamérica is authorized to sell by.

There are about 4 policies that govern (and have governed for at least the last three years), plans for research, development and use of trademarks of our products and within which the importance of products marketed under strategic brands stands meet at least the following requirements of the company:

- Being utility generators, i.e., have better margin than the competitor product and / or category where they participate according to the strategy of each brand.
- Signifying a proposed customer value. Have a lower price than the leader product, aligned with the strategy of each brand.
- Having strict adherence to company programs such as EDLC and EDLP to grow the competitiveness of the company.
- Comply with regulations and current regulations applicable to each product in each country (labeling, formulation, health requirements, etc.).
- Being products developed and managed in your business process by the area of ??Strategic Brands. Products that are made in store and / or which are only placed a label will not be considered or counted.

Regarding investment amounts, it is impossible to determine, since each product for each format carries different processes of evaluation and assessment but always attached to the policies and guidelines outlined above.

Main customers:

Our main customer is the public in general. Throughout 2018, we had generated more than 2.2 billion transactions in Mexico and Central America.

Once again we reached solid results, generating more loyalty among our customers. We changed the way we work with focus on our customer, provided our associates with new tools in order to become efficient, and accelerated innovation so as to offer a more agile and simple shopping experience, in line with market trends in the digital era. Moreover, we were able to generate resources required and reinvest in the business to boost our future growth. The diversity in demographic characteristics and income levels in each of the countries are best served by the omnichannel approach, enabling us to serve our customers anytime, anywhere.

Applicable law and tax situation:

Wal-Mart de México, S.A.B de C.V., is a corporation established under Mexican law that complies with all the legal provisions for the construction and operation of its units, with special emphasis on: environmental, urban development, operation, hygiene, civil defense, animal and pest control, and advertisements, pursuant to all applicable federal, state and municipal regulations.

Furthermore, Walmart de México y Centroamérica complies with the commercial basic principles ruling the relation between suppliers and consumers established by the Federal Consumer Protection Law.

In Mexico, WALMEX is registered within the Ministry of Finance and Public Credit and determines its tax result under the optional regime for a group of companies as an integrator company, as of 2019 WALMEX will determine and pay the Corporate Income Tax under the general regime, abandoning the optional regime for groups of companies, complying with all the tax regulations applicable to the business activities developed by the Corporation.

The primary laws that regulate WALMEX in Mexico are: the Securities Market Law, General Corporation and Partnership Law, Income Tax Law, Value-Added Tax Law, Tax on Cash Deposit Law, Luxury Tax Law, Intellectual Property Law, Federal Copyright Law, Federal Consumer Protection Law, Federal Anti-Trust Law, Foreign Investment Law, Banking Law, Federal Labor Law and Protection of Personal Data Federal Law.

The operation known as Walmart Central America was consolidated under TFB Corporation, N.V. (a company established in the Dutch Antilles, today Curaçao), a subsidiary of WMCA Central American Holding, S. de R.L. de C.V., who in turn is a direct subsidiary of Wal-Mart de México, S.A.B. de C.V., with the latter being an indirect subsidiary of Walmart Inc. TFB Corporation, N.V., was established with the sole purpose of serving as the holding company for a number of indirect subsidiaries, who in turn are holdings of other subsidiaries that operate stores and agro-industrial businesses, established in Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica.

Likewise, there is full compliance with the basic principles of commercial relations between suppliers and established consumers in each of the countries served.

Regarding the tax position of TFB Corporation, N.V. and its operating subsidiaries are subject to each country Fiscal Bylaws and are registered in their Tax ID and in compliance with any and all tax requirements related to the development of their respective businesses operation.

Human Resources:

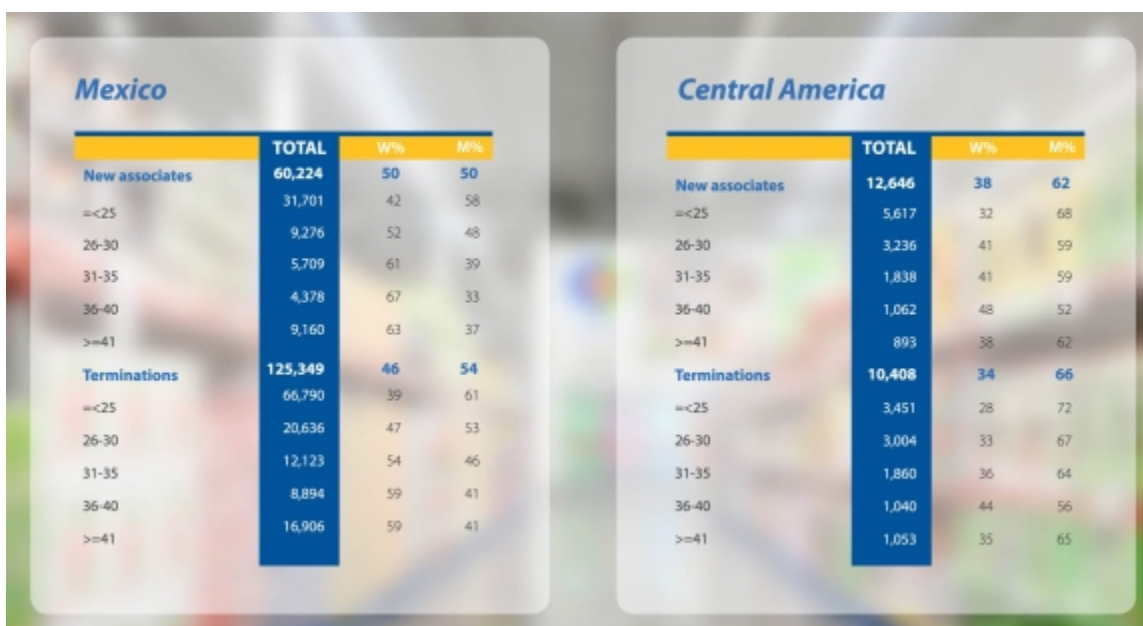
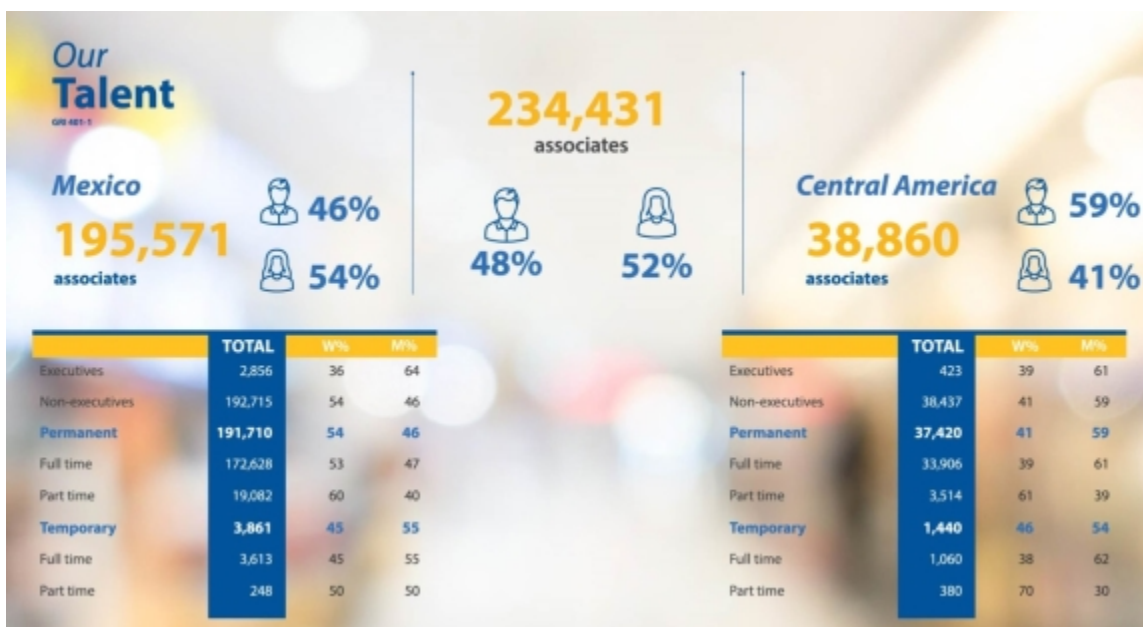
Changing the way we work

To attract and retain our talent we defined our Employer Brand with a clear value proposition for associates and candidates.

Our employment value proposition

At Walmart de México y Centroamérica, our purpose is to improve the quality of life of families and to achieve this we have enthusiastic and invincible associates, who work full of energy to overcome any challenge and meet every goal.





Developing our talent

We have a clear workforce philosophy built upon our guiding principles of stability and mobility, and we firmly believe both are key to a fulfilling career. Walmart de México y Centroamérica offers a wide variety of career opportunities to people of every background. Based on our commitment to our associates our goal is to provide them with the possibility to level up and succeed in the organization. We have various training programs in place, designed after finding out each associate's needs, and focused on offering the necessary tools for their professional and personal development.



Operations Academy for self-service stores and Sam's Clubs

We designed programs and courses to supplement training for hourly associates all the way up to directors. For example:

- **EduWalmart**
We helped associates graduate from elementary and high school
- **Superama's Develop, Attract and Retain Program**
It guarantees that new hourly, field associates get the basic knowledge and tools for their jobs.
- **I'm an Associate of Excellence**
Focused on Central America units transitioning into Centers of Excellence.
- **TWO in ONE**
This program was designed for District and Operations Managers of Discount and Bodega stores in Central America to acquire knowledge on the bi-format approach and business strategy.

Merchandising Academy

1,320 merchants were trained to develop their negotiation, marketing, category management, leadership, and retail and transportation skills:

- We worked together with the Apparel area to define and implement the Grow Circle program strategy, building a forum with experts in merchandising processes, and allowing for the strengthening of technical skills of 247 associates so they could do their jobs.
- We trained 218 Produce associates and generated collaborative communities so that associates could identify main problems and solutions in replenishment, price analysis, category analysis, and work impact processes through the presentation of current cases.

- We trained 210 Self-Service Merchandising associates in the digital platform Compass to simplify, analyze, activate and predict transactions.

Logistics Academy

- *Supply Chain of the Future (SCOFT)*

It was designed to align the middle management to a comprehensive vision of how distribution centers work on various issues such as owner attitude, replenishment, item file, Logistics ISD, equality and inclusion, traffic, engineering, logistics programs, logistics planning, and internal distribution center processes. An e-learning version has been designed from this program's impact and need, which will allow for new middle managers to receive the course faster through new technologies accessible from distribution centers.

- Traffic

Training to standardize knowledge regarding import terms, the importance of this for each of our stores, negotiation terms and elements that have to do with landed cost of imports.

- Replenishment Excellence and Applied Learning

This classroom program was implemented for Replenishment associates in response to the alignment between processes and point of sale replenishment related areas. The replenisher is key to the operations of the four formats, reason why communication processes and technical skill development become so important.

- Various items were included, such as Centers of Excellence, Central Team, Fulfillment, Demand, CPFR Projects, Innovation, Commercial and Perishables, MOM, Traffic, Say It, and some others.

- Retail Supply Chain Certification Program (RSCC)

This program has a duration of six months and focuses on associates belonging to the Supply Chain, who were trained on four modules: Supply Chain, Prognosis Building, Inventory Management, and Processes Metrics and Integration.

- Agro-Industrial Development Academy

37 technical/functional playbooks were designed with the help of two experts to be used for critical positions, thus assuring operational continuity. They include such items as safety, quality and security for us to offer comprehensive training to associates in Central America.

- From there, safety, quality and security e-learning courses were designed

- Meat Plant

We implemented 25 classroom and online courses separated per regulatory and specialized issues. With regards to the opening of the meat plant in Monterrey, we developed and implemented onboarding courses for critical positions, and were able to train 402 new associates on technical, regulatory and specialized issues, thus guaranteeing the proper working of the plant.

Home Office Staff

Apart from the training supply available for staff areas, we implemented the following:

- Leading Digital Change program

It's aimed at offering the company training on issues such as digital transformation like Scrum, Agile, Management 3.0 and Lean Change Management. We trained change leaders in the company.

- Marketing College

It's aimed at training associates all across Marketing on various issues, such as digital marketing.

- Digital marketing and Google certification

Designed for Marketing and Our Brands associates in Central America, and aligned to the digital, commercial and brand strategy. Some 70 associates participated.

Openings

We developed new store leaders through theoretical-practical training for them to have significant learning to know and understand the operational and strategic aspects of their work, and the importance of their roles.

- We contributed to successfully initiate the operation of 100 new units

Talent Center

The objective of the Talent Center is to offer business units the necessary talent through a totally practical training process offered in a real environment. With this, we were able to increase productivity and service

level, and to considerably decrease the retention percentage, which turned into a great shopping experience for our customers. We gave 60 training courses to 1,035 Checkout associates.

We currently have three Talent Centers which service 156 self-service stores in greater Mexico City to increase our education supply in our operations. This year, we started designing contents and the infrastructure to implement the Groceries School in 2019.

- We were able to increase productivity and service level, and to considerably decrease the turnover percentage, which turned into a great shopping experience for our customers.

Learning Centers

We have three Learning Centers in Mexico City, Guadalajara and Monterrey to raise leaders through our educational supply for associates to acquire the necessary competencies to meet business priorities, to do their jobs, and to have quality and leadership standards. The following training programs were implemented:

- Self-Service Operations Trainees

This seedbed program for future assistant managers achieved the graduation of 99% of participating associates.

- Onboarding for self-service Managers, Assistant Directors and Directors

The approach for these programs is to have direct training in stores, and shadow training with Assistant Directors and Directors, thus allowing for a completely practical learning process.

- Replenishment Trainees

44 associates received comprehensive training and 100% graduated

- Asset Protection

Training for Assistant and District Managers to find operational and administrative red flags to prevent and control any kind of situation that may cause the loss of assets, cash or merchandise, and to generate a safety atmosphere for customers, associates and suppliers.

- Retail Certification

It offers associates the technical and leadership knowledge to help them successfully perform in their positions. It has allowed for the standardization of knowledge, processes and operational procedures to meet the objectives of the operations in the four formats.

- Middle Management

It aims at developing associates across the four formats by strengthening their competencies, analytics skills and decision making processes to achieve results for operations and growth.

- Leadership Essentials

This program is aimed at developing influence, feedback and strategic thinking tactics by leveraging interpersonal relations to lead in a more effective way and with a company goal and objective-center approach.

- Top Schools

This supply of formal educational programs at international, prestigious universities aims at strengthening our Directors' and Vice-Presidents' knowledge and skills.

- Updating Top Management Seminars

This set of three-day classroom workshops is focused on developing our directors' competencies and is offered by the Tecnológico de Monterrey on issues such as marketing strategy, omnichannel strategy and transformational leadership.

- Executive Coaching

This is an ongoing help process for directors that comprises ten sessions with an external coach who develops activities to drive and improve associates' performance on the job and release their full potential by maximizing their professional skills.

- Level up

This global program identifies high potential and diverse talent, and creates a transparent system to develop the necessary capabilities for succession plans.

- Education Funding

It supports our executives' development by helping them start or complete bachelor's degrees, special certificate courses, master's degrees and language studies.

- International Academy

This accelerated development program allows to experience the Walmart culture from our corporate headquarters in Bentonville (Arkansas) and to strengthen international leadership competencies through experiential learning. Our associates were trained in:

- Logistics Academy
- Sam's Merchandising Academy

- Supply Chain Academy
- Real Estate Academy
- Master's Degree Program

It helps integrate Mexican students currently enrolled in an MBA, by having them lead a strategic project for three months during the summer. The best students are called to work in various areas once they complete their MBAs.

- Dialogue with associates

At Walmart de México y Centroamérica, we believe that the growth of a successful company calls for the participation of its people. Our associates complete an engagement survey every year so they can speak up their opinions on what we need to improve, about their leaders, how the Walmart culture is honored, and the main issues that build up the working experience. This survey is managed by an independent service provider in charge of collecting individual answers, treating them as confidential information, and reporting results per team. In 2018, 84% of associates completed the survey across the region, and accounted for around 174,000 associates sharing their opinions.

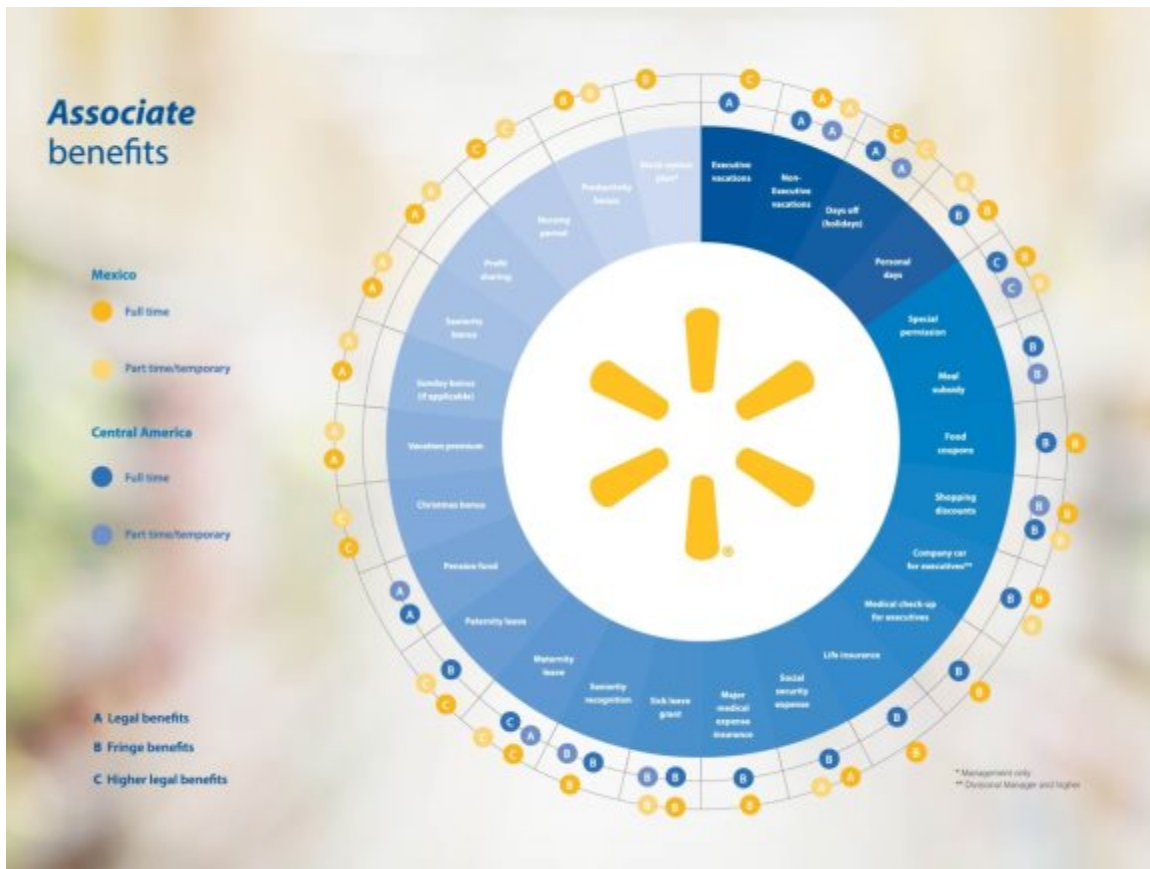
Engagement rate went
from **82% in 2017 to 87% in 2018**

	2017	2018
Mexico and Central America	82%	87%
Mexico	81%	86%
Central America	88%	92%

We will continue working to promote an authentic culture of leadership and open communication that improves the work experience of those who are part of the company. Feedback meetings across the company stemming from this survey allow for an open, constructive dialogue aimed at building better work environments and detecting areas of opportunity. The outcome of such meetings is translated into action plans.

Life-work balance

We are committed to the welfare of our associates; consequently we look for innovation by implementing initiatives that help us create a healthy, collaborative and flexible work environment.



We have 817 education, service and entertainment partnerships available for our associates and their relatives so that they can save money and improve their quality of life.

- Health equals Life-work balance

The program is aimed at boosting healthy life styles and providing our associates with useful tools, tips and actions to help them make changes in their life styles and develop healthy habits, focusing on the following aspects:

- Prevention
- Emotional health
- Physical health
- Financial health

Some relevant initiatives in this respect were:

- PrevenIMSS

Store and office visits, 44,509 associates treated and vaccines application.

- Nutrition

Nutrition plans and associate treatment at corporate offices, two nutritionists for all the offices, 4,926 associates treated.

- Doctor's offices

We have six doctor's offices, one fixed nutritionist office at Toreo, home offices and a mobile one to serve all the other offices. Six lactation rooms inside our corporate offices in addition to 307 doctor's offices at stores throughout the country at no cost to associates.

- Comprehensive Assistance Program

Free, optional and confidential hotline service for our associates and their relatives to answer personal questions or concerns related to issues such as:

- Psychological counseling

Personal issues, depression, stress

- Financial counseling

Credits, credit bureau, savings

- Legal counseling

Laws, regulations, rights and duties

- Work flexibility

- Postnatal LOA for parents. It allows women to gradually integrate into working life after having a baby and up to 6 months afterward. For male associates, we have a six-hour flexible schedule during the first month.

- For operations associates, we have fixed shifts during breast-feeding periods, schedules for students, transfers for work-life balance purposes, fixed shifts for single parents, quarterly breaks, monthly free weekend for unit Managers and Assistant Managers.

- Remote work. Associates work remotely once a week, complying with their normal schedule. Among the main benefits we offer are: productivity increases, result-approach maximization, and worklife balance improvement for associates.

- The Flexible Work Week Program for staff associates consists of adjusted work hours from Monday to Thursday so that Friday afternoons are free (short Fridays).

The sense of belonging of our associates to the company is of great importance as it encourages their commitment and motivation.

Therefore, this 2018 the Sparky Days were organized, for the first time, at 20 outstanding units of the Central American region. This event is an effort to get the families of our operation associates closer to us by inviting their children to spend a day at the store and let them know where their parents work through a guided tour around the store and several entertaining activities specially designed for them.

Diversity and inclusion

We believe it is our people, in all their diversity, and our culture that help make Walmart successful. We value a diverse workforce that serves millions of customers who choose to shop with us at stores or online. Unique styles experiences, identities, ideas and opinions enrich our culture allowing for innovative solutions for the business and enabling us to meet the needs of a diverse base of customers, thus strengthening the business. We are committed to creating inclusive environments in every part and at every level of our business.

We guarantee a working environment based on respect where customers, associates, suppliers and members, feel free to be themselves; valuing and enhancing ideas and opinions, experiences and identities to develop their potential.

- For the second consecutive year, we were recognized as an inclusive LGBT+ company
- 52% of our associates are women
- We achieved a better understanding and collaboration among associates of different generations
- 1,539 associates with disabilities, 184% more vs. 2017

- Diversity and Inclusion Policies

Our policies clearly state that discrimination and/or harassment are strictly forbidden, regardless of the situation of the individual, including ethnic origin or nationality; skin color; culture; gender and/or sexual identity; age; disabilities; social, economic, health, or legal situations; religion; physical appearance; genetic characteristics; migratory status; pregnancy; language; opinions; sexual preferences; political identity or affiliations; marital status; family conditions and/or responsibilities; criminal background; or any other reason that may hinder or annul recognition or enjoyment of rights and equal opportunities.

- Diversity and Inclusion Advisory Board

There are two Advisory Councils on Diversity and Inclusion –one in Mexico and the other in Central America- having high level team leaders who are in charge of promoting strategies programs and

initiatives that enable the identification, development and retention of diverse talent so as to encourage participation at all levels of the organization and to generate an inclusive work environment.

Objectives of the Board:

- Promoting equality between men and women
- Directing, monitoring, and communicating progress
- Overseeing the existence of policies, procedures, and activities
- Serving as a surveillance body
- Guaranteeing levels living by the culture
- Ensuring the proper gender balance among management
- Sponsoring diverse group inclusion programs

The Diversity and Inclusion strategy of the company is based on four pillars:

- Gender equality

Create conditions and provide tools to increase executive women percentage and retain non-executive women.

- Women in Retail

It is a one-and-a-half-year development program for our associates aimed at developing and retaining the best talent, thus having highly trained, committed female associates with a strong sense of belonging, based on four development pillars: Experience, Exposure, Education and Mentoring; with a view to strengthen skills and competencies as well as increasing leadership and networking. Currently we have the 4th generation in progress.

- Female Executives and Trust Circles

Aimed at developing subjects such as personal leadership and selfmanagement; talent management, change management, strategic thinking, leading transformation, persuasion, empowerment and influence, among others.

- Walmart Café

In Central America, we carried out sessions targeting 200 female operating leaders, which consisted of working groups aimed at finding solutions and concrete actions in order to promote women leadership at Walmart.

- Special Certification Course on Executive Leadership

Its objective is to consolidate competencies through effective management tools in the following topics: Design Thinking for innovation, time management and productivity, emotional self-governance and assertiveness, leadership in times of crisis, development of high performance teams, numerical analysis and decision making, targeting 167 female managers and assistant managers.

- Taking the Stage

This training course develops and enables female associates to play a leading role and be influential and speak with conviction. It was completed by 44 female Assistant Directors and Managers.

- Reach High

Accelerated development program for our female executives to provide them with the necessary tools to manage their development on breaking barriers, insecurity and empowerment management, strategic relationships, Impact in high-level forums and assertive conflict management. Some 14 female, high-potential Directors and Assistant Directors have participated.

We participated in several forums and congresses in Central America to promote labor gender equality, such as Forbes, the SHIFT event and the Female Leader Congress in Central America of the Guatemalan Chamber of Commerce. Lastly, we carried out a webinar on the International Men's Day to make associates aware of men unconscious bias.

After our company's commitment to generate a diverse and inclusive environment, we were recognized as follows:

- Tenth place in the Great Companies for Women Ranking, by Top Companies

Walmart was ranked tenth by Top Companies after its human resources practices, politics and programs for women that included social responsibility, working conditions, temporary work

management, impartiality, compensation and benefits, satisfaction, productivity-driving conditions, and female leadership and women in executive positions.

- Sexual diversity

Build the foundations so that our associates can show inclusive behaviors with the LGBT+ community.

- LGBT+ Pride March

For the second consecutive year in Mexico City and Costa Rica, and for the first time in Monterrey, Guadalajara and Mérida, we participated in the LGBT+ Pride March. The President and Vice Presidents of the company joined associates and relatives in the march.

- 2018 HRC Equidad MX certification

For the second consecutive year, we were certified by the HRC (Human Rights Campaign) Foundation as a company that fosters LGBT+ diversity and inclusion in the workplace.

- Coronel Amelio Robles award

We were granted this award after our labor practices and initiatives in favor of the LGBT+ community, especially transgender people.

- Labor inclusion for people with disabilities

Enable and generate reasonable adjustments to include people with disabilities.

Within the last years, we have worked at Walmart de México y Centroamérica to implement inclusion programs for people with disabilities. There are currently 1,539 associates with motor, hearing, visual and intellectual disabilities working in our stores, clubs, distribution centers and offices.

We have offered training and information on disabilities through face-to-face and online training, and videos and manuals on how to assist associates, customers and suppliers with disabilities.

In Mexico, a diagnosis was performed regarding structural conditions, work environment, and positions, to obtain an updated status on inclusion in the organization, thus allowing us to have a list of our areas of improvement and to generating inclusive work plans. As a consequence, in 2019, we will have inclusive remodeled and new stores for people with disabilities.

- Costa Rica Incluye award

In Central America, for the second consecutive year, the AED (Business Association for Development), the Second Vice President of the Country, the MTSS (Labor and Social Security Ministry), and the CONAPDIS (National Board for People with Disabilities), in partnership with the PNUD (United Nations Development Program) and the International Labor Organization (ILO) recognized us with such award in two categories: Access to Physical Spaces and Inclusive Hiring.

- International Day of People with Disabilities

For the first time, we celebrate the International Day of People with Disabilities; 170 associates participated showing with their day-to-day passion and devotion; that barriers are only in our minds, and that everybody has the opportunity to have a fulfilled and free-of-discrimination

- Generational diversity

We promote the integration of different generations in favor of labor inclusion. We currently have Millennial, Generation X and Baby Boomer associates. Similarly, we promote the exchange of knowledge among generations by implementing programs such as Reverse Mentoring, where Millennial associates enabled the members of the Executive Committee in digital skills of apps and social media.

- Diversity and inclusion month

During this month we held conferences and events, such as: Training on the Right to non-discrimination and inclusive behaviors for associates and suppliers. We also conducted conferences and training courses on gender equality matters for small producers, and trained Directors and District Managers on unconscious bias.

- Equal pay

There is no salary difference on the grounds of gender, age, religion, sex preference or political ideology. We have a pay band; differences are based on the associate individual performance. Associates are evaluated every year based on seniority and adherence to successful behaviors under the Policy of workplace free of discrimination and harassment. The company complies with and exceeds the minimum wage established by the authority.

Thanks to the efforts of all the associates of the company, we received the following recognitions in diversity and inclusion:

- Certification on labor equality and anti-discrimination

Walmart de México y Centroamérica received this certification once more by the Mexican standard on Labor Equality and Anti-Discrimination after the compliance of its policies and practices with labor equality, and inclusion requirements set forth by the Department of Labor and Social Welfare, the National Women's Institute, and the National Council for the Prevention of Discrimination, who promote and back up the Standard.

We are the only retail company certified in Mexico.

In order to achieve this, the most important assessment factors are:

- Equal opportunities in recruitment and selection processes
- Inclusive, accessible and non-sexist use of language
- Breast-feeding rooms
- Flexible working hours
- Training in equality and discrimination matters
- Physical spaces accessible for people with disabilities
- Implemented mechanisms to address, prevent and sanction violence or discrimination-related situations
- Encourage a labor climate free of discrimination
- Mechanisms to attract and retain talent
- Guarantee equal pay
- Implementation of actions to offer associate worklife balance

- Bloomberg Gender-Equality Index

We were included in the Bloomberg Gender-Equality Index, a reference index created by Bloomberg that measures gender equality and recognizes companies after their disclosure and commitment to gender equality through internal policies and statistics, as well as participation and support from companies to communities. Our results were above the average companies that belong to this index, regarding subjects such as the makeup of the workforce, female executive positions and the number of women members of the Board of Directors.

- First Place in the Inclusive Business Ranking by Expansion Magazine

We ranked first among due to the company's vision for the integration of vulnerable groups to its growth strategies in the short and medium term, highlighting Diversity and Inclusion policies in talent hiring.

Environmental performance:

Respect for the environment

We work to make our operations more sustainable and our value chain more efficient.

Sustainability and efficiency in our operations and value chain are key factors in our endeavor to become the most reliable retailer chain for our customers and stakeholders. This is the path we have defined to become a more efficient and resilient company, which will also help us to strengthen our brand and keep our customer loyalty.

Resources availability and climate change are two of the most important and complex challenges we face every day.

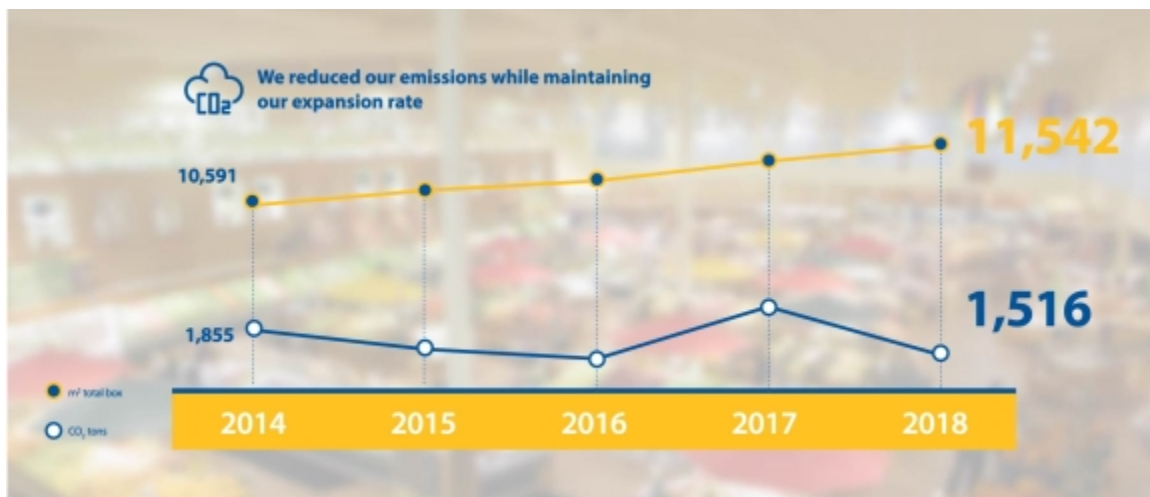
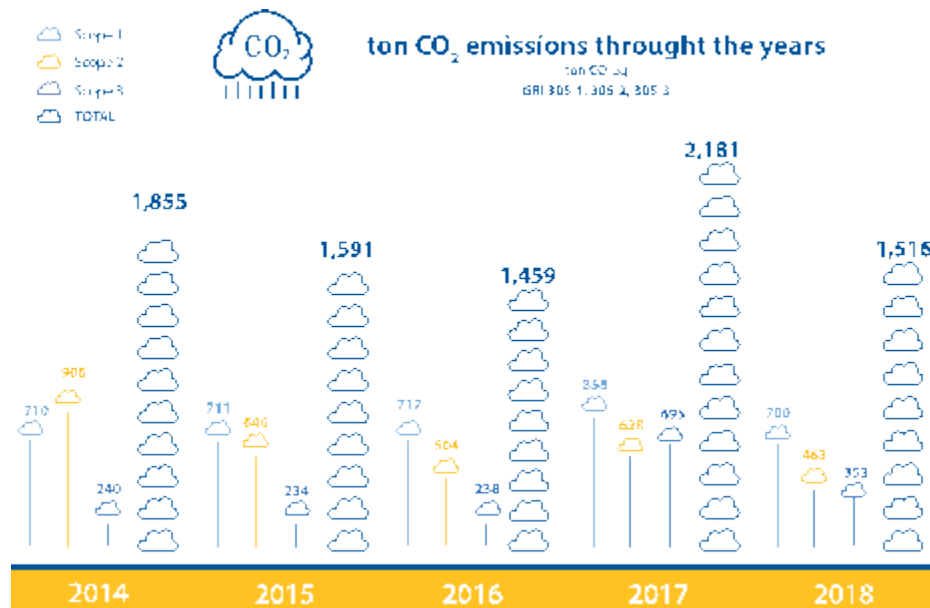
For this reason our 2025 plan includes reduction of emissions resulting from our operations, waste elimination through the circular economy principles and a responsible and sustainable product sourcing.



Actions to mitigate climate change

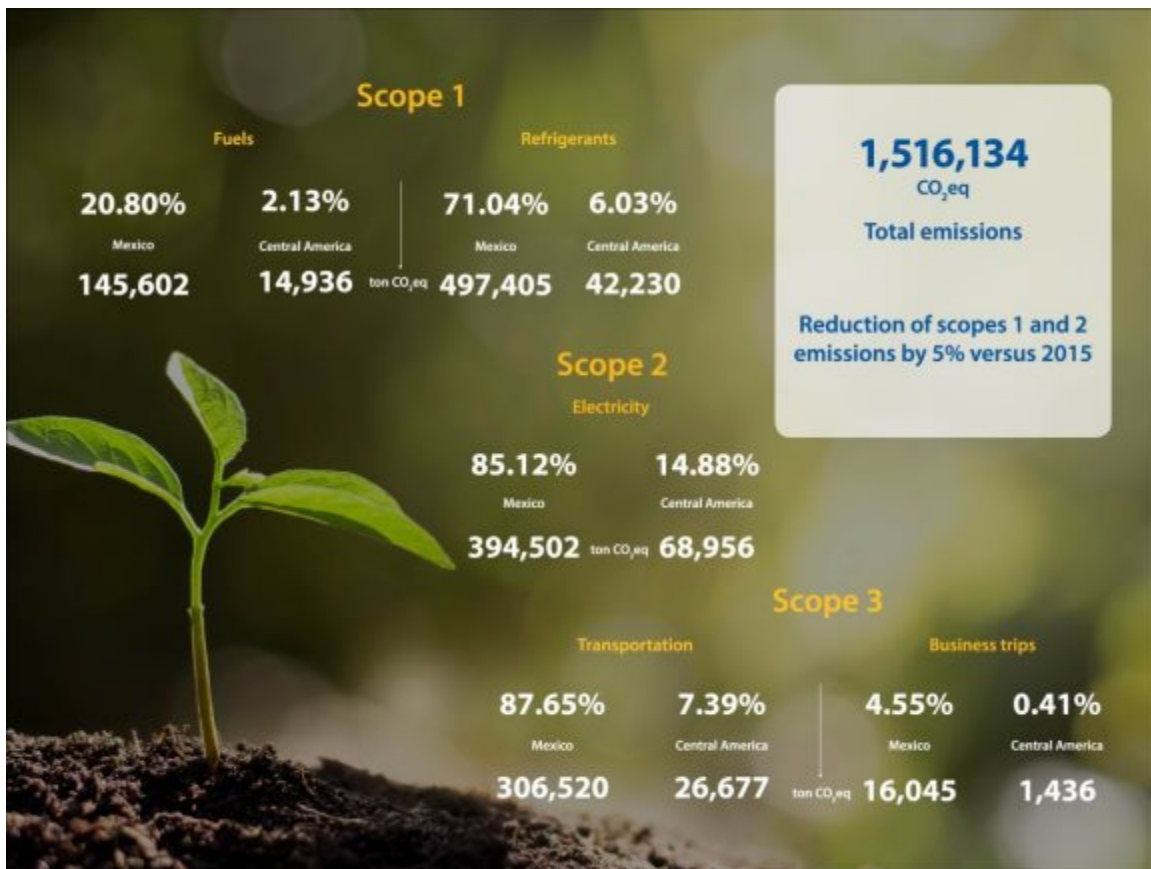
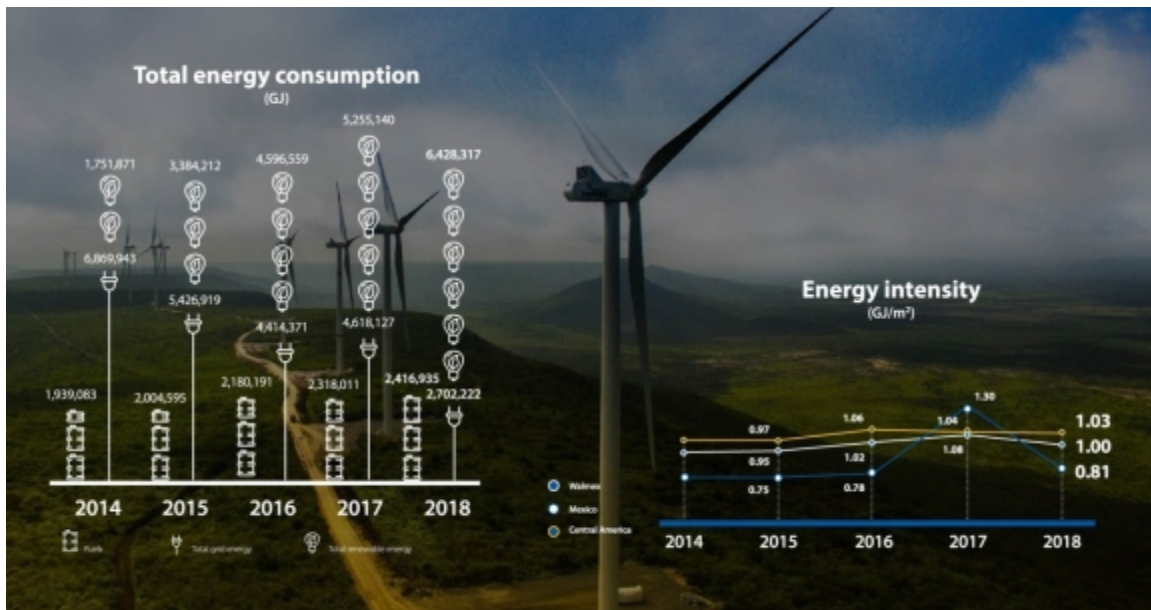
We are aligned with the principles of the Paris Agreement of the United Nations Framework Convention of Climate Change (UNFCCC). We share Walmart Inc.'s goal on reducing 18% GHG emissions for 2025 as compared to 2015 levels. Such goal has been approved by the initiative of Science-Based Targets.

In the past five years, we have reduced 39% carbon direct emissions, in absolute terms, and 50% in those relating to square meters of construction of our stores, separating the growth of GHG emissions from that of 3.08% of our sales floor in the same period.



This is mainly due to the consumption of renewable energy supplied by six wind farms and two hydroelectric plants; our renewable energy consumption has grown to 91% since 2013; it has also been due to a sustained effort to make our stores and distribution centers more energy-efficient, starting by their design, also by implementing more efficient cooling systems, energy-control and submetering systems that allow us to manage remotely energy consumption. Our total internal consumption of energy was 11,547,474 GJ.

We contributed to goals 7.2 and 7.3 of the Sustainable Development Goals (SDGs) 7 to comply with the 2030 Agenda of the UN, by increasing our supply of renewable energy by 18% as compared to the previous year as well as reducing energy consumption in our stores and distribution centers by 0.58% during the same period.



We continue upgrading our distribution network to reduce the total distance travelled by vehicles used for the distribution of goods, making a better scheduling of routes and the optimization of loads in order to deliver merchandise with fewer trucks, more efficiently loaded, thus resulting in less fuel used and fewer emissions.

With our Recoverable Waste Program, through our Reverse Logistics system, store associates collect this kind of waste coming from stores and load it into the same trucks that have delivered them merchandise, so that it can be taken to distribution centers on their way back.

In addition we continue to improve the baseline of the emissions generated by our supply chain, by requesting our main suppliers to report the emissions generated by the volume of the business they have with Walmart in Mexico, all this for the purpose of joining the Walmart Inc. Gigaton Project to reduce one billion metric tons of CO₂eq in the supply chain by 2030.

- Climate change related risks

Society and authorities are increasingly concerned about climate change, since it can bring serious consequences. Climate change may also lead to temperature increases, droughts, floods, hurricanes, etc., which may shift access to and alter cycles of different kinds of crops, rendering certain crop fields unusable for agriculture. Merchandise transportation may be affected as well if extreme weather conditions interfere with accessibility. Deciding whether to open a new store or not may be hindered if flood risks increase.

We assess climate change risks and opportunities for the company as a whole. A wide array of risks and opportunities are evaluated, based on the scope of the impact they may cause, such as overall regulatory risks that may affect company or market operations, specific regulatory and physical risks that may have to do with individual facilities or regional operations, and many other kinds of risks and opportunities for the supply chain, operations and customers. Walmex is continuously gathering information for the identification of risks or opportunities from as many different sources as possible, including staff and field associates, contacts in the industry, consulting firms, governmental and non-governmental organizations, news agencies, business organizations, lawmakers and financial community.

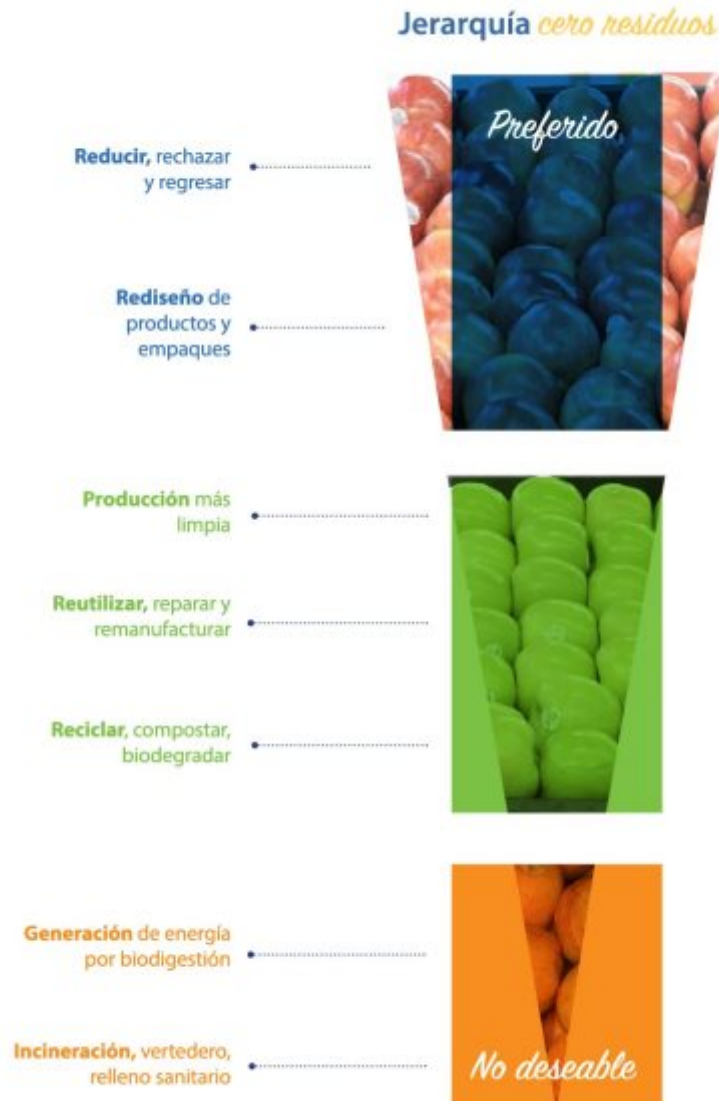
We consult some of these same groups together with internal resources to create models of risks or opportunities and determine how real, material, wide and immediate they may be. Also, given risks or opportunities are matched to alternatives. We determine a proper course of action from the assessment, which includes whether or not operating changes are in order to meet current or expected regulations; the means that can better serve our customers; the changes we can make to abate negative impacts on the business; the community or the environment; and new ways to improve customer, shareholder or associate value.



Working towards a circular economy

We maintain our firm intention to divert our waste to landfills by 2025.

We adopt the zero waste definitions by the ZWIA (Zero Waste International Alliance): “The conservation of all resources by means of responsible production, consumption, reuse, and recovery of all products, packaging, and materials without burning them, and without discharges to land, water, or air that threaten the environment or human health.”



We're aligned to SDG 12.3 to cut in half the food waste from our operations. We reassigned our efforts to accelerate our transition towards zero waste in our operations in Mexico throughout 2018. We changed our way of working by developing our Zero Waste Plan and appointing leaders from all areas of the business to form a strategic team to deliver on the plan.

This team's mission is to identify and develop necessary initiatives for every area to contribute towards meeting the zero waste goal in model stores. As a result, a business plan of 121 action points was developed, and it includes operating benefits, such as the following highlights:

- Strengthening of the donation program
- Efficient replenishment
- Optimal inventory control

- Cold chain integrity
- Communication consolidation

With the help of these benefits, we are also able to support the freshness, quality and availability promise made to our customers. Thus, not only do these action points allow us to protect the environment, but they also help us increase the profitability of our business.

- Our strategy to reduce food waste



With the purpose of diverting the most organic waste from landfills in Central America, a biodigestor is working in Walmart Roosevelt, in the city of Guatemala, and another is being piloted in Walmart San Sebastián, in San José, Costa Rica. Over 145,887 tons of organic waste was processed, and diverted from landfills, in 2018. Not only was there a reduction in garbage collection service expenses, but also biological contamination risks from decomposition, smells and lixiviated liquids were eliminated.

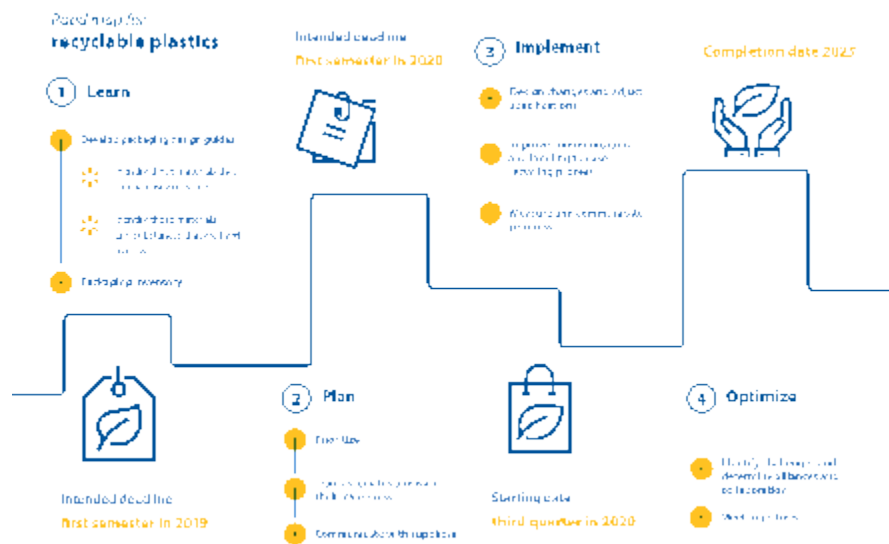
- Packaging and plastic packaging management

We are aiming for an efficient use of the materials in our operations, such as packaging of the products that we sell. Our commitment is to achieve 100% recyclable packaging in Our Brand products by

2025. This kind of packaging is the one that can be collected through material recovery systems, that is designed to be compatible with the existing recycling infrastructure, and whose material can be recycled to make other products or packages. To this end, we have signed the Ellen MacArthur Foundation's New Plastics Economy Global Commitment unveiled at the Our Ocean Conference. We continue working on widening the use of retail-ready packaging, during 2018 we added 2,370 products to the program in order to reach a total of 4,017.

Our strategy to meet this goal is founded on three principles:

- Increase the proportion of recyclable packaging
- Avoid those materials that interfere with selection and processing for recycling purposes
- Have clear communication to facilitate collection, sorting and recycling procedures



We have fostered the principles of a circular economy among a group of suppliers deemed as having a great impact after the amount of products they procure to us, through workshops where we analyze the use of plastic in packaging, so that we can actively contribute to the decrease of post-consumer waste, from the design and the materials used to the end of life handling.

Throughout 2018, we worked to consolidate alliances with suppliers and other organizations to strengthen our recycling programs for customers, thus facilitating the sorting, recycling and reuse of various kinds of recoverable waste that would have otherwise ended up in landfills or caused a more negative impact to the environment.

- Recycling in benefit of your community

In partnership with Coca Cola and Ciel, 300 blue containers have been kept in Walmart and Superama stores and Sam's Clubs, and 25.6 tons of PET and aluminum bottles have been collected there and used to make student desks and chair desks for communities in need.

- Post-consumer recycling -programs for customers

- Recycled Cans

This program was implemented in 50 stores in Mexico City, State of Mexico, Monterrey and Guadalajara for the second consecutive year, in coordination with Herdez Group.

Throughout the program +528,000 tin cans were collected and reused to foster the culture of waste segregation and of protecting the environment. Resulting in 18.5 tons of tin.

- Recycle to win

PET, HDPE and aluminum packaging collection centers have been set up in 19 Walmart and Bodega Aurrera stores in Monterrey, in partnership with Alen del Norte.

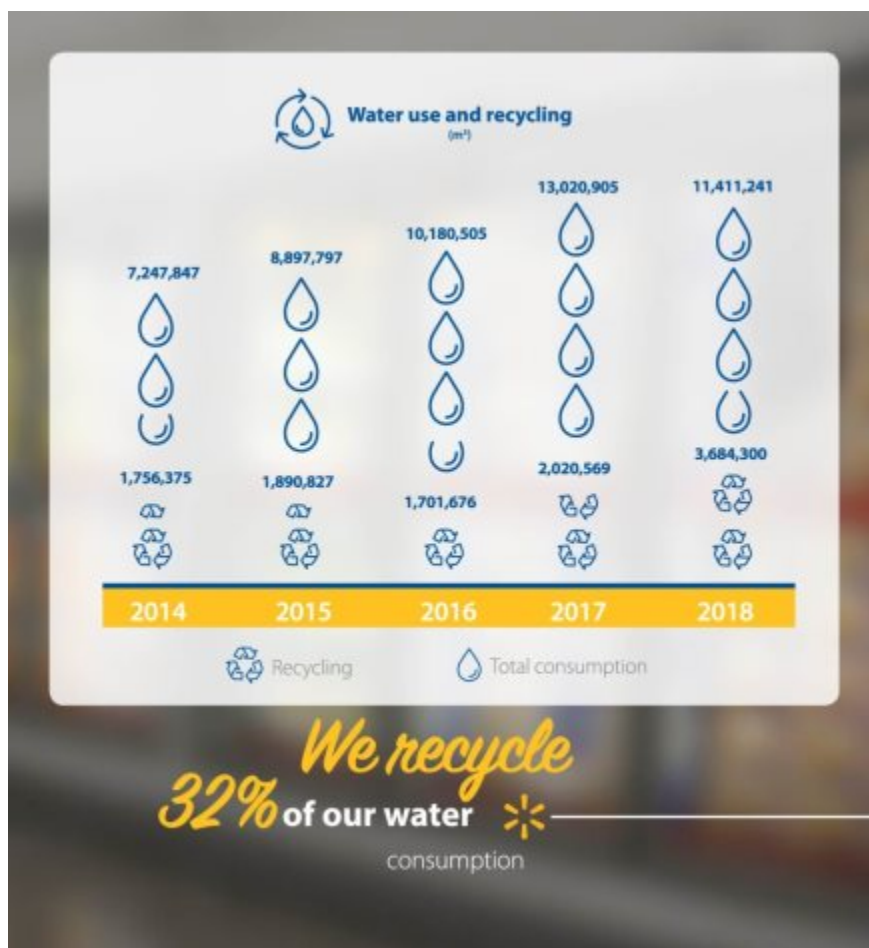
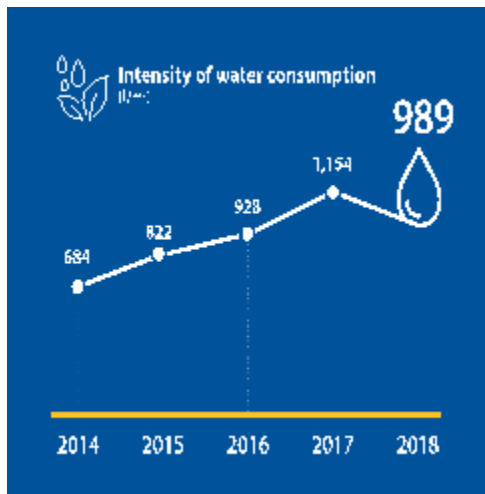
Not only are we fostering the culture of waste segregation with this program, but also all bottles collected are taken to a recycling plant to make new bottles, thus contributing to a circular economy. In 2018, +120 tons of bottles were collected.

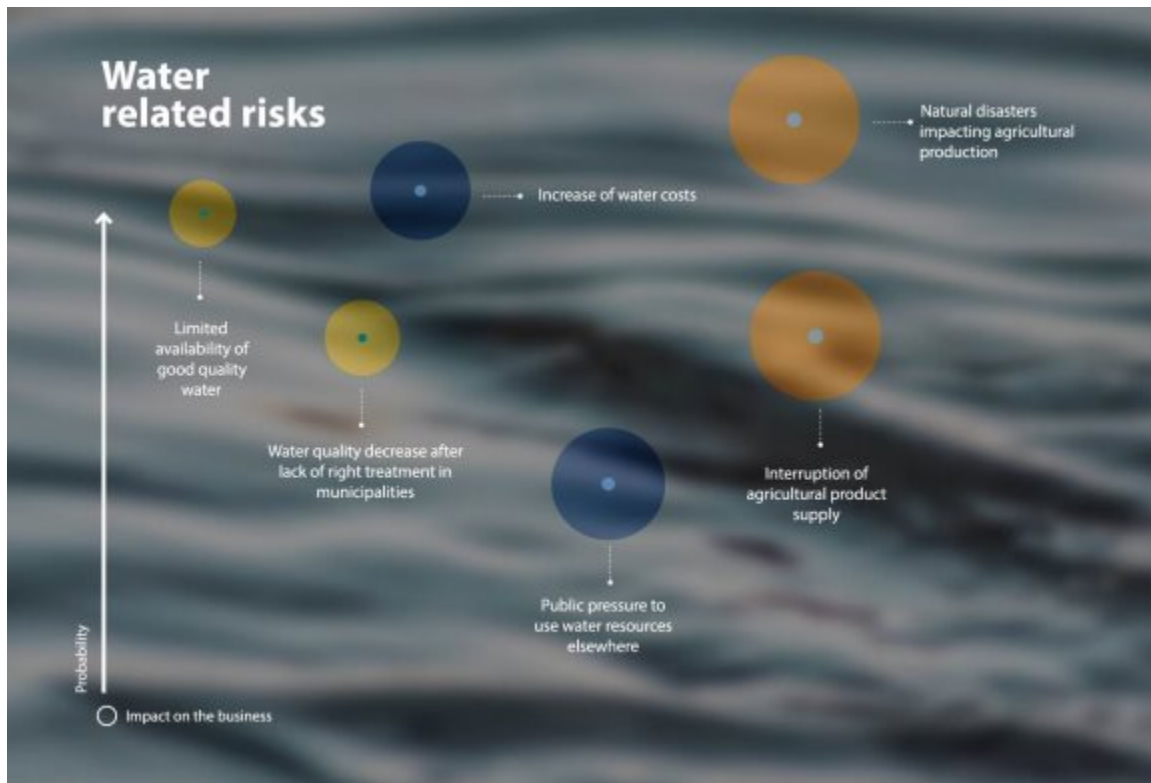
- Expired Medications

In partnership with SINGREM, 254 containers are in place at Walmart, Superama and Bodega Aurrera stores, and Sam's Clubs, and 35.4 tons of expired medications have been collected there from our customers and duly destroyed and disposed of so as to protect the environment and the health of our customers.

- Sustainable water management

We continue working to preserve the quality and quantity of available water, improving the efficient use of water in our operations, treatment of waste water, and recycling wherever possible, thus contributing to meeting SDGs 6.3 and 6.4.





Throughout the year of this report, we requested a group of key suppliers to answer the water security questionnaire of the CDP Supply Chain program, and 146 of them completed it.

70% of the suppliers have conducted a water risk assessment and integrate their findings in their business procedures, primarily in their direct operations, and secondarily in their supply chain.

- A more sustainable supply chain

A key challenge the world is facing is to attend in a sustainable way the increasing demand for food and products to meet the needs of a growing population in the region. We are working with our suppliers and other organizations to promote a more sustainable and affordable food production for our customers, reducing environmental impacts where it makes more sense throughout the life cycle of the products we sell. We are members of the Global Roundtable for Sustainable Beef, Chapter Mexico, as we're interested in collaboratively driving best practices and achieving a more sustainable transformation in this sector.

- Zero deforestation

We start the implementation of a supply policy of products made from pulp and paper from sustainable sources.

In Central America, we focus on Our Brands products containing RSPO (Roundtable on Sustainable Palm Oil) certified palm oil. We also started devoting our efforts to be supplied with paper or fiber holding the certification of sustainable production by the FSC (Forest Stewardship Council), SFI (Sustainable Forestry Initiative) or the PEFC (Program for Endorsement of Forest Certification) organization.



The mission of the Business Alliance for Sustainability is to contribute to the social development and advancement in Central America by influencing the behavior, use and consumption habits, and purchasing decisions that consumers have towards more sustainable items, and to conduct best environmental sustainability practices aimed at benefiting from the experiences of its members.

Market Information:

Walmart de México y Centroamérica is a publicly-held retail company that operates self-service stores and membership wholesale clubs.

In Mexico competition consists of:

- Hypermarkets with an average sales area of 5 thousand m² as well as supermarkets with an average sales area of 2 thousand m², both with scanning technology and three or more exit lanes, such as: Soriana, La Comer, Fresko, City Market, Chedraui, Casa Ley, Futurama, San Francisco de Asís, HEB, Almacenes Zaragoza, Casa Chapa, Calimax, Sumesa, Alsuper, S-Mart and Waldo's, among others.
- Convenience stores with an average sales area 100 m², such as: Oxxo, 7 Eleven, Extra, Six, Super City, Super Rapiditos Bip-Bip, Superette, Super K, Super Deli, Super Tiendas del Hogar, Círculo K, Comextra, JV, On the Run, Modelorama, Tiendas Neto and Tiendas BBB.
- Apparel and specialized stores, such as: Coppel, El Palacio de Hierro, El Puerto de Liverpool, Sears, Sanborns Hermanos, Famsa, Elektra, Home Depot, Office Max, Office Depot, Zara, Radio Shack, La Marina, Martí, Best Buy, Innovasport, Farmacias Guadalajara, Farmacias Benavides, Farmacias San Pablo and Autozone.
- Membership warehouse clubs, such as: Costco and City Club.
- Establishments operated by public agencies, such as: ISSSTE, UNAM, etc.
- Pure eCommerce players, such as Amazon, Mercado Libre, Linio and Privalia.

As of December 2018, ANTAD membership included 105 retail chains: 33 self-service, 14 department stores and 58 specialized chains, overall it is estimated to gather over 59 thousand stores and reach over 29 million m² and throughout 2018 posted sales for 1.80 trillion pesos, representing an increase of 8.5%.*

ANTAD market share integration (sales): Self-service 51.7%, Specialized 30.2% and Department 18.1%.

Nevertheless, a major part of the population in our country customarily shops in traditional establishments, such as municipal markets, open-air markets, grocery stores and mom-and-pop businesses, or through the informal sector of the economy. Both maintain a high market share since they are able to supply populations that, due to mere numbers, cannot access other establishments.

In Central America, the formal market where it competes is composed as follows:

- Supermarkets with over 1,300 square meters of sales floor, with three or more lines of cash registers, developed scanning and weighting technology. Among them are retail chains such as La Torre (Guatemala), Súper Selectos (El Salvador), La Colonia (Honduras), La Antorcha (Honduras), Gessa (Perimercados, Super Compro and Saretto), Auto Mercado, Megasuper, Vindi and Price Smart (membership clubs in the region).

- Mini-supermarkets, which are independent self-service units with one or two lines of cash registers, and a maximum of 370 square meters of sales floor. Among them are retail chains such as AMPM, Fresh Market (Costa Rica), Super24 (Guatemala) and Pronto (El Salvador).
- Department and specialty stores such as Carrión, Siman, Cemaco, EPA, ACE, Grupo M, Elektra, Grupo Monge, La Curacao and Pequeño Mundo.

The formal market in the five countries where the Company operates (Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica) is estimated at having over 8,000 supermarkets and mini-supermarkets, 16,000 pharmacies, 2,500 general merchandise stores and large category killers, and 14,000 small-sized stores.

The region has a strong informal market. This market includes traditional establishments such as municipal markets, flea markets, grocery stores, second-hand clothing, and general merchandise, in addition to a large number of street vendors. Both sectors have considerable market share as they are able to supply communities that, due to mere size, restrict the entry of other establishments.

The investment made by Walmart de México y Centroamérica in growth, systems, logistics and distribution are meant to increase and modernize both installed capacity and distribution, thus resulting in a more efficient operation, reduced costs and ever improving service for its customers.

*Source: ANTAD December press release and 2018 figures

Corporate structure:

Wal-Mart de México, S.A.B. de C.V. (WALMEX, “the Company” or “the Group”) is a Mexican company incorporated under the laws of Mexico and listed on the Mexican Stock Exchange, whose headquarters are located at Nextengo #78, Santa Cruz Acayucan, 02770, in Mexico City. The principal shareholder of **WALMEX** is Walmart, Inc., a U.S. corporation, through Intersalt, S. de R.L. de C.V., a Mexican company that holds equity interest of 70.51% in the Company.

WALMEX holds 100% of equity interest in the following groups of companies in Mexico and Central America:

Group	Line of business
Nueva Walmart	Operation of 1,910 Bodega Aurrera discount stores, 274 Walmart hypermarkets, 91 Superama supermarkets, and 163 Sam’s Club membership self-service wholesale stores in 2018.

Importing Companies	Import of goods for sale.
Real estate	Property developments and management of real estate companies.
Services companies	Rendering of professional services to Group companies, not-for-profit services to the community at large and shareholding.
Walmart Central America	Operation of 540 Despensa Familiar and Palí discount stores, 97 Paiz, La Despensa de Don Juan, La Unión and Más x Menos supermarkets, 143 Bodegas, Maxi Bodega and Maxi Palí), and 31 Walmart hypermarkets in 2018. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

Walmart Inc.

Walmart Inc., American Society, through Intersalt, S. de R.L. de C.V., Mexican Society, one of its subsidiaries, is the majority shareholder for Wal-Mart de México, S.A.B. de C.V.

At the end of its fiscal year, dated January 31, 2019, Walmart Inc. reported the operation of 11,718 commercial units throughout 28 countries, which are located in the United States, Mexico, Costa Rica, Guatemala, El Salvador, Nicaragua, Honduras, Africa, Argentina, Canada, Chile, China, India, Japan and the United Kingdom. Sales for Walmart Inc. during the last fiscal year amounted to 514.4 billion dollars, an increase of 2.8% over the similar prior year period.

Walmart Inc. common stock is listed on the New York Stock Exchange under the ticker symbol WMT.

Description of key assets:

As of December 31, 2018, the assets of the company are mainly comprised of its cash and cash equivalents (38.8 billion pesos), inventories (63.3 billion pesos) and fixed assets such as real estate, stores, distribution centers, fixtures and equipment (144.2 billion pesos). We must point out that cash represents 12.7% of our assets.

Some of the units are owned and others are leased.

Fixed assets are formed by business units, as described:

Description by business format

Format	Description	Units	Sales area (square feet)
Mexico			
Bodega Aurrera	Discount stores	1,910	30,111,935
Walmart	Hypermarkets	274	22,504,908
Sam's Club	Membership warehouse clubs	163	12,507,058
Superama	Supermarkets	91	1,594,321
Central America			
Despensa Familiar, Palí	Discount stores	540	2,521,564
Paiz, La Despensa de Don Juan, La Unión, MásxMenos	Supermarkets	97	1,429,753
Walmart	Hypermarkets	31	1,756,179
MaxiDespensa, MaxiPalí	Warehouses stores	143	2,386,616

Walmart de México y Centroamérica's growth plan

Mexico and Central America offer considerable growth opportunities, since they have over 119¹ and 43² million inhabitants, respectively.

In Mexico, 27.4% of the population is below the age of 14, 25.7% between 15-29 years of age, 39.7% between 30-64 years of age, 7.2% more than 65 years of age. In the Central American countries where Walmart is present, 50.9% is below the age of 24, and 32.0% under 15 years of age³. It is worth mentioning that 40% of the Central American population lives in Guatemala.

Our omnichannel operation enables us to serve practically all income levels in Mexico and Central America and meet their different buying needs, either for use at home or outside the home, in our stores and/or online portals. Also, we have developed different prototypes within the existing formats, thus allowing us to efficiently serve different types of communities.

We will continue investing in growth and productivity. In 2019, we estimate a total investment of 20.0 billion pesos to expand our capacities and modernize our operations.

An estimated 35% of the investment this year will be spent in remodels and maintenance, which will allow us to continue offering an attractive and consistent value proposition.

Approximately 31% of 2019's investment program will be allocated to building new stores. The Company is focused on increasing efficiency and productivity of the new stores, so as to grow in a profitable and consistent manner.

20% of the investment will be allocated to reinforce the logistics network with the objective of enabling growth, improving service to stores and boosting productivity and capital efficiency.

The Company will continue to invest to become the leading omnichannel retailer in Mexico and this year it estimates that approximately 13% of the investment will be for eCommerce and technology.

Finally, around 1% of the investment this year will be destined to strengthen the infrastructure for perishables.

¹Source: *Intercensal Population Survey, INEGI 2015*

²Source: *Focus Economics Mar-18*

³Source: *United Nations Statistics Division, 2017*

Judicial, administrative or arbitration proceedings:

The company is subject to several lawsuits and contingencies for legal proceedings (labor, civil, commercial and administrative proceedings) and tax proceedings. The Company has recognized a provision of \$1,699,542 as of December 31, 2018 (\$1,513,403 in 2017), which is presented in other accounts payable. In the opinion of the Company, none of the legal proceedings are significant either individually or as a whole.

The tax authorities have conducted a review on the sale operation of the Vips restaurant to Alsea and issued a termination document, in which they claim the payment of alleged differences in tax payments of \$4,749,968, which includes taxes, fines and other surcharges. An appeal for revocation was filed with the tax authorities, in order to make an adequate assessment of all the arguments, before going to the competent courts.

The Company has not recognized a provision for this contingency, since the external attorneys and the Company's Management consider that there are sufficient elements available to sustain the validity of the operations carried out and to prevail, either by administrative or judicial means.

Capital shares:

As of December 31, 2018, 2017 and 2016, nominal capital stock was as follows:

Common Stock			
Thousand pesos			
	2018	2017	2016
Fixed	Ps. 5,591,362	Ps. 5,591,362	Ps. 5,591,362
Variable	36,935,265	36,935,265	36,935,265
Subtotal	42,526,627	42,526,627	42,526,627
Inflation effects	2,941,801	2,941,801	2,941,801
Total	Ps. 45,468,428	Ps. 45,468,428	Ps. 45,468,428

Common stock is represented by one series of nominative, common or ordinary registered shares with no par value that can be freely subscribed:

Stock Structure			
Number of shares			
Series	2018	2017	2016
Single series			
Free subscription, common shares	17,461,402,631	17,461,402,631	17,461,402,631

During the years ended December 31, 2018 and 2017, **WALMEX** did not repurchase its own shares.

The Company has entered into Fx-forward contracts for foreign currency in order to protect itself from exposure to variability in the exchange rate for the payment of liabilities in Mexico related to the purchase of imported goods agreed in US dollars.

The valuation techniques used by the Company to determine and disclose the fair value of its financial instruments are based on the fair value hierarchy level 2.

At December 31, 2018 and 2017, the Company has Fx-forward contracts for an average period of three months as shown below:

	2018	2017	2016
Current contracts	90	39	38
Notional amount (USD million)	US\$ 191.96	US\$ 62.32	US\$ 47.42

Fair value (MXN million)	\$ (72.45)	\$ 25.45	\$ 9.76
--------------------------	------------	----------	---------

Dividends:

During recent years the Company has decreed dividend payments in cash.

Dividend paid per share (pesos)	
2015	1.83
2016	1.68
2017	2.48
2018	1.48

As a result of 2018's dividend payment, 25.6 billion pesos were paid in cash. The Company intends to continue paying yearly dividends, the amount of which will depend upon growth opportunities, the economic situation, and the competitive environment, among other factors.

[424000-N] Información financiera

Concept	Previous period MXN 2018-01-01 - 2018-12-31	Previous Annual Period MXN 2017-01-01 - 2017-12-31	Annual Previous Previous Period MXN 2016-01-01 - 2016-12-31
Revenue	616,910,332.0	573,265,020.0	532,384,083.0
Income (loss) Gross	141,586,512.0	127,695,348.0	117,483,890.0
Profit (loss) from operating activities	49,189,788.0	43,837,539.0	39,455,135.0
Profit (loss)	36,752,613.0	39,864,955.0	33,351,871.0
Profit (loss) per share	2.11	2.28	1.91
Acquisition of property and equipment	17,932,578.0	17,425,635.0	14,334,781.0
Depreciation and operating amortization	12,557,588.0	11,644,876.0	10,693,735.0
Total assets	306,528,833.0	295,255,664.0	287,930,302.0
Total non-current liabilities	27,449,267.0	27,894,164.0	26,947,464.0
Accounts receivable turnover	7.1	6.9	6.73
Accounts payable turnover	65.5	65.62	57.67
Inventory turnover	48.6	48.71	47.21
Total equity	164,914,074.0	159,533,953.0	167,026,016.0
Cash dividends declared per share	1.65	2.5	1.68

Selected financial information disclosure:

FINANCIAL SUMMARY
MILLION PESOS

	IFRS						
	2018	2017 ⁽¹⁾	2017	2016 ⁽²⁾	2015 ⁽³⁾	2014 ⁽⁴⁾	2013 ⁽⁵⁾
Mexico GDP (Growth %)	2.0	2.1	2.1	2.3	2.5	2.5	2.1
Mexico Annual Inflation (%)	1.2	6.2	6.2	3.1	2.1	2.1	1.1
Peso Denomination (%)	0.0	(5.2)	(5.2)	19.2	18.0	18.0	13.0
Average Exchange Rate	19.3	18.9	18.9	18.1	15.9	15.9	13.3
Year end Exchange Rate	19.1	19.1	19.1	20.1	11.1	11.1	11.1
Mexico Average Interest Rate (28 Day/60 days %)	1.6	6.1	6.1	1.2	3.0	3.0	3.0
RESULTS							
NET SALES	612,126	569,015	569,361	538,511	412,160	405,261	431,689
% of growth total units	0	N/A	0	22	11	11	4
% of growth comp units	0	0	0	20	0	0	1
OTHER INCOME	1,124	1,366	3,282	3,213	3,151	3,503	3,329
% of growth	0	N/A	2	11	N/A	8	3
TOTAL REVENUES	616,910	571,311	573,265	532,381	415,911	408,764	435,018
% of growth	0	N/A	0	22	N/A	11	4
GROSS PROFIT	141,526	131,012	121,285	111,181	102,603	101,380	91,619
% of profit margin	23.0	22.9	22.9	22.1	24.0	24.0	22.1
GENERAL EXPENSES	92,591	86,921	83,281	11,231	69,512	12,235	61,010
% of total revenues	15.0	15.2	14.0	2.1	16.0	2.1	14.0
OPERATING INCOME	48,935	44,091	48,004	99,950	33,091	31,145	30,609
% of total revenues	8.0	7.0	7.0	18.0	8.0	7.0	7.0
% of growth	22	11	11	20	N/A	1	20
FINANCIAL INCOME (EXPENSES), NET	(330)	(540)	610	(333)	29	55	(151)
INCOME BEFORE INCOME TAX	48,605	43,551	48,614	99,617	33,120	31,200	30,458
INCOME TAX	12,101	10,900	10,900	10,623	9,113	10,021	9,521
DISCONTINUED OPERATIONS	0	1,115	1,115	1,212	2,935	1,112	5,391
CONSOLIDATED NET INCOME ATTRIBUTABLE TO THE PARENT	36,504	32,651	37,714	88,994	24,007	21,179	20,937
% of growth	-12	16.5	16.5	28.5	(15.9)	(15.9)	33.0
FINANCIAL POSITION							
CASH	30,230	35,596	35,596	21,916	21,791	21,791	28,018
INVENTORIES	63,314	59,163	59,163	53,665	19,119	19,119	11,115
OTHER ASSETS	25,114	22,112	22,112	30,281	15,231	15,231	19,115
FIXED ASSETS	144,232	140,082	140,082	136,319	130,232	130,232	125,996
GOODWILL	31,928	31,313	31,313	39,121	33,051	33,051	25,000
TOTAL ASSETS	306,528	295,256	295,256	282,292	253,690	253,690	248,111
SUPPLIERS	25,321	20,089	20,089	65,919	56,396	56,396	52,110
OTHER LIABILITIES	56,232	55,623	55,623	55,311	15,133	15,133	15,132
EQUITY	161,914	159,534	159,534	161,026	151,795	151,795	150,223
NON-CONTROLLING INTEREST	-	-	-	-	26	26	23
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTEREST	306,528	295,256	295,256	282,292	253,690	253,690	248,111
NUMBER OF UNITS MEXICO							
Badger's America	1,910	1,220	1,220	1,163	1,119	1,119	1,660
Walmart	211	210	210	262	256	256	251
Sam's Club	163	162	162	160	160	160	159
Supercenter	91	91	91	96	95	95	93
Suburban	-	-	-	-	111	111	116
Mediamart Pharmacies	-	10	10	10	10	10	10
Vips Restaurants	-	-	-	-	-	-	-
TOTAL	2,138	2,356	2,356	2,291	2,351	2,351	2,289
NUMBER OF UNITS CENTRAL AMERICA							
Discount Stores	510	522	522	495	481	481	411
Supermarkets	91	91	91	92	98	98	96
Badger's	133	133	133	111	102	102	91
Walmart	31	29	29	21	21	21	22
Clubs	-	-	-	-	-	-	1
TOTAL	811	818	818	739	709	709	621
Banco Walmart							
Bank branches	-	-	-	-	-	-	-
OTHER INFORMATION AT THE END OF THE YEAR							
Number of Associates	124,431	121,065	121,065	132,254 ⁽¹⁾	121,996	121,996	132,063 ⁽¹⁾
Share Price (per share)	4.924	48.19	48.19	31.26	43.49	43.49	31.71
Number of Directors (per share) (millions)	17,461	17,461	17,461	17,461	17,461	17,461	17,504
Market Value	273,538	241,646	241,646	846,900	759,579	759,579	565,332
Earnings per share (per share)	1.105	1.325	1.325	1.310	1.560	1.560	1.731
Payments to Directors	15,553	41,758	41,758	15,911	31,283	31,283	11,645
Number of Share Repurchases (millions)	-	-	-	-	47	47	132
Investment in Share Repurchases (Operations)	-	-	-	-	1,215	1,215	3,996
1 Adjusted according to split conducted in April 2010							
2 Banco Walmart's 2017 results are presented under Discontinued Operations.							
3 Banco Walmart's association is included.							
4 Banco Walmart's 2017 results are presented under Discontinued Operations.							
5 Walmart's and Banco Walmart's sales and results are presented under Discontinued Operations.							
6 Walmart's results are presented under Discontinued Operations. Financial results of Walmart's subsidiaries are presented in pesos in Mexico, in dollars for the comparable to 2017 only.							
7 Walmart's association is included.							
8 Information with adjustments, financial results are presented according to the applicable standards of 2017.							
9 IFRS = International Financial Reporting Standards							
N/A = Not Applicable							
ACQUISITION OF PROPERTY AND EQUIPMENT							
	11,933	11,126	11,126	11,335	12,526	12,526	12,291

Selected quarterly financial information:

This element does not apply to **WALMEX**, as the Company considers that all relevant information related to 4Q18 has already been released to the market.

Information in case of issues guaranteed by subsidiaries of the issuer:

This element does not apply to **WALMEX**

Financial information by business line:

As of December 31, 2018, Mexico had 2,438 operating units, representing 66,718,222 square feet of sales floor. Central America had 811 operating units, representing 8,094,111 square feet of sales floor.

Shares in net sales by business format in Mexico

	2018	2017	2016	2015
Bodega Aurrera	41%	41%	41%	40%
Walmart	29%	29%	29%	29%
Sam's Club	25%	25%	25%	24%
Superama	4%	4%	5%	4%
Suburbia	-	-	-	3%
eCommerce	1%	1%	-	-
Net sales (million pesos)	Ps. 499,298	Ps. 462,327	Ps. 429,743	Ps. 407,244

Shares in sales by business in Central America

	2018	2017	2016	2015
Costa Rica	41%	41%	42%	42%
Guatemala	26%	27%	26%	27%
El Salvador	11%	11%	11%	11%
Honduras	12%	11%	11%	10%
Nicaragua	10%	10%	10%	10%
Net sales (million pesos)	Ps. 112,888	Ps. 107,040	Ps. 98,828	Ps. 78,620

The geographical breakdown of the business units for Mexico and Central America is as follows:

Breakdown of units by geographical region in Mexico

	2018	2017	2016
Metropolitan Area	24.5%	24.6%	24.8%
Center	34.9%	35.0%	34.8%
Northeast	12.6%	12.3%	12.2%
Southeast	9.1%	9.3%	9.4%
Northwest	7.3%	7.2%	7.2%
North	6.1%	6.1%	6.1%
Southwest	5.6%	5.5%	5.5%
Total Units	2,438	2,356	2,291

Breakdown of units by geographical region in Central America

	2018	2017	2016
Guatemala	30.8%	30.6%	30.1%
Costa Rica	31.6%	31.8%	32.0%
El Salvador	12.0%	12.2%	12.3%
Nicaragua	12.7%	12.2%	12.6%
Honduras	12.9%	13.2%	13.0%
Total Units	811	778	731

As of December 31, 2018, the installed capacity for the company by geographical region is as follow:

Breakdown of units by geographical region in Mexico

	Units	Self-service + Clubs
Metropolitan Area	597	23.6%
Center	851	32.6%
Northeast	306	8.9%
Southeast	221	10.6%
Northwest	177	10.4%
North	149	8.0%
Southwest	137	6.0%
Total	2,438	66,718,222 <i>square feet</i>

Breakdown of units by geographical region in Central America

	Units	Self-service
Guatemala	250	31.3%
Costa Rica	256	34.2%
El Salvador	97	12.9%
Nicaragua	103	9.3%
Honduras	105	12.2%
Total	811	8,094,111 <i>square feet</i>

Relevant credit report:

The Company does not have credits with financial institutions.

Comments and management analysis on operating results and issuer financial statement:

Management comments

2018 was a transformation year for Walmex and we made significant progress to meet the changing needs of our customers.

We are making strategic decisions that require us to change from the inside to position the company for continuous success and to deliver even stronger results.

Progress regarding our strategic priorities:

- We are making progress around delivering a seamless and more enjoyable shopping experience. Customers are liking the changes in our stores, and they're letting us and others know through improvements in the net promoter score in all the formats.
- We are proud with the continuous growth in customer flow. We know that in order to deliver consistent results, we need to drive traffic to our stores, and last year we were able to increase traffic by almost 2% in Mexico.
- As a result of a disciplined and transformational management of expenses, we were able to reinvest savings into our business while improving profitability. Our financial strength has served as a great competitive advantage, specially while we are going through this transformation.

Disclosure of nature of business

Walmart de México y Centroamérica is one of the most important commercial chains in the region.

As of December 31, 2018, 3,249 units were in operation, throughout 6 countries (Costa Rica, Guatemala, Honduras, El Salvador, Mexico, and Nicaragua), including self-service stores, membership clubs, pharmacies and omnichannel sales.

Walmart shares have been traded in the Mexican Stock Exchange since 1977; the ticker symbol is **WALMEX**.

Disclosure of management objectives and its strategies for meeting those objectives

The company's objective to double total sales in 10 years and to leverage operating expenses to reinvest in the business was set in 2015.

Sales growth will stem from:

- Same store sales
- Sales from new stores
- eCommerce

Operation results:

Results 2018

Note: Sales growth percentage in Central America is determined on a constant currency basis.

We are committed to driving sales. During the fourth quarter consolidated revenues increased 5.5%.

Mexico delivered total revenues for \$145.9 billion pesos, an increase of 6.0% over last year.

In Central America, total revenues totaled \$31.5 billion pesos, which represented 3.6% growth.

Walmex total revenues grew 7.6% in 2018: 8.1% in Mexico and 5.9% in Central America.

We are on track to reach our goal of doubling the size of the company in terms of sales by 2024.

Our performance was backed by consistent same-store sales growth.

In Mexico same-store sales grew 4.6% in the fourth quarter, and 6.7% in the full year.

In Central America same store sales remained almost flat during the quarter, but grew 2.1% in the full-year period.

It is worth noting that based on two-year stack same-store sales, Mexico grew 13%, while Central America 7%.

Performance by format:

We drove quality, broad-based growth across all regions and formats in Mexico.

The Central region posted the strongest growth, followed by the Southern and the Northern regions. The Metropolitan area had a lower, but solid growth given its penetration and competitive environment.

Sam's Club delivered the highest growth. Actually, it has been the format with the highest same-store sales growth for three consecutive years. The team has succeeded in signing-up new members and retaining them. By offering compelling merchandise and prices, and innovating to better serve our members, we are leading the club sector, and we feel confident that we are on the right path.

Walmart also posted strong growth. It is amazing what the team is doing to deliver a seamless shopping experience. Besides a successful execution of our seasonal events, Walmart focus on price leadership and omnichannel integration is helping our customers to save time and money.

This year we celebrated the 60th anniversary of Bodega with solid sales performance and accelerated expansion. Each one of the formats: Bodega, Mi Bodega and Bodega Aurrera Express delivered strong sales growth, backed by a healthy increase in traffic. In 2018 we opened 93 Bodega stores in Mexico, almost 40% increase versus 2017.

Last but not least, Superama also had a good year. The team focus on delivering the shopping experience that our customers desire, no matter how they choose to shop, has been key to reinforcing the format leadership position in on-demand.

In Central America, despite a challenging environment, we were able to grow ahead of the market and invest in capabilities for future growth.

During this quarter we opened the largest and most modern fresh distribution center in Costa Rica, which will service more than 1,400 local fresh suppliers. We have a firm commitment to support national farmers and to double the volume of local sourcing.

We also opened a 409,029 square feet distribution center in Nicaragua, which is 3 times larger than the existing one and will allow us to better service our stores and reach more places where we do not have presence currently.

In terms of sales performance, during the year, Honduras and El Salvador were the countries with the highest same-store sales growth while Costa Rica and Guatemala delivered lower, but positive growth.

Sales growth in Nicaragua was challenged by the socio-political conflict in the country that are impacting economic conditions in general.

We are putting in place new commercial strategies such as price point programs, improving the price gap measuring methodology to reinforce our price leadership, and we continue to roll out the Centers of Excellence program in the five countries. As of December 2018, 50% of our stores were operating as Centers of Excellence.

The strategies that we are deploying in the region are starting to show results, but given the nature of the challenges that we are facing, we expect growth to resume at a slow pace.

For 5 consecutive years we have outperformed the self-service and club market according to ANTAD reports. In 2018 we surpassed the market by 350 basis points, the highest gap in 5 years.

Our strive for operational excellence, clear value proposition and committed associates are setting us apart from the competition.

In 2018, all formats and divisions outpaced ANTAD.

We are working hard every day to improve our customer and member satisfaction, and customers are rewarding us with their loyalty.

Performance by division:

From a merchandise perspective, we saw strong growth in all divisions, particularly in our core division of Food and Consumables.

During the second half of the year food inflation was much lower than 2017, impacting sales especially in Fresh departments, but we were able to drive volume to partially offset this impact.

We are excited with what we have accomplished so far across formats and divisions but we are not satisfied yet. All of us at Walmex continue to work really hard to become the most trusted omnichannel retailer in Mexico.

New stores

The 2018 expansion program was the largest in the last 5 years, in terms of store openings.

We opened 134 new stores: 100 in Mexico and 34 in Central America. This compares to the 125 opened in 2017.

In 2018 new stores contributed 2.3% to total sales growth, in keeping with the information shared last year.

Omnichannel

In eCommerce we are gaining traction and accelerating omnichannel growth.

The on-demand service allows us to leverage our most important assets: our stores, and it helps us build loyalty and increase shopping frequency. Last quarter we reinforced the on-demand assortment to offer more than 5,000 General Merchandise items on same-day delivery. As we have shared, our priority is to win in on-demand and our infrastructure enables us to lead this business.

The marketplace is also gaining traction. We ended the year with over 800 sellers, and during the Buen Fin event and December, the marketplace grew triple digit.

During the year, eCommerce sales grew 40% and GMV grew 47%; the General Merchandise division posted an even higher growth.

eCommerce now represents 1.4% of total Mexico sales and contributed 40 basis points to total sales growth.

ESG

We have also made important progress in environmental, social and corporate governance related matters.

For third consecutive year, Walmart de México y Centroamérica was included in the FTSE4Good Emerging Index, which evaluates environmental, social and governance performance of its constituents.

In Walmex we value and encourage our associates' diversity. Last year we were also included in the Bloomberg Gender Equality Index. Walmex is the only retail company in Mexico that has been included two years in a row.

As we go through this transformation, we are focusing on running a good business today, but we are also very clear on how we should position the business for the future.

Fourth quarter & full year results

We made certain accounting reclassifications, mainly related to contributions from suppliers that were reclassified from general expenses to cost of sales, which have no effect on EBITDA or EPS but impact gross profit and SG&A. Such reclassifications were included in 2017 figures for comparison purposes.

Besides a solid sales performance, in 2018 we were also able to improve profitability both in Mexico and Central America.

We are committed to maintain our operational discipline in order to reinvest strategically and position our business for the future.

MEXICO:

Fourth Quarter Results

During the fourth quarter total revenues grew 6.0%.

Gross profit increased 30 basis points to 22.5%. Our merchants are doing a great job at conducting more efficient negotiations with our suppliers, which allowed us to maintain our price leadership and to improve profitability.

As a result of a transformational SG&A management, we achieved 10 basis points of expense leverage by growing SG&A 4.8%, 120 basis points below total revenue growth.

Operating income and EBITDA grew double digit: 13.8% and 12.9% respectively.

Our already best in class EBITDA margin expanded by 70 basis points to 11.0%.

We were able to reduce our regular operating expenses by 8 basis points through the implementation of productivity initiatives.

Efficiencies in expenditures related to store remodeling and maintenance led to a 13 basis point reduction and we invested 7 basis points in new stores and eCommerce.

Full year results

In 2018 top line growth in Mexico was strong: Total revenues increased 8.1%. Gross profit grew 8.6% and gross profit margin expanded by 10 basis points to 22.7%.

We are very pleased with our performance in terms of SG&A. We achieved 10 basis points of expense leverage as SG&A grew 7.2%, 90 basis points below total revenue growth.

As a result, operating income increased 12.8% and EBITDA 11.6%, to reach a 10.3% EBITDA margin.

CENTRAL AMERICA:

Note: Sales growth percentage in Central America is determined on a constant currency basis.

Fourth Quarter Results

Total revenues increased 3.6%.

Gross profit margin reduced by 10 basis points as a result of strategic price investments.

The team has done an amazing job at managing expenses by operating with discipline and focusing on productivity. SG&A grew 0.3%, resulting in 60 basis points of expense leverage.

Operating income grew 9.0% and EBITDA, 9.5%, which led to an EBITDA margin expansion of 50 basis points.

Full Year Results

Despite a challenging environment in Central America, we continue to grow ahead of the market and to improve profitability.

In the year, total revenues increased 5.9%.

Gross profit expanded 10 basis points to 24.2% and SG&A grew 4.7%.

Operating income increased 9.4% and EBITDA margin expanded by 40 basis points to reach 8.9%.

CONSOLIDATED:

Fourth Quarter Results

At a consolidated level, total revenues grew 5.5%.

Gross profit increased 6.5% to a 22.8% margin.

SG&A grew 3.8%, 170 basis points below total revenue growth.

Operating income and EBITDA posted double-digit growth of 13.1% and 12.3% respectively. We reached a 10.7% consolidated EBITDA margin, which implied a 70 basis point expansion.

Net income increased a solid 11.2%.

Full Year Results

During the year we invested \$17.9 billion pesos in high return projects.

Our capital allocation is in line with our long-term strategy.

We are becoming more productive in our remodels and new store investments and thereby freeing capital to fund strategic investments. By doing this, we are trying to balance the short and long term.

Our disciplined expense management allowed us to reinvest in key initiatives such as prices, salaries, eCommerce and Digital, Logistics and new stores.

All in all, in 2018 we posted strong results while we progressed on our goal of becoming the leading omnichannel retailer in Mexico.

Consolidated revenues increased 7.6%.

Gross profit margin expanded by 10 basis points to 23.0%.

After reinvesting in the business, we achieved 20 basis points of expense leverage and SG&A grew 6.5%.

Operating income grew 12.2% and EBITDA 11.3% to reach a double digit consolidated EBITDA margin of 10.0%.

Income from continuing operations increased 13.5%, but net income was impacted due to the sale of Suburbia recorded in 2017.

2017 Results

Management commentary:

In 2017 we faced several macroeconomic headwinds, natural disasters and temporary store closures due to protests related to gas price increases. Despite these challenges we were able to keep our growth momentum and more importantly, to maintain our customer's preference. The hard work and commitment of our associates, the focus on operating with excellence and a robust financial strategy allowed us to deliver solid results.

Not only our results were positive, but we also managed to improve our competitive position. We widened our price gap by 40bps and according to our Customer Experience Index, we are delivering a more enjoyable shopping experience.

During 2017 we also stepped up our efforts towards becoming the leading omnichannel retailer in Mexico, we continued to add critical capabilities by investing in key areas of the business such as logistics and eCommerce.

Disclosure of results of operations and prospects:

Note: The percentages of sales growth related to Central America are determined on a constant currency basis.

Total revenues grew 6.8% in the quarter and increased 7.7% for the year.

In Mexico, revenues grew 7.8% in the quarter and 7.6% in the year, while in Central America revenue grew 8.5% during the fourth quarter and 8.7% in the year.

Same store sales were the main growth driver.

In the fourth quarter, same stores sales in Mexico grew 6.4% and in Central America 4.8%.

During the year, same store sales grew 6.3% in Mexico and 4.9% in Central America. We surpassed the 3% to 5% guidance that we gave.

Two year stack growth for same store sales was 14.3% in Mexico and 9.8% in Central America. This is an indication of how consistent our results have been in the past years and clearly demonstrates the progress we have made in executing our strategy.

Growth was broad-based, sustainable and profitable.

In Central America all countries delivered positive same store sales growth. Nicaragua was the country with the highest growth while Guatemala had a lower, but yet strong growth.

We drove healthy growth across all regions in Mexico as well; the Northern region of the country had the highest same store sales growth followed by the Central, Southern and Metro regions.

Sam's Club had an outstanding performance in sales driven by continued strength in new member acquisition. Strategic investments in member value, merchandise relevance, and the integration of digital and physical, like the implementation of club pick-up, boosted their performance.

Bodega also posted strong results. Their signature campaign "Morralla" was recognized as Mexico's number one campaign by sales value, surpassing every competitor.

They also accelerated expansion, and reinforced their position as Mexico's largest retailer. During the year Bodega Aurrera opened store 500 and reached 1,820 stores in total.

Walmart Supercenter's results were robust. The focus on "Every Day Low Prices", constant innovation to improve customer experience and a solid execution of seasonal events were key to the formats performance.

Superama delivered a lower but still positive growth. We are constantly seeking opportunities to improve our business and we are implementing strategic initiatives in key departments such as Pharmacy and Fresh that will strengthen the value proposition of the format.

During the quarter our core division Food and Staples delivered the highest growth, followed by Apparel and General Merchandise which also posted robust results.

During 2017 we outpaced every ANTAD division. We surpassed ANTAD total, which comprises self-service, department and specialty stores, by 250bps; every month of the year we outpaced the market.

Specifically on the self-service side, we grew 160bps ahead of our competitors.

Every merchandise division individually grew ahead of ANTAD. The Apparel division grew 340bps above ANTAD, General Merchandise 200bps and Food and Staples 160bps.

We have outpaced ANTAD self-service division for the last 12 quarters.

We are moving fast to respond to the market opportunities as well as to innovate to transform the shopping experience and our customers are rewarding us with their loyalty.

During the year we opened 125 new stores; 78 in Mexico and 47 in Central America, which compares to 92 new stores opened in 2016.

We are accelerating expansion in a profitable and sustainable way. In 2017 the contribution from new stores was 2.2%, 40bps more than in 2016.

2017 was a year of building foundations for our eCommerce business. We made key steps towards achieving our goal of developing the best omnichannel experience through a low cost platform.

At the beginning of the year we announced the launch of club pick-up, and considering the pick-up locations of our self-service formats, we ended the year with more than 500 stores offering pick-up service throughout the country. By leveraging our assets we are being able to give a fresher and quicker service to our customers.

Another milestone in our omnichannel journey was the launch of a marketplace offering through our walmart.com.mx site. We are expanding our reach to new customers through differentiated merchandise in an asset light way. As of December 2017 we had enrolled more than 230 sellers and increased our catalogue almost 3 times. We have strategic plans for each category to continue expanding the online assortment.

This year the eCommerce business, which comprises Grocery Home Shopping and General Merchandise operations grew 34%, eCommerce sales contributed 30bps to sales growth and represented 1% of total sales.

Fourth quarter results

Mexico:

Total revenues grew 7.8%, gross margin contracted by 20bps to 21.5% primarily due to price investments during the holiday period, and expenses grew 6.0%, significantly below total revenues growth.

We achieved expense leverage by operating with discipline and solid sales growth.

Operating income grew 8.6% and EBITDA margin expanded by 10bps to reach 10.3%.

Central America:

During the quarter total revenues grew 8.5% on a constant currency basis.

Gross profit margin expanded by 100bps to 24.2% and SG&A grew 10.7%.

Operating income grew 19.3% and EBITDA 17.6% to reach an 8.9% margin, 60bps more than last year.

Operating income and EBITDA doubled total revenues growth.

Consolidated:

Total revenues grew 6.8%.

We achieved expenses leverage by growing expenses 5.7%, 110bps below total revenues growth.

Operating income grew 9.2% and EBITDA grew 9.1% which led to a 20bps margin expansion. We reached a double digit margin on a consolidated basis of 10.0%.

Income from continuing operations posted a strong 12.5% growth.

2017 Results

Mexico:

Total revenues grew 7.6%.

Gross margin expanded 20bps to reach 21.9%. We widened our price gap by 40bps and we were able to do so without impacting profitability.

As a result of our strong focus on productivity and disciplined expenses management, we achieved expense leverage in Mexico by growing SG&A 60bps below revenues.

Operating income increased 10.6% and EBITDA 10.0% to reach a 9.9% margin.

Central America:

Total revenues grew 8.7% on a constant currency basis.

Gross margin improved 60bps to 24.1% and SG&A grew 10.0%.

Operating income and EBITDA grew 14.7% and 14.4% respectively.

We achieved an 8.5% EBITDA margin in the region.

Consolidated:

Total revenues grew 7.7%.

Gross profit margin expanded by 20bps to 22.3%.

We achieved 20bps of expenses leverage on a consolidated basis.

EBITDA grew 10.6%, above total revenue growth to reach a 9.7% margin.

Net income grew 19.5%, which is above total revenues growth.

2016 Results

Management commentary

We have delivered a solid quarter—not only in terms of sales, but also growing profits faster than sales.

We are committed to maintaining our operational discipline and to investing strategically in order to position our business for the future.

On August 10, the company announced that we had reached a definitive agreement for the sale of Suburbia to El Puerto de Liverpool, S.A.B. de C.V. The closing of this transaction is still subject to approval by the regulatory authorities.

The assets and liabilities related to the sale of Suburbia are presented as assets and liabilities held for sale in the Consolidated Statements of Financial Position and the results of Suburbia operations are presented as discontinued operations in the Consolidated Income Statements.

Disclosure of results of operations and prospects

We are committed to driving topline sales and based on our 3-3-1 strategy; we exceeded our total sales growth objective of 7% during the fourth quarter and the full year 2016.

In the fourth quarter we delivered growth of 8.9% on a constant currency basis. Mexico grew 8.9% and Central America 9.0%.

For the full year 2016, total revenue grew 9.0% on a constant currency basis; Mexico grew 9.1% and Central America 8.2%.

Our performance was driven by continued same store sales growth momentum in both Mexico and Central America. Same store sales in Mexico grew 7.9% in Q4, and 8.0% in the full year 2016. In Central America same store sales grew 5.0% during Q4 and 4.9% in the full-year period.

Our two year stack growth for total revenue for the year was 17.6% in Mexico and 15.5% in Central America on a constant currency basis.

In terms of same store sales growth for the year, our two year stack was 14.6% in Mexico and 9.6% in Central America on a constant currency basis which clearly demonstrates the progress we have made on our strategy.

We continue to see consistent and sustainable growth across all the countries in which we operate.

In 2016 Mexico delivered the highest same store sales growth with an 8.0% increase.

In Central America, Nicaragua was the country with the highest same store sales growth, while Costa Rica delivered a lower but solid growth, given its high penetration and market maturity.

We also driven healthy growth across regions in Mexico; the northern region of the country had the highest same store sales growth, followed by the Central; we also saw a great performance in the Metro and Southern regions.

Growth was also consistent across all our formats with Sam's showing the strongest performance.

In terms of merchandise divisions, all experienced strong growth. Apparel had the strongest performance followed by Food and Staples and General Merchandise respectively. The only underperforming division is still Pharmacy, for which we already have plans in place to improve its performance.

Our sales benefitted from macroeconomic tailwinds, such as remittances that sustained a higher disposable income; however our operational excellence, clear value proposition and committed associates are what set us apart from the competition.

The quality of our growth has allowed us to outperform ANTAD's self-service division for 8 consecutive quarters.

We have been consistently expanding the gap vs. ANTAD, from 40 basis points in 2014 to 330 basis points on 2016.

During the fourth quarter, we outperformed every ANTAD division. Mexico same store sales grew 7.9% in Q4, 240 basis points above the 5.5% growth of total ANTAD, 330 basis points above the 4.6% growth of ANTAD self-service, excluding Walmex, 190 basis points above the 6.0% growth of specialized stores and 180 basis points above the 6.1% growth of department stores.

Quality and consistency of our results give us an indication of its sustainability.

In 2016 all our formats individually surpassed ANTAD with Sam's delivering the highest same store sales growth, followed by Walmart.

During the full-year of 2016 Mexico same store sales grew 8.0%, 330 basis points above the 4.7% growth of ANTAD self-service excluding Walmex.

We also outpaced total ANTAD's 5.6% 2016 same store sales growth by 240 basis points. Total ANTAD comprises self-service, department and specialty stores.

In Central America, same store sales growth on a constant currency basis was positive in the four formats that we operate, with Bodega and Walmart delivering the highest increases.

We see that while same store sales remain the key growth driver in both Mexico and Central America, new stores and eCommerce are effectively contributing to our growth.

eCommerce still represents a small part of our overall business, but is growing faster than the market at 27%.

Importantly, sales from new stores contributed to 2.4% of total sales growth in Q4, and 1.8% to the full year results above our guidance.

In 2016, we not only exceeded our new store sales guidance but we have done so more profitably, our new stores plan attainment improved 300 bps from the average we had in past years.

During the quarter we opened 45 new stores, with 32 in Mexico and 13 in Central America.

During the full year we opened 92 new stores, 58 in Mexico and 34 in Central America.

Regarding eCommerce, we continue to add value to our business and to leverage our assets.

eCommerce delivered strong growth increasing sales by 37% in Q4 and 27% in the full year. During the fourth quarter eCommerce contributed with 0.4% of total sales growth, while in the full year eCommerce contribution to growth was 0.2%.

Mexico results

- 4Q16

In Mexico total revenues increased 8.9%.

Gross margin increased 30 bps year-on-year. It was positively affected by the re-classification of supplier rebates for promotional activities that were previously reflected as SG&A reduction. The impact of this effect is 12 bps.

SG&A grew 6.9%, 200 bps below revenue growth.

Other income grew significantly as in 4Q15 the amount related to non-cash store impairments was higher than in 4Q16.

Operating income grew by 18.8%, exceeding our growth in revenue, while EBITDA growth was 17.2%. Adjusted for last year's one-timers, EBITDA would have grown 11.4%, still above total revenue growth.

- 2016

Full year total revenue increased 9.1%, gross margin improved 40bps, and general expenses grew 8.5%, 60bps below revenue growth.

EBITDA grew 13.9%, and considering 2015 one-timers it would have grown 12.1%, still above total revenue growth.

Central America results

- 4Q16:

Total revenue grew 9.0%, gross margin expanded by 70 bps and general expenses grew 9.7%, at a constant currency basis.

What particularly stands out is the 32.0% operating income growth and the 25.7% EBITDA growth at a constant currency basis.

- 2016:

In Central America, total revenue grew 8.2% on a constant currency basis and gross profit improved by 70 bps.

Expenses grew 7.9%, slightly below revenue resulting in operating income growth growing above 3 times total revenue growth at 30.0% and EBITDA growing 23.0% on a constant currency basis.

Consolidated results:

- 4Q16:

Strong total sales growth, share gain in all countries, leverage and income growth, contributed for a strong quarter, which capped a good year.

Consolidated results for Walmex show 11.8% revenue growth, 40bps of gross margin improvement and 11.0% expenses growth resulting in operating income growth of 22.8% and an EBITDA growth of 21.0%, on a constant currency basis.

- 2016

During 2016 we made strategic investments to better position our business in the future while still leveraging the base.

Throughout the year we invested \$14.3billion pesos in our business, 14.4% more than in 2015 and in line with our guidance.

Our capital allocation is in line with our long-term strategy. We are becoming more productive in our remodels and new stores investments and thereby freeing capital to build strong foundations to become a more digitally enabled company.

In addition, we also had relevant increases in operating expenditures related to remodeling, maintenance and portfolio management in addition to implementing staffing initiatives and changes to store compensation plans to make them more inclusive and “pay for performance”.

Despite the above, we managed to leverage our base expenses so as to preserve the long term health of our business.

Central America’s relevance in the portfolio increased as a function of FX variations but also due to their strong performance.

As a percentage of total revenue, Central America’s participation increased from 16.6% to 18.7%.

Central America's expenses as % of sales are higher than that in Mexico so their relative contribution to the consolidated results negatively impacted consolidated leverage.

More importantly, Central America contributed to 30% of Walmex consolidated Operating income increase.

We believe that Central America's growth potential will continue to be an important element in Walmex's high quality revenue and earnings growth.

Walmex consolidated full year results were strong.

Revenue grew 11.9%, gross margin expanded 50bps and expenses grew in line with sales, mainly due to Central America's higher penetration in the portfolio and higher contribution to expenses growth.

Operating income and EBITDA grew 20.2% and 17.7%, both faster than the revenue growth, at a constant currency.

As you may recall, during Q3, we stepped up our hedging efforts in this abnormally volatile currency environment, and increased our US Dollar position to cover the purchase of import merchandise for the holiday period. The resulting exchange rate gain on our Dollar position was \$432 million pesos in financial income for the full year 2016.

The net income recorded in discontinued operations related to Suburbia reached \$4.8 billion pesos
Net income grew 26.5%.

Financial position, liquidity and capital resources:

Balance Sheet 2018

Our financial strength gives us the ability to deliver short-term results while we build structural competitive advantages to position the business for the long term.

We delivered strong free cash flow and closed the year with \$38.8 billion pesos, 9.1% more than last year, driven by the strong cash generation from our operations and our increased focus in working capital.

Our inventories and payables both increased 6.5%.

Operating cash flow increased 11.1% versus last year and reached \$60.5 billion.

After investing \$17.9 billion pesos in high return projects, we still returned \$25.6 billion pesos to our shareholders in the form of dividends.

We have an ongoing commitment to return excess cash to our shareholders.

On February 27th, 2019 we distributed the final installment of last year's dividend declaration of \$0.33 pesos per share.

On February 13th, 2019, the Walmex Board of Directors agreed to recommend a proposal to shareholders for an ordinary dividend of \$0.84 pesos per share and an extraordinary dividend of \$0.91 pesos per share. Total dividends add up to \$1.75 pesos per share.

Dividend yield would be approximately 3.6% based on the price of Walmex shares at the end of January, 2019.

We expect the annual shareholders' meeting to be held on March 21st, 2019 to vote on the proposal.

This year we are reducing the number of dividend payments to accelerate the distribution of cash to our shareholders.

The proposed schedule for dividend payment is as follows:

Ordinary dividend to be paid in three installments of \$0.28 pesos per share in April, August and November 2019.

Extraordinary dividend to be paid on three installments: the first one of \$0.35 pesos per share in April 2019, the second one of \$0.30 pesos per share in August 2019, and the last one of \$0.26 pesos per share in November 2019.

Balance Sheet 2017

Throughout the year we invested \$17.4 billion pesos in high return projects to strengthen our business. This amount represented 21.7% more than in 2016 and is in line with our guidance.

Disciplined capital allocation is key to achieve our long-term goals. We are becoming more productive in remodels and new stores construction and thereby freeing capital to build foundations to become a more digitally enabled company.

In order to fund these strategic investments, we managed to leverage our base expenses; we are committed to driving productivity and to managing expenses with discipline.

We were able to reduce our expenses base by 44bps, expenditures related to store remodeling and maintenance increased by 4bps and we invested 15bps in new stores and eCommerce.

An accounting reclassification of vendor allowances represented 8bps and one-time effects related primarily to the earthquakes that took place in September represented 10bps.

Driven by strong cash generation from our operations, our cash position increased by 27.2% to \$35.6 billion pesos, \$7.6 billion pesos more than last year.

Inventories increased 10.8%, primarily due to acceleration in new store openings during the quarter where we opened 58 new stores, 13 more than in 4Q16.

Accounts payable grew 21.5% which led to improvements in working capital.

For the year we generated \$54.4 billion pesos, \$3.1 billion pesos more than last year.

Working capital has been a focus for us and we are really pleased with our discipline, especially in managing inventory and payables.

During the year we returned \$42.8 billion pesos in dividends to our shareholders and invested \$17.4 billion pesos back into the business.

Balance Sheet 2016

We delivered strong free cash flow and closed the year with \$28.0 billion, \$3.2 billion or 12.8% more than last year driven by the strong cash generation from our operations and our increase focus in working capital.

We invested \$14.3 billion pesos in our business and our inventories increased 7.9%, below our total revenue growth.

Operating cash flow increased 14.9% vs. last year reaching \$51.3 billion, which represents the highest operating cash flow growth in the past 6 years.

We had a strong working capital performance, we saw an improvement in accounts payable as we are increasing our focus on that area.

After investing \$14.3 billion pesos in higher return projects, we still returned \$29.0 billion pesos to our shareholders in the form of dividend.

Internal control:

Having the highest regulation compliance standards and an appropriate control system is fundamental to achieving the objectives established by Walmart de México y Centroamérica.

The company's internal control assures:

- Assets safety.
- Compliance with the law and established policies.
- Proper operations registry.
- Reliable and timely information.
- Prevention, identification and detection of frauds.

The control of our operation is supported in several administrative systems in order to comply with fiscal regulatory requirements and obtain detailed information.

Our control processes are dynamic, continuously adapting to the changes in our environment:

1. Policies and Procedures.
 - Restrictive regulatory environment.
2. Accounting Control.
 - Account catalog.
 - Accounting guidelines and allocation of Balance accounts.
 - Monthly conciliations and exception reports.
3. Segregation of Duties.

As a public corporation, Walmart de México y Centroamérica operates with the Corporate Best Practices:

- Ethics Code.
- Board of Directors integrated in terms for Securities Market Law.
- Audit Committee.
- Corporate Practices Committee.
- Financial transparency and communication of relevant information.
- Open-door policy; any associate can inform irregularities to higher hierarchy levels.
- The company adopted the Sarbanes-Oxley law for its main Balance Sheet and P&L accounts.

- The company adopted the FCPA regulations for its main Balance Sheet and P&L accounts.
-

Estimates, critical accounting provisions or reserves:

The preparation of consolidated financial statements requires the use of accounting estimates and assumptions based on historical experience and other factors and therefore the actual results may differ from estimates. The estimates and assumptions are reviewed periodically and are as follows:

- Accounting estimates for inventory shrinkage; impairment of property and equipment, investment properties and goodwill.
 - Assumptions such as discount rates used to determine finance leases; useful lives for property and equipment and intangible assets with definite lives; labor obligation present value factors determined through actuarial valuations using economic assumptions, such as discount rate, inflation rate, salary increase rate and minimum salary increase rate; and determination of the recoverable value involving significant judgments such as future cash flows, the discount rate and the interest rate; fair value of derivative financial instruments and investment properties.
-

[427000-N] Administración

External auditors of the administration:

The Consolidated Financial Statements for the company and its subsidiaries as of December 31 of each year have been audited by Mancera, S.C., a member of Ernst & Young Global since 1998, and there were no adverse comments for any of the periods audited. Approval of the Independent Auditor is the sole domain of the Board of Directors for **WALMEX**, after receiving the opinion of the Audit Committee. The fees paid in 2018 to the Independent Auditor amounted to 28.6 million pesos for auditing and other services rendered.

Transactions with related parties:

There are operations conducted with Walmart Inc., and other related parties. These consist of the purchasing of merchandise and the payment of services and royalties, which are performed under market conditions.

Related party balances

At December 31, 2018, 2017 and 2016, the consolidated statement of financial position includes the following balances with related parties:

	December 31, 2018	December 31, 2017	December 31, 2016
Accounts receivable:			
Walmart Inc.	Ps. 83,000	Ps. 108,052	Ps. 93,841
Accounts payable:			
C.M.A. – U.S.A., L.L.C.	Ps. 689,282	Ps. 712,442	786,220
Swiss Asia Minor GmbH	120,005	207,225	99,005
	Ps. 809,287	Ps. 919,667	Ps. 885,225
Other accounts payable:			
Walmart Inc.	Ps. 1,143,739	Ps. 716,406	Ps. 753,643

As of December 31, 2018, 2017 and 2016, balances with related parties consist of current accounts that bear no interest, are payable in cash and have no guarantees.

Related party transactions

WALMEX has entered into the following open-ended agreements with related parties:

- Imports of goods for sale, which are interest-free and payable monthly.
- Purchase commissions with Swiss Asia Minor GmbH that are payable on a recurring basis.
- Technical assistance and services with Walmart, Inc. that are payable monthly.
- Royalties for trademark use with Walmart, Inc., payable quarterly based on a percentage of sales of the retail businesses

The terms of the related party transactions are consistent with those of an arm's length transaction.

All operations are performed under market conditions.

The Company had the following transactions with related parties during the years ended December 31, 2018, 2017 and 2016:

	December 31, 2018	December 31, 2017	December 31, 2016
Purchases and commissions related to the import of goods for sale:			
C.M.A. – U.S.A., L.L.C.	Ps. 4,644,211	Ps. 4,389,784	Ps. 4,786,947
Swiss Asia Minor GmbH	247,429	218,174	180,379
	<u>Ps. 4,891,640</u>	<u>Ps. 4,607,958</u>	<u>Ps. 4,967,326</u>
Costs and expenses related to technical assistance, services and royalties:			
Walmart Inc.	<u>Ps. 4,225,378</u>	<u>Ps. 3,284,545</u>	<u>Ps. 2,960,241</u>

Remuneration of principal officers

Remuneration to the Company's principal officers and Board of Directors for the years ended December 31, 2018, 2017 and 2016 is as follows:

December 31,	December 31,	December 31,
--------------	--------------	--------------

	2018	2017	2016
Short-term benefits	Ps. 1,238,960	\$ 1,255,014	\$ 1,281,379
Termination benefits	60,081	86,076	185,724
Share-based payments	126,434	82,942	77,976
	<u>Ps. 1,425,475</u>	<u>\$ 1,424,032</u>	<u>\$ 1,545,079</u>

Administrators and shareholders:

Our company is built on the foundations of integrity and the highest standards of ethics, thus always guaranteeing strict adherence to the legislation in force in all the countries where we operate.

Board of Directors

Members at December 31, 2018

	<i>Member since</i>
Chairman of the Board	
Enrique Ostalé	2013
Directors	
Adolfo Cerezo	2012
Ernesto Cervera	2014
Kirsten Evans	2018
Lori Flees	2016
Guilherme Loureiro	2016
Richard Mayfield	2015
Roberto Newell	2014
Eric Pérez Grovas	2018
Gisel Ruiz	2016
Blanca Treviño	2006

Makeup and Frequency:

- The Board of Directors is comprised only by statutory members.
- Members are appointed each year by the General Ordinary Shareholders' Assembly.
- Independent directors should make up a minimum of 25% of the total amount; currently, 45% of all Directors are independent.

- Minority shareholders, whose shares represent a minimum of 10% of owners equity for the company, have the right to choose a Director, who may only be removed when the other Board members are also removed. To date, 29.49% of company shares are traded among the investor public.
- The participation of officers of the company and its subsidiaries is limited, and only the CEO is a member of the Board.
- The Board of Directors meets at least four times a year, during 2018 there were five sessions held. Attendance averaged 85%.

Other practices:

- The Board evaluates the performance of each Director.
- Independent Directors are experienced in the core business of the company.
- Board has access to independent advisers.
- The Chairman of the Board is neither allowed to act as Secretary nor to preside over any Board committees.

Primary responsibilities

- Choose the President and CEO of the company.
- Work actively with Top Management to develop overall strategies for the company and its subsidiaries.
- Approve information and communication policies with shareholders and the market.
- Act as adviser/ consultant for top management of the company.
- Oversee the management of the company and its subsidiaries.
- Ensure that overall strategy is in line with the company's principles of Corporate Responsibility.

The Board of Directors obtains the support of two Committees for its duties; said committees must conduct in-depth analysis of subjects pertaining to its field of expertise and offer recommendations to the Board so it may study the information and make the right decision, creating value for our shareholders and stakeholders.

Audit and Corporate Practices Committees

These Committees have five statutory Directors, all of them independent.

Members at December 31, 2018

Chairman

Adolfo Cerezo

Members

Ernesto Cervera

Eric Pérez Grovas

Blanca Treviño

Roberto Newell

Primary responsibilities

- Giving and opinion on the hiring and establishment of the fees of the independents auditors.
- Ensuring the existence of a proper internal control system for the company that meets any and all applicable accounting and legal provisions, and reviewing company and subsidiaries transactions with related parties.
- Reviewing the financial statements and ensuring they are a true and accurate reflection of the financial situation for the company. They also have a set procedure for receiving, retaining, and responding to claims concerning accounting practices and controls, and any audit issues. Moreover, said committees have the necessary resources for, and are authorized to retain the services of counsel and/or any other outside adviser needed to perform their duties.
- Reducing the risk of conducting operations such that could affect company worth or could result in the granting of favored conditions to any one group of shareholders.
- Approving policies for the use and enjoyment of properties pertaining to the net worth of the company.
- Authorizing transactions with related parties, remuneration for the Chief Executive Officer, and remuneration policies regarding relevant company officers.
- Serving as support for the Board of Directors in producing reports on accounting practices.
- Holding private meetings and receiving periodic reports from Internal Audit, Legal, Compliance, and Ethics.
- Calling Shareholders to meetings and ensuring that the order of business includes all matters deemed necessary.

Primary requirements and practices

- Independent auditors are forbidden from providing consultancy services to the company.
- All members must be independent Directors, experts in finance.
- The partner from the independent auditing firm that renders the opinion on the financial statements must be rotated periodically.

Walmart de México Foundation Board

Trustees at December 31, 2018

Guilherme Loureiro
 Carlos Gerardo Arroyo
 Álvaro de Arrigunaga
 Roberto Delgado Gallart*
 Jorge Familiar Haro*
 Tanya Farah
 Martha Smith*
 Kathleen McLaughlin
 Alberto Sepúlveda
 Marinela Servitje*
 José Luis Torres*

*Independent trustees

Alternate trustees

Mariano Fiscella
 Julie Gehrki

Corporate Responsibility Committee

Meeting our vision means having to include corporate responsibility in our company strategy for the business, and thus we have our Corporate Responsibility Committee, which reports directly to the Board of Directors of the company in charge of defining the long-term company strategy, adjusting business processes and making suitable decisions for every material issue.

During Committee sessions, special attention is paid to understanding the meaning of Corporate Responsibility for their specific work areas, and acting in accordance with the same. Their involvement is fundamental to strengthening Corporate Responsibility and to ensuring the commitment to always doing the right thing in social, environmental, and governance issues.

The President and CEO presides over the Committee, whose members include the principal Vice Presidents for each of the areas of the company.

Members at December 31, 2018

Chairman Guilherme Loureiro	Vivonne Monje
President and Chief Executive Officer	Vice President of Marketing, Customer Insights and Business Intelligence
Adriana Velázquez	Roque Velasco
Chief Compliance Officer	Vice President of Audit
Álvaro de Arriagunaga	Ignacio Caride
Chief Merchandising Officer	Vice President of eCommerce
Carlos Arroyo	Beatriz Nuñez
Chief Operations Officer	Vice President of Digital Transformation
Ólga González	Gaston Wainstein
Chief Financial Officer	Senior Vice President of Real Estate and Realty Business
Cristian Barrientos	Alberio Sepúlveda
Senior Vice President and General Director for Central America	Executive Vice President and General Director for Legal and Institutional Matters
Lduardo de la Garza	
Senior Vice President of Human Resources	

Primary responsibilities

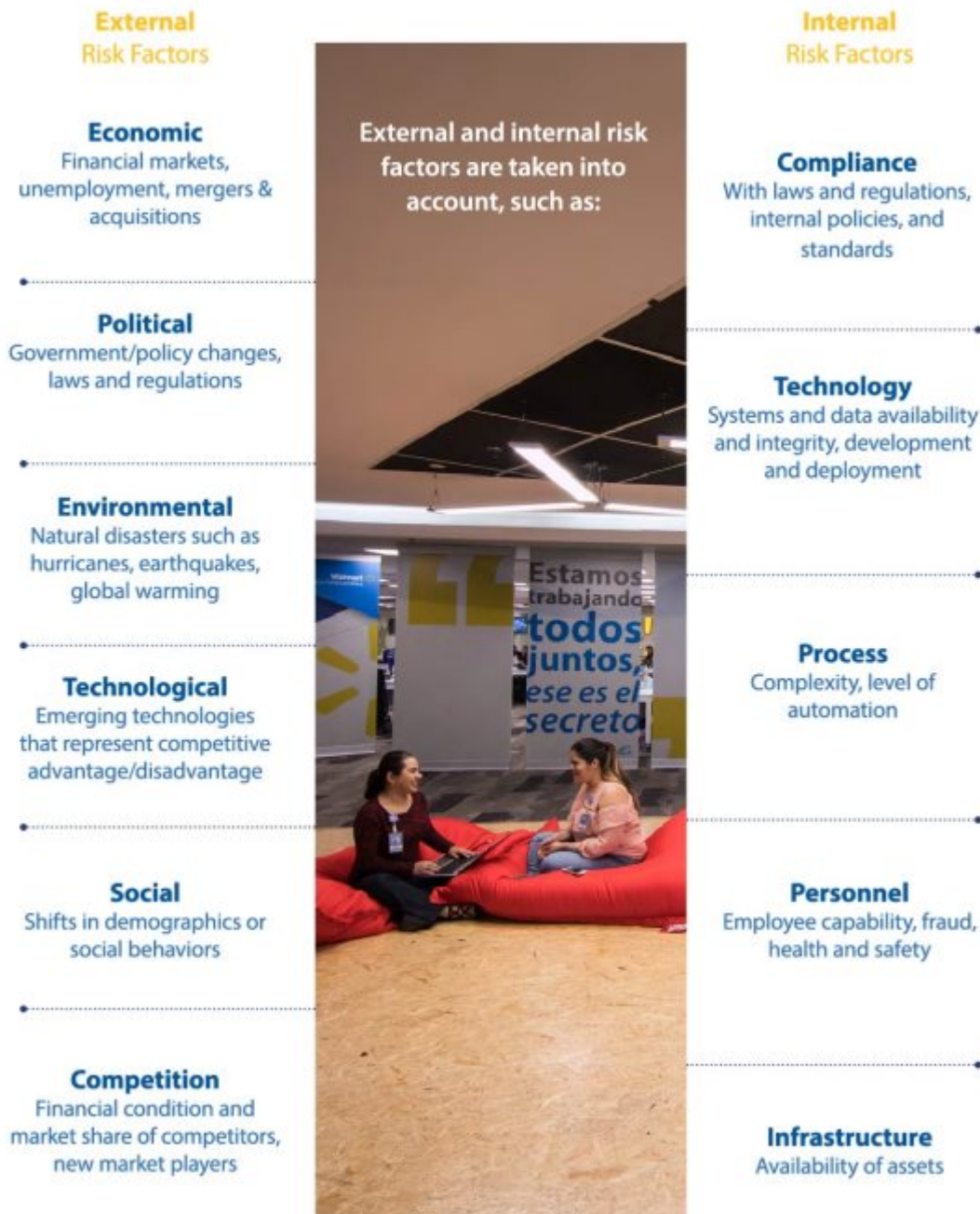
- Making sure of the solid integration of sustainable development into company strategy.
- Establishing a long-term vision and strategic priorities that are based on what is best for our customers, business, and society.
- Analyzing risks and internally identifying opportunities that arise so as to improve our performance.
- Assessing the effectiveness of Corporate Responsibility initiatives and the implementation progress.
- Supporting the consolidation of structural changes, and establishing action plans, indicators, policies, and procedures.
- Leading the company towards national and international trends aimed at maintaining our leadership position.

At Walmart de México y Centroamérica we work to guarantee that every operation, product and service generates value for all stakeholders.

This responsibility mainly falls on the Executive Director of Corporate Development, who reports directly to the Executive Vice President and General Director for Legal and Institutional Matters in Mexico and Central America, and is in charge of finding company strengths and opportunities on environment, social and corporate governance issues, along with the Corporate Responsibility Committee, and of building business plans, objectives and indicators to improve our performance.

Risk Assessment

Walmart de México y Centroamérica performs a Risk Assessment with the purpose of identifying and reducing risks that could affect our operation. Every year, the Risk Assessment is performed by Global Audit Services following the methodology established by Walmart Inc., adapting it to the reality of Mexico and Central America.



Relevance of the eight major risk categories:

- Regulatory Compliance. Compliance with laws and regulations.
- Strategic. Related to high-level goals, aligned with & supporting the company's vision.
- Customer Trust. Actions or conditions that abate customer trust in our company brand and vision or our standing in our community.
- Financial Accuracy. Effectiveness of the company's financial reporting.

- Impact to core business caused by Operational areas. Loss (including risks for financial performance and condition) resulting from inadequate or failed internal processes, people, and systems that support core business functions.
- Business impact caused by Operational Support areas. Interruptions resulting from inadequate or failed internal processes, people, and systems within business support functions.
- Internal Compliance. Compliance with company policies and procedures, contracts, ethics and business conduct standards, and other voluntary corporate standards.
- Efficiency and Effectiveness. Optimization of company resources to support the business mission and reward shareholders.

In addition, the risk considerations that help define the magnitude and probability of losses derived from events or unfavorable activities, for example:

- Operational Disruption. Events such as natural disasters, terrorism, interruption of key supplier operations failed process changes, system failures, and prolonged adverse weather conditions.
- Impact on Earnings. Competitive pressures, market economic conditions, financial management, sustainability of the business model.
- Impact on Strategic Initiatives. Changes in leadership, lack of access to capital or liquidity, actions of competitors, changes in broad economic conditions, and adverse actions by foreign governments.
- Changes in Leadership. Historical leadership change outcomes, succession planning, training and development.
- Level of Automation. Business reliance on technology and systems, historical credibility, the ability to revert to manual alternatives, and the company's adoption rate of emerging technology.
- Compliance Requirements. The ability of the company to comply with laws, regulations and policies, occurrence of fraudulent, illegal or unethical acts, changing laws, ongoing liabilities and disputes, unsafe products or handling, etc.
- Changes in Processes. Maturity of processes within the company, process change management, quality assurance functions, process owner expertise, process documentation.
- Historic Audit Results. Issues identified during previous audit activities that are relevant to the auditable group or component, management tone, and status of remediation efforts.
- Customer Insights. Concerns expressed by business and technology leadership.
- Other Risk Assessments. Results of assessments conducted by internal and external parties that are relevant to the auditable group or component.
- GFT Insights. Guidance provide by Global Functional Teams in the form of questionnaires, newsletters, interactive meetings, etc.

Considering market conditions and the risk factors described above, an overall risk rating of HIGH, MEDIUM or LOW is designated in the Risk Assessment for each company area.

Based on results of the risk assessment process the following actions are carried out:

- Audit plan for next year, focused on the main risks of the company, related to our goals and objectives.

- Follow-up to the action plans resulting from audits.
- Quarterly progress report to the Audit Committee.

Senior Officers as of April 30, 2019

GUILHERME LOUREIRO President and Chief Executive Officer (CEO) 6 years of experience in the Company	
JUAN CARLOS AJA Vice President , Merchandising Fresh Food, Wine & Liquor 23 years of experience in the Company	FILIPPE DA SILVA Vice President , Finance, Central America 3 years of experience in the Company
JUAN CARLOS ALARCÓN Vice President , Human Resources, Central America 5 years of experience in the Company	EDUARDO DE LA GARZA Senior Vice President , People Division, Mexico and Central America
JAVIER ANDRADE Vice President , Merchandising, Sam's Club 19 years of experience in the Company	EDMUNDO DELGADO Vice President , Merchandising, Basic & Processed Food 20 years of experience in the Company
MAURICIO ARNÁBAR Senior Vice President , Sam's Club 22 years of experience in the Company	MARIANO FISCELLA Vice President , Operations, Sam's Club 4 years of experience in the Company
ÁLVARO ARRIGUNAGA Senior Vice President , Merchandising 25 years of experience in the Company	DIEGO GARCÍA Vice President , Logistics, Central America 18 years of experience in the Company
CUITLAHUAC ARROYO Vice President , Operations, eCommerce Mexico 6 years of experience in the Company	LAURA GARCÍA GARCÍA Vice President , Merchandising, Consumables & Pharmacy 27 years of experience in the Company
CARLOS GERARDO ARROYO Senior Vice President , Operations Mexico 14 years of experience in the Company	JOHN GLEASON Vice President , Treasury, Tax and Investor Relations 3 years of experience in the Company
OSCAR BADILLO Vice President and Controller for Accounting and Reports 1 year of experience in the Company	OLGA GONZÁLEZ Senior Vice President & (CFO) , Mexico and Central America 9 years of experience in the Company
CRISTIAN BARRIENTOS Senior Vice President and General Manager , Central America 19 years of experience in the Company	SERGIO GUILLIN Vice President , Walmart Supercenter 15 years of experience in the Company
MARÍA DEL CARMEN BETANCOURT Vice President , Human Resources, Operations and Staff Mexico 10 years of experience in the Company	GABRIELA GUTIÉRREZ Vice President , Real Estate Central America 25 years of experience in the Company
MILTON BRANDT Senior Vice President , Finance Commercial & Operations Mexico 4 years of experience in the Company	ENRIQUE GUZMÁN Vice President , General Merchandise 24 years of experience in the Company
IGNACIO CARIDE Senior Vice President , eCommerce	LILIA JAIME Senior Vice President , Bodega Aurrera 38 years of experience in the Company

IVONNE MONTIEL <i>Vice President, Centralized Operations</i> 10 years of experience in the Company	ALBERTO SEPÚLVEDA <i>Executive Vice President and General Counsel for Legal and Corporate Affairs for Mexico and Central America</i> 6 years of experience in the Company
MARÍA GUADALUPE MORALES <i>Vice President, Superama</i> 48 years of experience in the Company	LUCAS SOMASCHINI <i>Vice President, Merchandising Central America</i> 6 years of experience in the Company
SANDRO NORBERTO <i>Vice President, Logistics Mexico</i> 3 years of experience in the Company	MANRIQUE UGALDE <i>Vice President, Agribusiness Division</i> 1 year of experience in the Company
BEATRIZ NÚÑEZ <i>Vice President, Chief Digital Officer Mexico</i>	RICARDO VALDESPINO <i>Senior Vice President, Commercial Real Estate</i> 30 years of experience in the Company
ENRIQUE PELLICO <i>Vice President, Merchandising Services</i> 8 años de experiencia en la empresa	ROQUE VELASCO <i>Vice President, Internal Audit Mexico and Central America</i> 12 years of experience in the Company
ENRIQUE PONZANELLI <i>Vice President, Legal Real Estate</i> 27 years of experience in the Company	ADRIANA VELÁZQUEZ <i>Vice President, Chief Compliance Officer Mexico</i> 6 years of experience in the Company
RAÚL QUINTANA <i>Vice President, Operations, Bodega Aurrera</i> 20 years of experience in the Company	GASTÓN WAINSTEIN <i>Senior Vice President, Real Estate</i> 18 years of experience in the Company
JOSÉ VICENTE RIBELLES <i>Vice President & CTO Mexico</i> 5 years of experience in the Company	DORN WENNINGER <i>Vice President, Merchandising, Perishables</i> 8 years of experience in the Company
JOSÉ MANUEL RODRÍGUEZ <i>Vice President, Operations, Central America</i> 19 years of experience in the Company	ALONSO YAÑEZ <i>Vice President, ISD for Mexico and Central America</i> 1 year of experience in the Company

No Board members or Executives (Secretary and Prosecretary) are related to each other. No Director or Executive has significant holdings in the Company, either as individuals or as a group, above 1%.

The total payment made from the Company to its Directors and main Executives during the year ended December 31, 2018 amounted to 1,425.5 million pesos. The payment made by the Company to the totality of its personnel, including its main Executives but excluding its Directors, consists of a fixed part and a variable component, represented by a bonus for results, whose amount depends on accomplishing the goals stated in the Business Plan for the year in question.

As of December 31, 2018, the employee stock option plan fund is comprised of **WALMEX** shares which are acquired in the secondary market and are presented at acquisition cost. The plan is designed to grant stock options to executives of the companies of the Group, as approved by the Mexican National Banking and Securities Commission.

The employee stock option plan fund consists of 165,158,920 **WALMEX** shares, which have been placed in a trust created for the plan. As of December 31, 2018, the granted and exercisable share under the stock option plan fund is 159,552,202 and 60,060,863, respectively.

During the period from January 1 to December 31, 2018, a total of 35,274,408 shares were assigned, and 46,694,984 shares were exercised. The Company purchased the stock necessary for this plan through the Mexican Stock Exchange. The stock holdings in the Personnel Stock Option Plan Fund represent only 0.9% of outstanding shares as of December 31, 2018.

Intersalt, S. de R.L. de C.V. is the majority shareholder of Wal-Mart de México, S.A.B. de C.V., and beneficiary of more than 10% of the Company's capital stock; its equity interests as of December 31, 2018 amount to 70.51% of the representative shares of the capital stock, making it a shareholder which executes control and significant influence in the Company. The remaining shares trade freely in the Mexican Stock Exchange.

Stock situation as of December 31, 2018

	Million shares	%
Intersalt, S. de R.L. de C.V.	12,312	70.5
Personnel stock option plan fund	165	0.9
Subtotal	12,477	71.5
Market	4,984	28.5
Total	17,461	100.0

In turn, a subsidiary of Walmart Inc. is the majority partner of Intersalt, S. de R.L. de C.V. Walmart Inc. is a U.S. Corporation listed in the New York Stock Exchange; its ticker symbol is WMT.

It is important to indicate there are neither Board Members nor Senior Officers of the Company in possession of individual share holdings over 1% and under 10%.

Company Counselors[Abstract]

Related [Member]

Enrique Ostalé Cambiaso			
Gender		Directorship Type	
Hombre		Propietario	
Participate in committees			
Audit	Corporate Practices		Evaluation and Compensation
NO	NO		NO
Others			
N/A			
Designation			
Designation date			
2013-03-14			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
Annual	Chairman	N/A	N/A
Additional Information (Administrator)			

Richard Mayfield			
Gender		Directorship Type	
Hombre		Propietario	
Participate in committees			
Audit	Corporate Practices		Evaluation and Compensation
NO	NO		NO
Others			
N/A			
Designation			
Designation date			
2015-03-24			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
Annual	Member	N/A	N/A
Additional Information (Administrator)			

Lori Flees			
Gender		Directorship Type	
Mujer		Propietario	
Participate in committees			
Audit	Corporate Practices		Evaluation and Compensation
NO	NO		NO
Others			
N/A			
Designation			
Designation date			
2016-03-31			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
Annual	Member	N/A	N/A
Additional Information (Administrator)			

Guilherme De Souza Macedo Loureiro		
Gender	Directorship Type	
Hombre	Propietario	
Participate in committees		
Audit	Corporate Practices	Evaluation and Compensation
NO	NO	NO
Others		
N/A		
Designation		
Designation date		

2016-03-31			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
Annual	Member	N/A	N/A
Additional Information (Administrator)			

Kirsten Evans			
Gender		Directorship Type	
Mujer		Propietario	
Participate in committees			
Audit	Corporate Practices		Evaluation and Compensation
NO	NO		NO
Others			
N/A			
Designation			
Designation date			
2018-03-22			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
Annual	Member	N/A	N/A
Additional Information (Administrator)			

Independent [Member]

Ernesto Cervera Gómez			
Gender		Directorship Type	
Hombre		Propietario	
Participate in committees			
Audit	Corporate Practices		Evaluation and Compensation
SI	SI		SI
Others			
N/A			
Designation			
Designation date			
2014-03-20			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
Annual	Member	N/A	N/A
Additional Information (Administrator)			

Eric Pérez Grovas Aréchiga			
Gender		Directorship Type	
Hombre		Propietario	
Participate in committees			
Audit	Corporate Practices		Evaluation and Compensation
SI	SI	SI	
Others			
N/A			
Designation			
Designation date			
2018-03-22			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
Annual	Member	N/A	N/A
Additional Information (Administrator)			

José Adolfo Cerezo Pérez		
Gender		Directorship Type
Hombre		Propietario
Participate in committees		
Audit	Corporate Practices	Evaluation and Compensation

SI	SI	SI
Others		
N/A		
Designation		
Designation date		
2012-03-27		
Period for which they were elected	Position	Time worked in the Issuer
Annual	Member	N/A
Additional Information (Administrator)		

Blanca Avelina Treviño de Vega			
Gender		Directorship Type	
Mujer		Propietario	
Participate in committees			
Audit	Corporate Practices		Evaluation and Compensation
SI	SI		SI
Others			
N/A			
Designation			
Designation date			
2006-11-14			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
Annual	Member	N/A	N/A
Additional Information (Administrator)			

Roberto Newell García			
Gender		Directorship Type	
Hombre		Propietario	
Participate in committees			
Audit	Corporate Practices	Evaluation and Compensation	
SI	SI	SI	
Others			
N/A			
Designation			
Designation date			
2014-03-20			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
Annual	Member	N/A	N/A
Additional Information (Administrator)			

Relevant directors [Member]

Guilherme De Souza Macedo Loureiro			
Gender		Directorship Type	
Hombre		Propietario	
Participate in committees			
Audit	Corporate Practices	Evaluation and Compensation	
NO	NO	NO	
Others			
N/A			
Designation			
Designation date	Assembly Type		
2016-02-01			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
Annual	President and Chief Executive Officer	3	N/A
Additional Information (Administrator)			

Olga González Aponte			
Gender		Directorship Type	
Mujer		Propietario	
Participate in committees			
Audit	Corporate Practices		Evaluation and Compensation
NO	NO		NO
Others			
N/A			
Designation			
Designation date		Assembly Type	
2017-07-01			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
N/A	Senior Vice President and Chief Financial Officer	4	N/A
Additional Information (Administrator)			

Alberto Manuel Sepúlveda González Cosío			
Gender		Directorship Type	
Hombre		Propietario	
Participate in committees			
Audit	Corporate Practices		Evaluation and Compensation
NO	NO		NO
Others			
N/A			
Designation			
Designation date		Assembly Type	
2013-04-08			
Period for which they were elected	Position	Time worked in the Issuer	Shareholding
N/A	Executive Vice President and General Counsel for Legal and Corporate Affairs	6	N/A
Additional Information (Administrator)			

Total percentage of men as relevant directors: 67

Total percentage of women as relevant directors: 33

Total percentage of men as counselors: 70

Total percentage of women as counselors: 30

Has a policy or program of labor inclusion: Yes

Description of the policy or program of labor inclusion

Our policies clearly state that discrimination and/or harassment are strictly forbidden, regardless of the situation of the individual, including ethnic origin or nationality; skin color; culture; gender and/or sexual identity; age; disabilities; social, economic, health, or legal situations; religion; physical appearance; genetic characteristics; migratory status; pregnancy; language; opinions; sexual preferences; political identity or affiliations; marital status; family conditions and/or responsibilities; criminal background; or any other reason that may hinder or annul recognition or enjoyment of rights and equal opportunities.

There are two Advisory Councils on Diversity and Inclusion –one in Mexico and the other in Central America- having high level team leaders who are in charge of promoting strategies programs and initiatives

that enable the identification, development and retention of diverse talent so as to encourage participation at all levels of the organization and to generate an inclusive work environment.

Objectives of the Board:

- Promoting equality between men and women
- Directing, monitoring, and communicating progress
- Overseeing the existence of policies, procedures, and activities
- Serving as a surveillance body
- Guaranteeing levels living by the culture
- Ensuring the proper gender balance among management
- Sponsoring diverse group inclusion programs

Company shareholders [Abstract]

Beneficial shareholders of more than 10% [Member]

N/A N/A Intersalt, S. de R.L. de C.V.	
Shareholding	70.51
Additional Information (Shareholders)	

Shareholders with influence [Member]

N/A N/A Intersalt, S. de R.L. de C.V.	
Shareholding	70.51
Additional Information (Shareholders)	

Shareholders exercising control [Member]

N/A N/A Intersalt, S. de R.L. de C.V.	
Shareholding	70.51
Additional Information (Shareholders)	

Association and other agreements:

WAL-MART DE MÉXICO, S.A.B. DE C.V. BYLAWS

CHAPTER ONE NAME, ADDRESS, PURPOSE, AND TERM

ONE. The name of the corporation is WAL-MART DE MÉXICO. This name shall always be followed by the words SOCIEDAD ANÓNIMA BURSÁTIL DE CAPITAL VARIABLE, or its abbreviation S.A.B. DE C.V. The corporation may use the word “Wal-Mart” as part of its name pursuant to a license agreement with Wal-Mart Stores, Inc. (the “Permanent Shareholder”) or a corporation related to it. If the Permanent Shareholder ceases to be, directly or indirectly, the majority shareholder of the corporation, it shall immediately call for a general extraordinary shareholders’ meeting to change its name, within sixty (60) calendar days, to any other not including the word “Wal-Mart” or any confusingly similar words.

TWO. The legal domicile for the corporation shall be in Mexico City, but representations or branch offices may be established or conventional domiciles may be stipulated in anywhere within the United Mexican States or abroad.

THREE. The purpose of the corporation is:

- (a) To promote, incorporate, organize, exploit and take interest in the capital and equity of any commercial or civil corporation, partnership or industrial, commercial, service and other corporation, both domestic and foreign, as well as to participate in their management or liquidation;
- (b) To acquire, through any legal means, shares or other equity interests in any type of corporations, commercial or civil, either upon incorporation or thereafter, and to sell, transfer, deal with shares or other interests, including any negotiable instruments;

- (c) To provide, contract and receive any technical, consultation and advisory services and enter into any agreements or contracts for the attainment of these purposes.
- (d) To assume any obligations on its own behalf or on behalf of third parties, to issue, subscribe, endorse, grant and protest any type of negotiable instruments, to issue guaranties, bonds, in rem or personal guaranties, on its own behalf or on behalf of third parties, to assume joint obligations and execute any instruments or documents permitted by law, with the participation, if any, of persons and institutions, domestic and foreign, if required by law;
- (e) To acquire, issue and offer securities to the public, in accordance with the applicable provisions, and to repurchase shares in accordance with the terms of the Securities Market Law and those provisions derived therefrom;
- (f) To acquire, dispose of, lease, sublease, and grant rights for the use and disposal of, and in general, the exploitation of, any movable property or real estate, including appurtenances and accessories;
- (g) To execute any agreements and contracts with local, municipal or federal governments and authorities, with any entity, public or private, including affiliates and subsidiaries of the corporation, and with any individuals, domestic or foreign;
- (h) To execute transactions with any type of securities and derivative transactions;
- (i) To register, purchase, lease, assign, renew, prove use and dispose of trademarks, patents, invention certificates, trade names, industrial designs, trade notices, registration of models, copyright, inventions and processes;
- (j) To establish, lease, operate and possess plants, facilities, workshops, warehouses, offices and agencies in the United Mexican States or abroad;
- (k) To act as commission agent or mediator and represent any commercial enterprises;
- (l) To maintain insurance policies with domestic or foreign insurance companies;
- (m) To participate in any bidding process, whether national or international, including those conducted through electronic means, of the Federal Government, local or municipal governments, autonomous or decentralized public bodies, as well as any agency or instrumentality thereof; and
- (n) In general, to carry out any acts, execute any contracts and agreements, as well as transactions of any nature in accordance with the terms of the applicable law.

FOUR. The term of the corporation shall be ninety-nine years beginning on the eighth day of March, in the year nineteen hundred and ninety-three.

CHAPTER TWO CAPITAL STOCK AND SHARES

- FIVE.** (a) The capital of the corporation is variable.
- (b) The minimum fixed capital amounts to \$5,591,362,245.00 (five billion, five hundred and ninety-one million, three hundred and sixty two thousand, two hundred and forty-five Mexican pesos).
- (c) The authorized maximum variable capital amounts to \$100,000,000,000.00 (One hundred billion pesos, lawful currency of the United Mexican States).

(d) The capital, minimum, or fixed or variable, shall be represented by shares of the same series, registered, common or ordinary, without par value, of free subscription, representing one hundred percent (100%) of the voting shares, which may be subscribed or acquired by individuals or entities, domestic or foreign.

(e) The capital stock shall be represented by a minimum of 3,000,000,000 (three billion) and a maximum of 100,000,000,000 (one hundred billion). The Board of Directors may increase or decrease the number of shares outstanding, provided that it is within the minimum and maximum amounts provided for in this paragraph.

(f) Given that the corporation is a publicly-traded corporation (sociedad anónima bursátil) governed by the Securities Market Law, and that the right of withdrawal in accordance with the last paragraph of Article fifty (50) of the Securities Market Law is not applicable to said corporations, it is agreed that there shall be no distinction between the shares representing the fixed capital and those representing the variable capital; therefore, shareholders shall have a proportional interest in the shares of the fixed and variable capital. The corporation shall indicate in the stock certificate or provisional stock certificates the amount of its minimum fixed.

(g) The capital may be increased by further contributions of the shareholders or by the admission of new shareholders and in the events referred to in Article one hundred sixteen (116) of the General Corporations Law, and decreases of the capital by reimbursement to shareholders, to absorb losses and the repurchase of shares.

(h) Increases and, if applicable, decreases of the capital stock shall be approved by the general ordinary or extraordinary shareholders' meeting, as applicable, in any case, with the notarization of the relevant minutes, except when said increases or decreases result from the repurchase of the shares of the corporation.

(i) Any increase and decrease of capital resulting from one or more of the following events, except when modifying the minimum fixed capital or the maximum authorized variable capital, shall not require the approval of the meeting and may be declared by the Board of Directors: (i) capitalization of stockholders' equity items; (ii) a decrease in the capital stock to absorb losses; or (iii) increases or reductions resulting from the repurchase of shares. In the event of (i) and (ii) above, the number of shares outstanding shall not vary, given that shares have no par value.

(j) On an annual basis, at the general annual ordinary meeting, the Board of Directors shall inform the meeting: (i) the number of shares repurchased by the corporation and whether said shares have been made outstanding or their cancellation is applicable; (ii) the amount of the capital, within the minimum and maximum authorized; (iii) the number of shares outstanding at the close of the previous year; and (iv) the use given to the powers granted by this Article. This obligation is separate from the reporting obligations of the corporation.

(k) The corporation may repurchase shares in accordance with the terms of the Securities Market Law and the provisions derived therefrom, out of the capital stock and, if applicable, a fund created with net profits, called fund for the repurchase of shares.

(l) Corporations in which Wal-Mart de México, S.A.B. de C.V., is the majority shareholder shall not invest, directly or indirectly, in shares of the same, [nor of any other corporation that is a majority shareholder of

Wal-Mart de México, S.A.B. de C.V.], except in the event where the shares are purchased to comply with stock options granted or that may be granted to the employees of said corporations, provided that the shares owned by them do not exceed twenty-five percent of the total shares of the corporation.

(m) The corporation may issue shares to be subscribed by the investing public, provided that it complies with the following: (i) the general extraordinary shareholders' meeting approves the maximum amount of the capital increase and the terms under which the relevant shares shall be issued; (ii) the subscription of shares is made in a public offering, after registration with the National Registry of Securities, in compliance with the provisions of the Securities Market Law and the general provisions derived therefrom;

(iii) the amount of capital being subscribed and paid is disclosed by the corporation when it discloses the authorized capital stock represented by the issued and unsubscribed shares; and (iv) the preferential subscription right referred to in Article one hundred thirty two (132) of the General Corporations Law shall not be applicable with respect to capital increases made by public offering.

SIX.

1. All the shares into which the capital stock is divided are registered, indivisible, and with no par value. Shares confer rights on the holders and make them liable to those obligations corresponding to common stock. The corporation, directly and/or through an institution for the deposit of securities or a credit institution acting as registration agents in the name and on behalf of the corporation, shall keep a shareholders' registry in accordance with Article one hundred twenty-eight (128) of the General Corporations Law, in which the subscriptions, acquisitions or transfers of shares representing the capital stock shall be recorded, stating the name of the subscriber and the acquirer. Any person acquiring one or more shares shall assume the sellers' rights and obligations with respect to the corporation. Ownership of one or more shares means the acceptance by a holder of the provisions of the bylaws of the corporation, the amendments or modifications hereto and the resolutions adopted by the general shareholders' meetings and the Board of Directors, regardless of the rights provided for herein.

The corporation shall only acknowledge as shareholder the persons registered as such in the shareholders' registry book maintained by the corporation directly and/or through an institution for the deposit of securities or a credit institution acting as registration agents in the name and on behalf of the corporation. However, with respect to shares intended to be outstanding among the investing public, the indication of this circumstance and of the institution for the deposit of securities in which the stock certificate or certificates representing said shares shall suffice for registration, and, in such case, the corporation shall also acknowledge as shareholders the persons that evidence such capacity with the certificates issued by the relevant institute for the deposit of securities, together with the list of holders of the relevant shares, prepared by whom appears as depositor of said certificates.

2. Shares shall be represented by printed certificates. Provisional stock certificates may be issued until final stock certificates are printed.

3. The provisional and final stock certificates representing the capital stock shall be consecutively numbered and shall represent one or more shares. Stock certificates shall contain the items listed in Article one hundred and twenty-five (125) of the General Corporations Law. Articles five (5), six (6) and twenty-five (25) herein shall be transcribed verbatim thereon. Stock certificates shall have two written or facsimile signatures of either the Chairman or the Chief Executive Officer, if a board member, or the secretary or alternate secretary of the Board of Directors, or the signatures of two members of the Board as appointed by the Board for said purpose. Stock certificates may have coupons attached and be duly numbered. Stock certificates or provisional stock certificates may be exchanged for others of different denominations, provided that new or provisional stock certificates represent the same number of shares as those given in exchange. Should the certificates or provisional certificates be lost, stolen or destroyed, they may be replaced pursuant to the provisions of Title One, Chapter One, Section Two of the General Law of Negotiable Instruments and Credit Transactions, with expenses for said replacement to be covered by the owner of the relevant certificates.

CHAPTER THREE

GENERAL SHAREHOLDERS' MEETING

SEVEN.

1. The supreme authority of the corporation is the General Shareholder' Meeting, which shall hold either ordinary or extraordinary meetings.
2. The ordinary shareholders' meeting shall meet:
 - I. To deal with the report referred to in Article one hundred seventy two (172) of the General Corporations Law with respect to the immediately preceding fiscal year of the corporation and the companies controlled by the corporation, as well as the other reports that, pursuant to Article twenty-eight (28), section IV of the Securities Market Law, must be submitted by the Board of Directors of the corporation. Said report shall state the main positions held by each director, indicating which director are independent and which are not.
 - II. If required, to designate the amount of capital stock that may be used to the repurchase of shares as well as the stockholders' equity maximum amount, with the only limitation being that the sum of the funds that may be allocated for said purpose shall under no circumstances exceed the aggregate balance for net income for the corporation.
 - III. To appoint and remove the Chairman of the Audit Committee as well as the Chairman of the Corporate Practices Committee.

IV. The general ordinary shareholders' meeting, in addition to the provisions of the General Corporations Law, shall meet to discuss and, if applicable, approve the transactions intended to be executed by the corporation or the entities controlled by it, during one fiscal year, when the transaction represents twenty percent (20%) or more of the consolidated assets of the corporation based on the figures corresponding to the close of the immediately preceding quarter, regardless of the manner in which such transactions are executed, either simultaneously or successively, but that due to their characteristics may be deemed a single transaction. The shareholders of voting shares, including limited or restrictive voting shares in accordance with Article forty-seven (47) of the Securities Market Law, may vote at such meetings.

V. Any other matter not expressly reserved by law or these bylaws to the General Extraordinary Shareholders' Meeting.

3. General ordinary meetings may be held at any time but must meet at least once each year within four months after the close of the fiscal year.

4. General Ordinary Meetings shall be deemed legally convened upon first call if at least half of the shares in the capital stock are represented thereat and resolutions shall be valid when taken by a majority of votes of those present at said meetings. If the meeting cannot be held on the date designated thereto, a second call shall be stating said circumstance. Meetings held upon second call shall be deemed legally convened with any number of shares represented thereat and its resolutions shall be valid if taken by a majority vote of those present thereat.

5. General Extraordinary Meetings shall be called to deal with the matters listed in Article one hundred and eighty-two (182) of the General Corporations Law:

- I. Extension of the term of the corporation;
- II. Advanced dissolution of the corporation;
- III. Increase or reduction of the Capital Stock;
- IV. Changes to the corporation's purpose;
- V. Change of the corporation's nationality;
- VI. Transformation of the corporation;
- VII. Merger and spin-off of the corporation;
- VIII. Issuance of preferred stock;
- IX. Amortization by the corporation of its own shares, issuance of preferred stock (acciones de goce);
- X. Issuance of bonds; and
- XI. Any other change to the bylaws.

General Extraordinary Shareholder's Meetings shall be deemed legally convened, upon first call, if at least seventy-five percent (75%) of shares are represented thereat and their resolutions shall be valid if approved by the shareholders representing at least half of said shares. Upon second or subsequent call, the General Extraordinary Shareholder's Meetings shall be deemed legally convened when at least fifty percent (50%) of shares are present. Resolutions shall only be valid if approved by the shareholders representing at least fifty percent of the capital stock.

EIGHT. General Shareholders' Meetings shall be held pursuant to the following rules:

1. Meetings shall be held at the corporate domicile, except in the event of force majeure, and shall be called by the Board of Directors through the Electronic System for Publications of Corporations. Calls shall be published at least fifteen calendar days prior to the meeting, except in the event provided for in Article Seven, section two, subsection II hereof, which term shall be of at least five calendar days prior to the meeting. Call shall include the date, time and place for the meeting, the Agenda, and shall be signed by whom makes said call. During said term, the books and documents related to the items on the Agenda of the Meeting shall be made available at corporate offices to the shareholders for consultation and, if applicable, shall include the financial statements with exhibits.
2. No call shall be necessary if attendees to the meeting represent all issued shares and if a meeting is adjourned for any reason and is to continue on a different date and time. In both cases, this circumstance shall be noted in the relevant minutes.
3. Shareholders may be represented at the meetings by the person or persons appointed through proxy letters granted in accordance with the terms of the applicable law in the forms made available by the corporation in accordance with section III of Article forty-nine (49) of the Securities Market Law. The corporation shall make available to the intermediaries of the securities market that evidence having the representation of the shareholders of the corporation, for the term referred to in Article one hundred seventy-three (173) of the General Corporations Law, forms of proxy letters prepared by the corporation, in order for said intermediaries to provide the forms in a timely manner to those represented by them. Proxy letters shall clearly indicate the name of the corporation and the respective agenda and shall provide space for the instructions of the grantor for the exercise of the proxy. The secretary of the Board of Directors of the corporation shall be required to make sure the provisions of this Article have been complied with and inform so to the shareholders' meeting, which shall be stated in the respective minutes. Members of the Board of Directors shall not represent the shareholders at any meeting.
4. To attend the meetings, the shareholders shall be registered in the shareholders' registry maintained by the corporation (directly or through an institution for the deposit of securities and the lists of depositors evidencing participation of said shareholder) or by a credit institution acting as registration agent in the name and on behalf of the corporation, obtaining, within the period of time indicated in the respective call, from the secretary of the Board of Directors the admission ticket to attend the meeting, which shall be requested to the secretary of the Board of Directors no later than two (2) days prior to the date set for the meeting.
5. Before calling the meeting to order, the officer presiding over shall appoint one or more recount clerks, who shall verify the number of shares represented and shall make a list of the attendees, stating the number of shares each represents.
6. After quorum is established, the Chairman shall declare the meeting convened and shall proceed to go over the items on the Agenda, presiding over any agreements and debates.
7. The meeting shall be presided over the Chairman of the Board of Directors and should he be absent, the person elected by the meeting. The secretary of the Board of Directors shall act as secretary of the meeting. If absent, the person elected by the meeting shall act as secretary.
8. The Secretary shall draft the minutes of each meeting and shall create a file therefor. The file shall contain the following:
 - a) A copy of the call that was published, should it be the case.
 - b) The attendance list of the owners of stock.
 - c) Proxy letters or the extract of the document used to evidence capacity certified by the secretary or recount clerk.

- d) A copy of the meeting's minutes.
 - e) All reports, opinions and other documents submitted during the meeting.
 - f) Certification by the secretary that provisions in paragraph III of Article forty-nine (49) of the Securities Market Law have been complied with.
9. If for any reason a legally called meeting is not convened, a document stating said circumstance and the reasons thereof shall be drafted and a file shall be created in connection with paragraph eight above.
10. Resolutions taken by the general meetings are legally binding for all shareholders, including dissident and absent shareholders, shall be final and without further recourse. The Board of Directors is thereby authorized to adopt resolutions, issue orders and take actions or enter into agreement necessary for the execution of any approved resolutions.
11. Shareholders holding twenty percent (20%) or more of the capital stock may judicially oppose to the decisions adopted by the meeting.
12. Shareholders holding ten percent (10%) or more of the corporation's capital stock shall be entitled to request the adjournment, for one time only, for three calendar days and without any further call, the voting of any matter with respect to which they are not sufficiently informed.
13. If there is no quorum at a general ordinary or extraordinary shareholders' meeting, duly called, the call shall be republished with the same requirements and the same time periods as set forth in paragraph one of this Article. The meeting upon second or subsequent call shall be held provided that the number of shares set forth in Article Seven hereof for these types of meetings is always represented.
14. Without being gathered at a meeting, shareholders may adopt resolutions with the unanimous vote of the shareholders representing all the voting shares in the applicable matters, as the case may be, which resolutions shall be as valid as if adopted by the general shareholders' meeting, respectively, provided that such resolutions are confirmed in writing and entered into the applicable minutes book with the signature of the secretary of the Board of Directors.

CHAPTER FOUR

MANAGEMENT OF THE CORPORATION

NINE. Management of the corporation shall be entrusted to a Board of Directors and a Chief Executive Officer. The Board shall consist of the number of directors determined by the general ordinary shareholders' meeting, and they shall be no more than twenty-one, at least twenty-five percent of which shall be independent directors. Also, for each director, an alternate may be appointed. The alternate of an independent

director shall also be independent. Unless otherwise agreed by the general ordinary shareholders' meeting, the majority of the directors and alternates shall be citizens and residents of any jurisdiction that does not cause the corporation or the securities issued by it, be object of a registry, authorization, registration or any other similar act in a jurisdiction different from the United Mexican States only by virtue of the citizenship or residency of its directors.

Independent directors shall mean the persons that, in the judgment of the general ordinary shareholders' meeting, have the necessary experience, ability and reputation, and considering that they will be able to perform their duties free of any possible conflicts of interests or influenced by personal, economic or other interests. The general shareholders' meeting appointing or ratifying the members of the Board of Directors or, if applicable, the meeting at which said appointments or ratifications are informed, shall determine the independent capacity of the directors. Notwithstanding the foregoing, in no event the persons referred to in sections I through V of Article twenty-six (26) of the Securities Market Law may be appointed or act as independent shareholders. Independent directors that during office cease to be deemed independent shall inform so to the Board of Directors no later than the following meeting of the said body.

TEN. The Board of Directors shall be in charge of Corporate affairs and shall execute the transactions, acts and agreements related to the corporate purpose, with the exception of those expressly reserved by law of these bylaws to the general ordinary or extraordinary shareholders' meetings. Said Board shall represent the corporation before any administrative and judicial authorities, with general powers for acts of ownership and administration and for lawsuits and collections, without limitation, in accordance with Article two thousand five hundred and fifty-four (2554) of the Civil Code for the Federal District. It shall also be authorized to exercise the powers that according to law require special clause, including, but not limited to, the following:

- a) To take the actions strictly pertaining to ownership matters such as, to sell, mortgage or otherwise dispose of or encumber, as well as to lease or pledge, the corporation's assets and property.
- b) To borrow money, issue bonds, purchase in installments and execute credit transactions without any limitation whatsoever, including the execution and acceptance of any type of negotiable instruments and become joint obligor on behalf of the corporation.
- c) In general, to direct, manage and control the corporate affairs and the administration of all its properties, overseeing compliance of any type of agreements and contracts in order to comply with the corporate purposes.
- d) To prepare, approve and submit to the shareholders the annual financial statements as required by law, and recommend and propose to the shareholders the resolutions deemed appropriate in connection with the income, profits and losses.
- e) To suggest plans and standards to be followed by the corporation, specifically with regards to the purchase, sale, lease, lien, mortgage and transfer of any type of movable properties or real estate, rights and concessions, franchises, incurrence of loans, and any other material management acts and concerns.
- f) To appoint and remove, freely, proxies and other corporation's officials and employees, to grant them powers and modify their authority, but always setting the limits set forth in Article Seventeen, set their compensation and determine the personal guaranty to be provided to secure the faithful performance of their duties and approve the external auditor of the corporation, with the prior recommendation from the Audit Committee.
- g) To establish and close branches and agency offices of the corporation.

- h) With limitations set forth in Article Seventeen, to delegate, in whole or in part, powers to any person or individual, or group of persons, managers or other official or proxy, as well as to grant general or special powers, legal mandates or administrative authorities for any period of time, and to delegate to any person, whether member or not of the Board of Directors, the power to grant or revoke general and special powers, and to take any other action required to be completed.
- i) To issue and exchange shares when it does not involve changes to the capital stock in accordance with the provisions of Article Five.
- j) The non-delegable power to resolve the purchasing of shares representing the capital stock of the corporation, through the stock exchange, at the current market price, chargeable to stockholders' equity and, the capital stock, if applicable; and its later offering among the investing public.
- k) The non-delegable power of the Board to approve transactions outside the ordinary course of business and intended to be executed by the corporation and its shareholders with persons who are members of the corporation's management, or with whom said persons have equity ties, or if applicable, blood ties or ties to the second degree, the spouse or common law spouse, and those transactions representing more than one percent of corporate assets; the purchase or sale of five percent or more of assets and the granting of guarantees in amounts exceeding five percent of assets.
- l) After having first received an opinion from the Audit and Corporate Practices Committees, to decide on and approve those transactions that the corporation or its subsidiaries wish to execute with related parties or that compromise the corporation's estate.
- m) To appoint among its members or alternates the members for the Audit and Corporate Practices Committees, provided that said Committees may act as one if they comply with the provisions of Articles forty-one (41), forty-two (42) and forty-three (43) of the Securities Market Law.
- n) All others conferred by the Mexican laws and these bylaws that are not expressly reserved to the shareholders.
- o) Create other Committees, internal or external, that are required for the effective performance of its obligations, and determine its integration and operation.

ELEVEN.

1. The members of the Board of Directors shall be appointed as set forth in Article Nine and shall hold office for the time period determined by the meeting, until such time as replacements have been elected and take office. Notwithstanding, a duly called shareholders' meeting may revoke the appointment of one or more Directors.

The Board of Directors may appoint provisional directors pursuant to and for the purposes set forth in Article twenty-four (24) of the Securities Market Law.

2. Unless otherwise required by the general ordinary shareholders' meeting, members of the Board of Directors are not required to guarantee any liability that could be incurred in the performance of their duties.

3. Directors shall be appointed with the majority vote of the shares entitled to vote at the general ordinary shareholders' meeting.

4. The minority shareholders representing at least ten percent (10%) of the capital stock, represented by shares subscribed by the corporation, shall be entitled to:

- a) Appoint and remove a member of the Board of Directors. Such appointment may only be revoked when the other members of the Board of Directors are also removed, in which case, removed members shall not be appointed as such for a period of 12 months immediately following the date of removal.

b) Request the Chairman of the Board of Directors or the Chairman of the Audit and Corporate Practices Committees, at any time, to call for a general shareholders' meeting.

5. If upon holding elections of Directors as set forth in paragraph three of this Article, a minority shareholder or group of minority shareholders exercise the right granted by paragraph four above to appoint a director and its alternate for a fiscal year or a portion thereof, at any shareholders' meeting, said minority shareholder or group of minority shareholders may not vote during the appointment of the remaining directors for the same fiscal year or portion thereof.

TWELVE.

1. Meetings of the Board of Director shall be held at the corporate domicile, in the branch offices or agencies that have been established anywhere within the United Mexican States or abroad as determined by the Board. Meetings may also be held in person or with access through electronic or telecommunications means.

Resolutions taken in lieu of a board meeting, unanimously, shall be as valid as if taken by a meeting of the Board. In this case, resolutions may be taken regardless of the location of each Board member, or the means used for communication. Said resolutions shall be confirmed in writing, entered in the Board meeting's minutes' book and duly signed by the chairman and secretary or alternate secretary.

2. Meetings of the Board of Directors may be held at any time whenever called by the chairman, the secretary, the alternate secretary, the Audit and Corporate Practices Committees or twenty-five percent (25%) of the directors, in writing or otherwise, at least three (3) calendar days prior to the meeting, specifying the time, date, place and Agenda.

The Board of Directors shall meet at least four times each year.

3. Board members may waive in writing the need for a call to a meeting. If a director is present, it shall be deemed it has waived the call. No prior call is required for meetings included in the schedule approved by the Board. For other cases, any call made three (3) calendar days prior to the meeting shall suffice.

4. Except for cases outlined below in this same paragraph regarding the existence of quorum for any Board of Directors' meeting, attendance of at least half plus one directors or alternates is required. Resolutions on all matters reserved for the Board and listed on the Agenda shall be approved with the affirmative vote of at least half plus one of directors or alternates. To deal with and validly adopt resolutions on any of the matters listed below, the attendance of the chairman of the Board of Directors and at least half of the directors or alternate directors is required. Resolutions shall be adopted with the affirmative vote of the chairman of the Board of Directors and at least half of the directors or alternate directors. These matters are:

a) Any purchase or acquisition, through any means, sale or disposal of any title to property of the fixed assets of corporation or any permanent investment exceeding twenty-five percent of stockholders' equity pursuant to the most recent financial statements approved by the shareholders.

b) Incur debts maturing beyond twelve months and in an amount exceeding twenty-five percent of the stockholders' equity pursuant to the most recent document of financial information approved by the shareholders.

c) Grant bonds, pledges, mortgages and other guaranties of any kind in excess of twenty-five percent (25%) of the stockholders' equity pursuant to the most recent financial statements approved by the shareholders.

d) The appointment or removal of the Chairman of the Board of Directors and the Chief Executive Officer of the corporation, as well as the granting or revoking of their respective powers, in which case, neither the attendance nor the vote of the active chairman shall be required.

5. Minutes shall be drafted of any meetings of the Board of Directors. Said minutes shall be recorded in the Minutes book and signed by the Chairman and Secretary or Alternate Secretary of the Board.

6. For the provision of their services, directors shall receive the compensation set by the general shareholders' meeting, in addition to any travel expenses incurred in conducting the operations of the corporation, as well as those incurred for traveling to and from the place where the meeting is held.

The persons that have an employee relation with the Permanent Shareholder and its subsidiaries, including this corporation, that occupy a position of director, alternate director, secretary or alternate secretary, shall have no right to receive emoluments for its services, but only to the reimbursement of their traveling expenses.

7. Board members are in responsible for the resolutions adopted with respect to the matters referred to in section k) of Article Ten above, with the exception of the provisions of Article one hundred and fifty-nine (159) of the General Corporations Law and the events listed in Articles forty (40) of the Securities Market Law.

8. Members of the Board of Directors and the Chief Executive Officer shall meet the duties of care and loyalty as set forth in Articles thirty (30), thirty-one (31), thirty-two (32), thirty-four (34), and thirty-five (35) of the Securities Market Law, and shall refrain from engaging in conducts that may be deemed illicit deeds or actions pursuant to Article thirty-six (36) of the Securities Market Law.

9. The corporation shall indemnify and hold harmless the members of the Board of Directors with respect to any liability incurred to third parties in the performance of their duties and it shall pay the amount of said indemnification for any damages caused to third parties, the corporation or the entities it controls or in which it has significant influence, except with respect to acts that are intentionally malicious, in bad faith or illegal. In addition, the corporation may take out in favor of the members of the Board of Directors insurance, bonds or guaranties covering the amount of the indemnification for any damages caused in the performance of their duties to the corporation or the entities it controls or in which it has significant influence, except with respect to acts that are intentionally malicious, in bad faith or illegal.

CHAPTER FIVE

OFFICIALS AND PERMANENT SHAREHOLDER

THIRTEEN. Once the Board of Directors is duly formed, in its first meeting, it shall appoint among its members a Chairman. Also, a secretary and an alternate secretary may be appointed, none of which are required to be a Board member.

FOURTEEN.- The duties and obligations for the Chairman of the Board are:

I. Preside over general shareholders' meetings and comply with its resolutions when no special executor is appointed.

II. Call for Board of Director meetings, preside over meetings and comply with its resolutions when no special executor is appointed.

- III. Sign the minutes of shareholders' and Board meetings presided over by him, as well as the copies of said documents when issued upon request of the interested parties.
- IV. Supervise the strict compliance with these bylaws, the interior regulations of the corporation and any agreements approved by the Board and the Committees.
- V. Submit to the Shareholders on an annual basis a detailed report on the state of affairs of the corporation.
- VI. Any others granted or imposed by the Board of Directors.

FIFTEEN. The corporation is a subsidiary of, and is controlled by, the Permanent Shareholder, who has expressed to the corporation its intention to become the owner of at least the majority of the voting shares and the capital stock of the corporation. The Audit and Corporate Practices Committee, solely comprised of independent directors, has determined that it is in the best interests of the corporation and its shareholders, without any distinction, to become a member of the business group lead by the Permanent Shareholder. Therefore, the corporation, after obtaining the favorable opinion of its Audit and Corporate Practices Committee and that of its Board of Directors, in both cases solely through the directors that are independent, may adopt policies and procedures with respect to the consistency, reporting, information, compliance, regulation, organization and other that are consistent with those adopted by the Permanent Shareholder, provided that said policies and procedures are consistent with and do not contravene Mexican law.

SIXTEEN.- The powers and duties of the secretary and alternate secretary of the Board of Directors are:

- 1. To act as such at the Shareholders' and Board meetings, and to draft any minutes thereof and sign them together with the Chairman of the Board.
- 2. To keep the Shareholders' and Board meetings' minutes books, as well as the Shareholders' and Capital Variations Registry Books.
- 3. To issue, upon request, copies of the minutes recorded in said books, and documentation relating to the corporation, as well as to sign certificates and communications in compliance with the law applicable to publicly-traded corporations (sociedades anónimas bursátiles).
- 4. Formalize any resolutions adopted by the Board of Directors and Shareholders' meetings, and those resolutions that under the applicable law are required to be formalized.

SEVENTEEN. The Board of Directors may freely appoint and remove the Chief Executive Officer and other senior executive officers, who may or may not be shareholders, and who shall have the obligations, powers and compensation allocated by the Board of Directors and those stated by Law; and shall secure the performance of their duties in the same manner as the directors. The powers granted to said Chief Executive Officer as well as to any other official employed by the corporation or its subsidiaries shall always require the prior approval by the Board with respect to the matters listed in Article Twelve, paragraph four hereof. The positions of directors and Chief Executive Officer shall be compatible and may be held by the same person, in which case the aforementioned guarantee shall only be provided once.

The Chief Executive Officer shall perform the duties of management, administrative and execution of the business of the corporation and the legal entities controlled by the corporation, as well as those activities described in Articles forty-four (44), forty-five (45), forty-six (46) and those applicable under the Securities Market Law.

EIGHTEEN. The Chief Executive Officer, or in his absence, the Board, may freely appoint and remove one or more managers, assistant managers and agents of the corporation, and who may or may not be shareholders, and may designate their powers, duties and compensation, with clear indication given of the scope of their rights and duties to be exercised and performed in the businesses and locations determined by the Board.

CHAPTER SIX SURVEILLANCE OF THE CORPORATION

NINETEEN. Surveillance of the corporation shall be the responsibility of the Board of Directors, through the Audit and Corporate Practices Committees, which shall consist of at least three independent directors. The person conducting the external audit of the corporation shall also perform the surveillance activities. The members of the Audit and Corporate Practices Committees shall be annually appointed by the Board of Directors and shall perform the duties set forth in Articles forty-two (42) and forty-three (43) of the Securities Market Law and shall hold their positions for one year or until replacements have been appointed and take office.

CHAPTER SEVEN PROFITS AND RESERVE FUND

TWENTY. At the close of each fiscal year, the financial statements of the corporation and its subsidiaries shall be prepared, on a consolidated basis, based on the principles set forth in the Securities Market Law and the general provisions derived therefrom, pursuant to the accounting principles issued or acknowledged by the National Banking and Securities Commission and pursuant to the provisions of Article one hundred four (104) of the Securities Market Law. Said financial statements shall be completed within three months following the close of the fiscal year and shall be submitted to the general shareholders' meeting for approval. The following distribution shall be made of the net profits resulting from the financial statements approved by the shareholders' meeting:

a) At least five percent is to be set aside to establish the reserve fund in accordance with the provisions of Article twenty (20) of the General Corporations Law, until said fund amounts to twenty percent (20%) of the historic capital stock. Said amounts are also to be used to create any other funds approved by the general meeting, including, without limitation, a fund for the repurchase of shares.

- b) The remaining profits shall be used as agreed by the general ordinary shareholders' meeting. As instructed by the shareholders' meeting, the Board of Directors may pay at any time dividends on profits earned pursuant to financial statements approved by the shareholders. Any dividends declared and not collected by the shareholders within a period of five (5) years shall be deemed waived in favor of the corporation.
- c) When so agreed by the general extraordinary shareholders' meeting, the corporation may proceed to redeem shares with distributable income pursuant to the rules set forth in the General Corporations Law.

CHAPTER EIGHT DISSOLUTION AND LIQUIDATION

TWENTY-ONE. The corporation shall be dissolved upon expiration of the term referred to in Article Four, unless said term is extended prior to its expiration by agreement of the general extraordinary shareholders' meeting or prior to said expiration for any of the reasons outlined in Article two hundred and twenty-nine (229) of the General Corporations Law.

TWENTY-TWO. Upon completion of the dissolution process of the corporation by the shareholders' meeting, one or two liquidators shall be appointed, who shall proceed to liquidate the corporation and distribute any proceeds among the shareholders in the direct proportion to the number of shares held by each shareholder. Said liquidators shall be granted full powers to liquidate the corporation and may, therefore, collect any amounts due to the corporation and pay any amounts owed by it. Also, liquidators shall initiate any suits and proceedings and pursue them to completion with full powers pursuant to Articles two thousand five hundred and fifty-four (2554) and two thousand five hundred and eighty-seven (2587) of the Civil Code for the Federal District. Liquidators are also authorized to cancel mortgages and other liens; settle disputes and sell properties or securities of any nature. With regards to any powers and obligations not specifically set forth in these bylaws, liquidators shall have those conferred by Articles two hundred and forty-two (242) and others in accordance with the General Corporations Law.

TWENTY-THREE. Shareholders shall be responsible for the corporation losses only to the extent of the value of their respective subscribed and unpaid shares.

TWENTY-FOUR. Founding partners as such do not reserve any special interest in the profits.

CHAPTER NINE GENERAL PROVISIONS

TWENTY-FIVE. Any foreigner who upon the incorporation or at a later time acquires any interests or shares in the corporation shall, therefore, be deemed a Mexican national with respect to said interests or shares and it shall be understood that said foreigner agrees not to claim the protection of his government, under penalty, in case of failure to comply with this agreement, of forfeiting such interests or shares to the Mexican nation.

TWENTY-SIX. Fiscal years for the corporation shall run from January first through December thirty-first of each year.

TWENTY-SEVEN. For the purpose of canceling registration of the shares with the Registry, pursuant to the terms of Article one hundred eight (108), section II of the Securities Market Law, the corporation shall be exempted from making the public offering provided for in said legal provision; provided that the corporation proves to the National Banking and Securities Commission that the shareholders, representing at least ninety-five percent (95%) of the capital stock of the corporation, have given their consent by agreement of the meeting that the amount for the shares to be offered to the investing public is less than three hundred thousand (300,000) investment units and creates a the trust referred to in the last paragraph of section II of said Article one hundred eight (108) and notifies the cancellation and creation of the trust through the means provided in the Securities Markey Law.

TWENTY-EIGHT. The provisions of the Securities Market Law and the General Corporations Law shall apply to any matters not expressly provided for in these bylaws.

TWENTY-NINE. Any interpretation of any of the provisions of these bylaws shall be made pursuant to the laws applicable in the United Mexican States, including the provisions of the Securities Market Law, the general provisions issued by the National Banking and Securities Commission, the General Corporations Law and the other sources referred to in Article five (5) of the Securities Market Law. In case of interpretation or any dispute thereof, the federal courts sitting in the corporate domicile of the corporation shall be competent.

Additional information Administrators and shareholders

This element does not apply to **WALMEX**.

[429000-N] Mercado de capitales

Shareholding structure:

Walmart de México y Centroamérica stock trades in the Mexican Stock Exchange under the **WALMEX** ticker symbol.

Stock structure		
As of December 31, 2018		
Millions of Shares		
Series	Number of Shares	%
Single	Free subscription, with voting rights	17,461
		100

The company has a sponsored ADR program on its single series shares. The depositary bank is The Bank of New York.

Behavior of the share:

Relevant Stock Indicators					
	2014	2015	2016	2017	2018
Maximum Price	35.67	46.92	47.22	48.19	57.86
Minimum Price	28.06	28.44	36.59	34.89	44.00
Closing Price	31.72	43.49	37.05	48.19	49.97
Volume (millions)	4,614.4	3,973.4	4,489.5	4,078.1	3,866.6

Relevant Stock Indicators 2018				
QUARTER				
	1 ST	2 ND	3 RD	4 TH

Maximum Price	48.32	52.88	57.48	57.86
Minimum Price	44.00	46.45	50.93	47.22
Closing Price	46.26	52.36	57.03	49.97
Volume (millions)	919.5	1,184.8	791.8	970.5

Relevant Stock Indicators 2017

	QUARTER			
	1 ST	2 ND	3 RD	4 TH
Maximum Price	43.16	44.37	44.33	48.19
Minimum Price	34.89	41.12	41.08	41.92
Closing Price	43.16	42.13	41.70	48.019
Volume (millions)	1,273.3	1,014.8	837.6	952.5

Relevant stock indicators (october 2018 - march 2019)

	OCT	NOV	DEC	JAN	FEB	MAR
Maximum Price	57.86	54.07	51.38	50.52	53.00	52.07
Minimum Price	51.88	48.39	47.22	47.76	48.49	49.59
Closing Price	51.88	50.34	49.97	50.20	49.85	51.92
Volume (millions)	284.5	402.6	283.4	340.9	249.8	265.1

Name of each market maker

This element does not apply to **WALMEX**.

Identification of the values

This element does not apply to **WALMEX**.

Effective beginning, extension or renewal

This element does not apply to **WALMEX**.

Description of the services provided

This element does not apply to **WALMEX**.

Overview of the impact of the performance

This element does not apply to **WALMEX**.

The undersigned hereby solemnly swear that, in the performance of our respective duties, we prepared the information relative to the issuer contained in the annual report herein and to the best of our knowledge said information reasonably reflects the situation of the aforementioned issuer. In addition, we hereby swear that we have no knowledge of the omission or falsification of material information contained in said annual report or that it contains any information that could mislead the investors and cause them to make erroneous judgments.

Wal-Mart de México, S.A.B. de C.V.

Guilherme Loureiro

President and Chief Executive
Officer

Olga González

Senior Vice President and Chief
Financial Officer

Alberto Sepúlveda

Senior Vice President and General
Counsel for Legal and Corporate Affairs



The undersigned, in my capacity as partner and legal representative of Mancera, S.C., hereby solemnly swears that the financial statements for the years ending December 31, 2018 and 2017, contained in the annual report herein, were examined Feb. 13, 2019 pursuant to International Auditing Standards.

Moreover, the undersigned swears to have read the annual report herein, in full, and based on said reading and within the scope of the auditing work performed, has neither any knowledge of any material errors or inconsistencies in the information included, and that the source for said information are the examined financial statements mentioned hereinabove, nor of any omissions or falsifications in the annual report which could mislead the investors and cause them to make any erroneous judgments.

Notwithstanding, the undersigned was neither hired nor conducted any additional procedures with the purpose of expressing his opinion on the other information contained in said annual report that did not come from the financial statements examined by him.

Mancera, S.C.

(Signed)

Guilherme Loureiro
President and Chief Executive Officer

Carlos Carrillo Contreras
External auditor and legal representative

(Signed)

Olga González
Senior Vice President and Chief Financial Officer

David Sitt Cofradia
External auditor and legal representative

(Signed)

Alberto Sepúlveda
Executive Vice President and General Counsel for Legal and Corporate Affairs

Mexico City, April 30, 2019

Statement by the external Auditor

The undersigned, in my capacity as partner and legal representative of Mancera, S.C., hereby solemnly swears that the financial statements for the years ending December 31, 2018 and 2017, contained in the annual report herein, were examined Feb. 13, 2019 pursuant to International Auditing Standards.

Moreover, the undersigned swears to have read the annual report herein, in full, and based on said reading and within the scope of the auditing work performed, has neither any knowledge of any material errors or inconsistencies in the information included, and that the source for said information are the examined financial statements mentioned hereinabove, nor of any omissions or falsifications in the annual report which could mislead the investors and cause them to make any erroneous judgments.

Notwithstanding, the undersigned was neither hired nor conducted any additional procedures with the purpose of expressing his opinion on the other information contained in said annual report that did not come from the financial statements examined by him.

Sincerely,

Mancera, S.C.
A Member of
Ernst & Young Global Limited

(Signed)

Carlos Carrillo Contreras
External Auditor and Legal Representative of
Mancera. S.C.

Mexico City, April 30, 2019

Statement by the external Auditor

The undersigned, in my capacity as partner and legal representative of Mancera, S.C., hereby solemnly swears that the financial statements for the years ending December 31, 2017 and 2016, contained in the annual report herein, were examined Feb. 15, 2018 and Feb 15, 2017, respectively, pursuant to International Auditing Standards.

Moreover, the undersigned swears to have read the annual report herein, in full, and based on said reading and within the scope of the auditing work performed, has neither any knowledge of any material errors or inconsistencies in the information included, and that the source for said information are the examined financial statements mentioned hereinabove, nor of any omissions or falsifications in the annual report which could mislead the investors and cause them to make any erroneous judgments.

Notwithstanding, the undersigned was neither hired nor conducted any additional procedures with the purpose of expressing his opinion on the other information contained in said annual report that did not come from the financial statements examined by him.

Sincerely,

Mancera, S.C.

A Member of

Ernst & Young Global Limited

(Signed)

David Sitt Cofradia

*External Auditor and Legal Representative of
Mancera. S.C.*

[432000-N] Anexos

Financial Statements (Audited):



Nombre y cargo de personas responsables (PDF)

PEOPLE IN CHARGE

"The undersigned hereby solemnly swear that, in the performance of our respective duties, we prepared the information relative to the issuer contained in the annual report herein and to the best of our knowledge said information reasonably reflects the situation of the aforementioned issuer. In addition, we hereby swear that we have no knowledge of the omission or falsification of material information contained in said annual report or that it contains any information that could mislead the investors and cause them to make erroneous judgments."

(Signed)

Guilherme Loureiro
*President and Chief Executive
Officer*

(Signed)

Olga González
*Senior Vice President and Chief
Financial Officer*

(Signed)

Alberto Sepúlveda
*Executive Vice President and
General Counsel for Legal and
Corporate Affairs*

Mexico City, April 30, 2019

Statement by the external Auditor

The undersigned, in my capacity as partner and legal representative of Mancera, S.C., hereby solemnly swears that the financial statements for the years ending December 31, 2018 and 2017, contained in the annual report herein, were examined Feb. 13, 2019 pursuant to International Auditing Standards.

Moreover, the undersigned swears to have read the annual report herein, in full, and based on said reading and within the scope of the auditing work performed, has neither any knowledge of any material errors or inconsistencies in the information included, and that the source for said information are the examined financial statements mentioned hereinabove, nor of any omissions or falsifications in the annual report which could mislead the investors and cause them to make any erroneous judgments.

Notwithstanding, the undersigned was neither hired nor conducted any additional procedures with the purpose of expressing his opinion on the other information contained in said annual report that did not come from the financial statements examined by him.

Sincerely,

Mancera, S.C.
A Member of
Ernst & Young Global Limited

(Signed)

Carlos Carrillo Contreras
External Auditor and Legal Representative of
Mancera. S.C.

Mexico City, April 30, 2019

Statement by the external Auditor

The undersigned, in my capacity as partner and legal representative of Mancera, S.C., hereby solemnly swears that the financial statements for the years ending December 31, 2017 and 2016, contained in the annual report herein, were examined Feb. 15, 2018 and Feb 15, 2017, respectively, pursuant to International Auditing Standards.

Moreover, the undersigned swears to have read the annual report herein, in full, and based on said reading and within the scope of the auditing work performed, has neither any knowledge of any material errors or inconsistencies in the information included, and that the source for said information are the examined financial statements mentioned hereinabove, nor of any omissions or falsifications in the annual report which could mislead the investors and cause them to make any erroneous judgments.

Notwithstanding, the undersigned was neither hired nor conducted any additional procedures with the purpose of expressing his opinion on the other information contained in said annual report that did not come from the financial statements examined by him.

Sincerely,

Mancera, S.C.

A Member of

Ernst & Young Global Limited

(Signed)

David Sitt Cofradia

*External Auditor and Legal Representative of
Mancera. S.C.*

Estados financieros (Dictaminados) por los últimos tres ejercicios y
opiniones del comité de auditoría o informes del comisario por los
últimos tres ejercicios

Report of Independent Auditors

To the Shareholders of
Wal-Mart de México, S.A.B. de C.V.

Opinion

We have audited the accompanying consolidated financial statements of Wal-Mart de México, S.A.B. de C.V. and subsidiaries (hereinafter “the Company”), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wal-Mart de México, S.A.B. de C.V. and subsidiaries as at 31 December 2018 and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for audit opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent from Wal-Mart de México, S.A.B. de C.V. within the meaning of the Code of Ethics for Accounting Professionals of the International Ethics Standards Board for Accountants (IESBA) and the ethical requirements applicable to our audit of the consolidated financial statements in Mexico established by the Code of Ethics of the Mexican Institute of Public Accountants (IMCP, Spanish acronym) and have fulfilled our other responsibilities under those relevant ethical requirements and the Code of Ethics of the IESBA.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

I. Leases

We have considered as a key audit matter the accounting of the leased real state due to the corresponding contracts could include specific or complex terms that could have an impact on the Company's evaluation and its classification in the consolidated statement of financial position, as required by the International Accounting Standard (NIC) 17 "Leases".

The Note 3k) of the accompanying consolidated financial statements describes the policy and criteria applied by the Company for the evaluation and classification of real estate lease contracts as financial or operational.

We evaluated the internal control established by the Company for this process and based on a random sample, we inspected real estate lease contracts and analyzed the Company's evaluation of the terms of such contracts and their classification in the consolidated statement of financial position.

Other information

The other information comprises the financial and non-financial information (other than the financial statements and our audit report) presented in the annual report by the Company submitted to the National Banking and Securities Commission (the Commission) and in the annual report submitted to the shareholders for the year ended as at 31 December 2018. Management is responsible for the other information. We expect to obtain the other information after the date of this auditor's 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 when we have access to it 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.

If we conclude that there is a material misstatement of the other information contained in the Annual Report filed with the Commission and/or in the annual report submitted to the Company's shareholders, we are required to report that fact to those charged with governance and to describe the matter in our statement on the Annual Report required by the Commission.

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

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

The objectives of our audit 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes

public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Carlos Carrillo.



Mancera, S.C. A Member Practice of
Ernst & Young Global Limited

Mexico City, February 13, 2019

Wal-Mart de México, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Comprehensive Income

(Amounts in thousands of Mexican pesos)

	For the years ended December 31	
	2018	2017
Net sales	\$ 612,186,302	\$ 569,014,876
Other revenues (Note 20)	4,724,030	4,356,066
Total revenues	616,910,332	573,370,942
Cost of sales	(475,323,820)	(442,298,647)
Gross profit	141,586,512	131,072,295
General expenses (Note 21)	(92,597,690)	(86,921,411)
Income before other income and expenses	48,988,822	44,150,884
Other income	891,793	721,372
Other expenses	(690,827)	(1,034,717)
Operating income	49,189,788	43,837,539
Financial income (Note 22)	2,329,577	1,385,836
Financial expenses (Note 22)	(2,659,629)	(1,933,375)
Income before income taxes	48,859,736	43,290,000
Income taxes (Note 17)	(12,107,123)	(10,899,663)
Net income from continuing operations	36,752,613	32,390,337
Net income from discontinued operations, net of income taxes (Note 8)	–	7,474,618
Consolidated net income	\$ 36,752,613	\$ 39,864,955

Components of other comprehensive income:

Items that do not reclassify to profit or loss of the year:

Actuarial results on employee benefits,
net of income taxes

Items that may be reclassified subsequently to profit or loss:

Cumulative translation adjustment

Other comprehensive (loss) income

Comprehensive income

Basic earnings per share from continuing
operations (in pesos)

Basic earnings per share (in pesos)

	For the years ended December 31	
	2018	2017
	\$ 39,412	\$ (260,303)
	(4,132,164)	(4,103,030)
	(4,092,752)	(4,363,333)
	\$ 32,659,861	\$ 35,501,622
	\$ 2.105	\$ 1.855
	\$ 2.105	\$ 2.283

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

Wal-Mart de México, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Financial Position

(Amounts in thousands of Mexican pesos)

	December 31,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (Note 5)	\$ 38,829,598	\$ 35,596,117
Accounts receivable, net (Notes 6 and 13)	12,035,029	10,834,460
Inventories (Note 7)	63,344,265	59,463,255
Prepaid expenses and other	1,405,924	982,374
Total current assets	115,614,816	106,876,206
Non-current assets:		
Property and equipment, net (Note 9)	126,643,278	122,252,752
Finance leases, net (Note 10)	12,724,731	12,709,974
Investment properties, net (Note 11)	4,853,970	5,118,707
Intangible assets, net (Note 12)	36,997,739	39,368,028
Deferred tax assets (Note 17)	7,467,622	6,882,422
Other non-current assets	2,226,677	2,047,575
Total assets	\$ 306,528,833	\$ 295,255,664

	December 31,	
	2018	2017
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 85,327,000	\$ 80,099,063
Other accounts payable (Notes 13 and 14)	27,569,376	23,837,886
Income taxes payable	1,269,116	3,890,598
Total current liabilities	114,165,492	107,827,547
Long-term liabilities:		
Other long-term liabilities (Note 16)	20,019,308	19,815,114
Deferred tax liabilities (Note 17)	5,786,932	6,087,187
Employee benefits (Note 18)	1,643,027	1,991,863
Total liabilities	141,614,759	135,721,711
Equity (Note 19):		
Common stock	45,468,428	45,468,428
Retained earnings	104,638,687	96,413,711
Components of other comprehensive income items	15,918,446	20,011,198
Premium on sale of shares	4,014,804	3,559,058
Employee stock option plan fund	(5,126,291)	(5,918,442)
Total equity	164,914,074	159,533,953
Total liabilities and equity	\$ 306,528,833	\$ 295,255,664

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

Wal-Mart de México, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Amounts in thousands of Mexican pesos)

	Retained earnings		Components of other comprehensive income	Premium on sale of shares	Employee stock option plan fund	Total equity	
Common stock	Legal reserve	Retained earnings					
Balance at December 31, 2016	\$ 45,468,428	\$ 9,104,745	\$ 90,545,819	\$ 24,374,531	\$ 3,108,097	\$ (5,575,604)	\$ 167,026,016
Movements in employee stock option plan fund					450,961	(342,838)	108,123
Dividends declared			(43,101,808)				(43,101,808)
Comprehensive income			39,864,955	(4,363,333)			35,501,622
Balance at December 31, 2017	45,468,428	9,104,745	87,308,966	20,011,198	3,559,058	(5,918,442)	159,533,953
Movements in employee stock option plan fund					455,746	792,151	1,247,897
Dividends declared			(28,527,637)				(28,527,637)
Comprehensive income			36,752,613	(4,092,752)			32,659,861
Balance at December 31, 2018	\$ 45,468,428	\$ 9,104,745	\$ 95,533,942	\$ 15,918,446	\$ 4,014,804	\$ (5,126,291)	\$ 164,914,074

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

Wal-Mart de México, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Cash Flows

(Amounts in thousands of Mexican pesos)

	For the years ended December 31	
	2018	2017
Operating activities		
Income before income taxes	\$ 48,859,736	\$ 43,290,000
Items related to investing activities:		
Depreciation and amortization	12,557,588	11,644,876
Loss from disposal of property and equipment and impairment	101,230	245,619
Stock option compensation expense	307,379	250,513
Interest earned	(1,268,122)	(1,030,317)
Items related to financing activities:		
Interest paid under finance leases	1,553,237	1,436,653
Discontinued operations	–	371,824
Cash flow from operating activities	62,111,048	56,209,168
Variances in:		
Accounts receivable	(641,255)	(1,604,457)
Inventories	(4,476,889)	(6,468,291)
Prepaid expenses and other assets	(502,572)	(436,377)
Accounts payable	6,107,659	14,925,876
Other accounts payable	167,266	2,736,206
Income tax paid	(15,325,302)	(15,219,977)
Employee benefits	94,815	(19,674)
Discontinued operations	–	(987,109)
Net cash flow from operating activities	47,534,770	49,135,365

Investing activities

Long-lived assets	\$ (17,932,578)	\$ (17,425,635)
Interest collected	1,268,122	1,030,317
Proceeds from sale of property and equipment	255,904	231,697
Employee stock option plan fund	940,518	(142,390)
Business disposal	–	20,229,114
Discontinued operations	–	(35,945)
Net cash flow (used in) from investing activities	(15,468,034)	3,887,158

Financing activities

Dividends paid	(25,581,976)	(42,755,604)
Payment of finance leases	(1,557,334)	(1,609,939)
Discontinued operations	–	(15,583)
Net cash flow used in financing activities	(27,139,310)	(44,381,126)

Effect of changes in the value of cash

Net increase in cash and cash equivalents

Cash and cash equivalents at beginning of year	35,596,117	27,975,536
Cash and cash equivalents at end of year	\$ 38,829,598	\$ 35,596,117

Non-cash transactions:

Finance leases	\$ 1,205,197	\$ 1,200,618
----------------	--------------	--------------

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

Wal-Mart de México, S.A.B. de C.V. and Subsidiaries

Notes to Consolidated Financial Statements

At December 31, 2018 and 2017

(Amounts in thousands of Mexican pesos, except where otherwise indicated)

1. Description of the business

GRI 102-5, 102-25

a) Corporate information

Wal-Mart de México, S.A.B. de C.V. (**WALMEX**, “the Company” or “the Group”) is a Mexican company incorporated under the laws of Mexico and listed on the Mexican Stock Exchange, whose headquarters are located at Nextengo #78, Santa Cruz Acayucan, 02770, in Mexico City. The principal shareholder of **WALMEX** is Walmart, Inc., a U.S. corporation, through Intersalt, S. de R.L. de C.V., a Mexican company that holds equity interest of 70.51% in the Company.

WALMEX holds 100% of equity interest in the following groups of companies in Mexico and Central America:

Group	Line of business
Nueva Walmart	Operation of 1,910 Bodega Aurrerá discount stores, 274 Walmart hypermarkets 91 Superama supermarkets, and 163 Sam’s Club membership self-service wholesale stores in 2018.
Import companies	Import of goods for sale.
Real estate	Property developments and management of real estate companies.

Group	Line of business
Service companies	Rendering of professional services to Group companies and not-for-profit services to the community at large, as well as shareholding.
Walmart Central America	Operation of 540 discount stores (Despensa Familiar and Palí), 97 supermarkets (Paiz, La Despensa de Don Juan, La Unión and Más x Menos), 143 Bodegas, Maxi Bodega and Maxi Palí), and 31 Walmart hypermarkets in 2018. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

2. New accounting pronouncements

a) International Financial Reporting Standards (“IFRS”) effective as of January 1, 2018.

International Financial Reporting Standard (IFRS) 9, Financial instruments

Outlines the new requirements for classification, measurement, impairment and hedge accounting. Management has evaluated this standard and concluded it will not have a material effect on the consolidated financial statements with respect to its financial assets and liabilities. **WALMEX** will continue to use IAS 39 (Financial Instruments: Recognition and Measurement) for hedge accounting.

IFRS 15, *Revenue from contracts with customers*

According to IFRS 15, an entity recognizes revenue when the obligation is satisfied; that is, when the “control” of the goods or services underlying the performance obligation has been transferred to the customer. Likewise, guidance has been included to deal with specific situations. In addition, the number of disclosures required was increased. Management concluded that the application of this standard did not have a material impact on the consolidated financial statements. The adoption of this standard was made on January 1, 2018 under the modified retrospective method. The effect of adopting IFRS 15 is reflected in Note 20.

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

Addresses three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. Management concluded that the application of these amendments does not have a material impact on the consolidated financial statements.

IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Considerations*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or portion thereof) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact to the Company’s consolidated financial statements.

b) Standards that will be effective in 2019

IFRS 16, *Leases*

This standard is effective for annual periods beginning on or after January 1, 2019 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. **WALMEX** has decided to adopt IFRS 16, using the modified retrospective approach and, therefore, the comparative information will not be restated and will continue to be recorded under

IAS 17. Additionally, the Company will use the exemptions proposed by the standard for lease agreements whose lease terms end within 12 months from the date of the initial request and lease agreements for which the underlying asset value is low.

Management currently estimates total assets and liabilities will increase approximately \$35,700 million upon adoption, after considering deferred taxes. Management does not expect a material impact on the Company’s Consolidated Statements of Comprehensive Income or Cash Flows.

IFRIC 23, *Uncertainty in relation to tax treatment of profits*

This interpretation seeks to clarify the application of the recognition and measurement criteria established in IAS 12 - “Income taxes”, when there are uncertain tax positions. Uncertain tax positions are those tax positions where there is uncertainty about whether the competent tax authority will accept the tax position under the current tax laws.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Management estimates that the impact of the adoption of the interpretation will increase its liabilities by approximately \$650 million.

3. Summary of significant accounting policies

A summary of the significant accounting policies is described below. These policies have been applied consistently with those applied in the year ended December 31, 2017, except for the revenue policy which was updated in accordance with the adoption of the new IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments”.

a) Basis of preparation

The accompanying consolidated financial statements have been prepared in conformity with the IFRS issued by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), including those issued previously by the former Standard Interpretations Committee (SIC).

The consolidated statements of comprehensive income were prepared based on the function of the components, which allows disclosure of cost of sales separately from other costs, operating and administrative expenses, with both expenses recognized in the statement of income at the time they are incurred.

Prior to the consolidation process, the financial statements of the Company's foreign subsidiaries are prepared under IFRS and translated to Mexican pesos using the average exchange rate for the consolidated statement of comprehensive income and the year-end exchange rate for the consolidated statement of financial position.

The cumulative translation adjustment is the effect of translating the financial statements of the Company's foreign subsidiaries into Mexican pesos. This effect is recognized in equity.

The statement of cash flows is prepared using the indirect method.

The preparation of consolidated financial statements requires the use of accounting estimates and assumptions based on historical experience and other factors and therefore the actual results may differ from estimates. The estimates and assumptions are reviewed periodically and are as follows:

- Accounting estimates for inventory shrinkage; impairment of property and equipment, investment properties and goodwill.
- Assumptions such as discount rates used to determine finance leases; useful lives for property and equipment and intangible assets with definite lives; labor obligation present value factors determined through actuarial valuations using economic assumptions, such as discount rate, inflation rate, salary increase rate and minimum salary increase rate; and determination of the recoverable value involving significant judgments such as future cash flows, the discount rate and the interest rate; fair value of derivative financial instruments and investment properties.

WALMEX has sufficient resources to continue operating as a going concern. The accompanying consolidated financial statements have been prepared on a going-concern basis and on a historical-cost basis, except for financial assets and liabilities and derivative financial instruments, which are fair valued as of the end of every period. The Mexican peso is the Company's functional and reporting currency.

b) Consolidation

The accompanying consolidated financial statements include the financial statements of **WALMEX**, entities in which the Company was deemed the primary beneficiary and those of its Mexican and foreign subsidiaries in which has control, which are grouped as described in Note 1, and prepared considering the same accounting period.

Subsidiaries are consolidated from the date on which control is assumed by **WALMEX**, and until such control is lost. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of sale, as appropriate.

Transactions and related party balances are eliminated in the consolidation.

c) Financial assets and liabilities and fair value measurement

The Company determines the classification of financial assets and liabilities at initial recognition as described below:

- I. **Financial assets.** These assets are classified in one of the following categories, as required: financial assets at fair value through profit or loss, accounts receivable, investments held to maturity. The Company's financial assets primarily consist of cash and cash equivalents, trade receivables and other accounts receivable which are initially recognized at fair value. Fair value of an asset is the price in which such asset would be sold in an ordinary transaction with third parties.
- II. **Financial liabilities.** These liabilities are classified in accounts payable, other accounts payable and finance leases; these liabilities are initially recognized at fair value and subsequently valued to amortized cost using the effective interest rate method. The liabilities from derivatives are recognized initially and subsequently at fair value. Fair value of a liability is the amount that would be paid to transfer the responsibility to a new creditor in an ordinary transaction among those parties.

Assets and liabilities carried at fair value are measured using the fair value hierarchy, which prioritizes the inputs used in measuring fair value. The levels of the fair value hierarchy are as follows:

- Level 1. Quoted prices for identical instruments in active markets,
- Level 2. Other valuations including quoted prices for similar instruments in active markets that are directly or indirectly observable, and
- Level 3. Unobservable data inputs, for which the Company develops its own assumptions and valuations.

Subsequent measurement of the Company's financial assets and liabilities is determined based on their classification.

The Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

d) Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits, credit and debit card transfer transactions that process in less than seven days, and highly liquid investments with maturities of less than 90 days, plus accrued interest. Cash is stated at fair value.

Cash that is restricted and cannot be exchanged or used to settle a liability for a minimum period of twelve months is presented in a separate line item in the statement of financial position and is excluded from cash and cash equivalents in the cash flow statement.

e) Derivative financial instruments

The Company has entered into currency hedging through Over the Counter (OTC) currency forward transactions (Fx-forwards) to mitigate the effects caused by variability in the exchange rate of foreign currency on its accounts payable related to import goods for sale. The maximum length of these contracts is six months.

Derivatives are initially recognized at fair value at the date the derivative contract is subscribed and subsequently revalued at fair value at the end of the reporting period. The resulting gain or loss is recognized immediately as a part of the financial income (expense) line in the consolidated statement of comprehensive income.

In accordance with our standards of corporate governance, the Company manages only Fx-forwards as derivative financial instruments.

f) Accounts receivable and provision for impairment of other accounts receivable

WALMEX recognizes the impairment of its receivables by applying the simplified approach allowed by IFRS 9 "Financial Instruments", recognizing the expected credit losses as of the creation of the account receivable. These assets are grouped according to the characteristics of credit risk and the days past due, with the expected loss provision for each risk group determined based on the historical credit loss and experience of the Company, adjusted for specific factors for debtors and effects in the economic environment.

g) Inventories

Inventories are valued using the retail method, except for merchandise for the Sam's Club, distribution centers, Agro-Industrial development (grains, edibles and meat) and perishable divisions, which are stated using the weighted average cost method. These methods are consistent with those applied in the prior year. Inventories, including obsolete, slow-moving and defective items or items in poor condition, are stated at the lower of cost and net realizable value.

Freight and buying allowances are capitalized in inventory and are recognized in the cost of sales based on the turnover of the inventories that gave rise to them.

h) Prepaid expenses

Prepaid expenses are recorded at cost and recognized as current assets in the consolidated statement of financial position as of the date the prepayments are made. Once the goods or services related to the prepayments are received, they should be charged to the income statement or capitalized in the corresponding asset line when there is certainty that the acquired goods will generate future economic benefits.

i) Property and equipment

Property and equipment are recorded at acquisition cost and are presented net of accumulated depreciation.

Depreciation of property and equipment is computed on a straight-line basis at the following annual rates:

Buildings, facilities and leasehold improvements:

• Constructions and structures	2.5%	to	5.0%
• Facilities and adaptations	5.0%	to	12.5%
• Construction finishes	10.0%	to	25.0%
• Furniture and equipment	5.0%	to	33.3%
• Computer equipment	12.5%	to	33.3%
• Transportation equipment	10.0%	to	33.3%

Construction in progress mostly consists of investments in the construction of new stores and is recognized at cost. Upon completion of each project, the Company reclassifies work in process to property and the depreciation begins.

Properties and equipment acquired under finance leases are depreciated at the shorter between the useful life of the asset and the term of the contract including the lessee's unilateral right to renewal.

j) Investment properties

Investment properties consist of land, buildings and constructions and facilities in properties that are leased to others and are maintained to obtain economic benefits through the collection of rent. Investment properties are measured initially at cost, including transaction costs. After initial recognition, they continue to be valued at cost less depreciation and accumulated losses due to impairment.

Depreciation of investment properties is computed on a straight-line basis at the following annual rates:

Constructions and structures	2.5%	to	5.0%
Facilities and adaptations	5.0%	to	12.5%
Finishes of construction	10.0%	to	25.0%

k) Leases

The Company classifies its property lease agreements as either finance or operating leases.

WALMEX as a lessee

WALMEX considers as finance leases those where substantially all of the risks and rewards of ownership are transferred. Finance leases are recorded at the lower of the fair value of the leased property and the present value of the minimum lease payments, and are amortized over the shorter of the estimated useful life of the asset or the remaining expected lease term, including unilateral renewals contemplated in each lease agreement.

Lease agreements that do not qualify as finance leases are treated as operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the remaining expected lease term. The starting date of a lease is considered the possession date of the leased property, including the lessee's rights to renewal. Variable lease payments are based on a percentage of the Company's sales, and are recognized as an expense in the period in which they are incurred.

The Company analyzes its service agreements that do not have the legal form of a lease, but which involve obtaining the right of use of an asset in exchange for payment.

WALMEX as a lessor

WALMEX obtains rental income from investment properties: the variable rental income is recognized as revenue in the period in which it is earned. This revenue is presented under the other revenue line within the consolidated statement of comprehensive income.

l) Impairment of long term definite useful life assets

The long-term finite useful life assets are subject to impairment tests only when there is objective evidence of impairment.

The Company recognizes impairment in the value of this type of assets by applying the expected present value technique to determine value in use, considering each store as the minimum cash-generating unit.

The present value technique requires detailed budget calculations, which are prepared separately for each cash-generating unit. These budgets generally cover five years and, if necessary, are projected beyond five years using an expected growth percentage.

Impairment losses are recognized in the consolidated statement of comprehensive income as a part of other expenses.

m) Intangible assets

Intangible assets are recognized when they have the following characteristics: they are identifiable, they give rise to future economic benefits and the Company has control over such benefits.

Intangible assets are valued at the lower of acquisition cost or fair value at the acquisition date and are classified based on their useful lives, which may be definite or indefinite. Indefinite-lived assets are not amortized; however, they are subject to annual impairment tests. Definite-lived assets are amortized using the straight-line method at rates between 7.7% and 33.3%.

n) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of Walmart Central America at the acquisition date.

Goodwill was assigned applying the perpetuity value technique to determine the goodwill's value in use, considering each Central American country (Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador) as a minimum cash generating unit.

Goodwill is tested for impairment annually. The Company engages the services of an independent expert to test its goodwill for impairment. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of value of money over time and the specific risks affecting such assets.

Future cash flows consider the business plan and projections used by management in its decision making for the following five years.

Goodwill is translated at the closing exchange rate and the effect is recognized in other comprehensive income.

o) Discontinued operations

Revenue, expenses and costs related to such transactions are separately disclosed and recognized for comparability as part of the discontinued operations line in the consolidated statement of comprehensive income.

p) Liabilities and provisions

Accrued liabilities represent current obligations (legal or assumed) for past events where an outflow of economic resources is possible and can be reasonably estimated. These provisions have been recorded based on management's best estimation. Reimbursements are recognized net of any related obligation when it is certain that the reimbursement will be obtained. Provision expenses are presented in the consolidated statement of comprehensive income net of any corresponding reimbursements.

q) Income taxes

Income taxes are classified as current and deferred, and are recognized in the consolidated statement of comprehensive income in the year they are expensed or accrued, except when they come from items directly recognized in other comprehensive income, in which case, the corresponding taxes are recognized in equity.

Current income taxes are determined based on the tax laws approved in the countries where **WALMEX** has operations, and are the result of applying the applicable tax rates at the date of the consolidated financial statements on the taxable profits of each entity of the Group. Current income taxes are presented as a current liability/asset net of prepayments made during the year.

Deferred income taxes result from applying the applicable enacted or substantively enacted income tax rate at the reporting date to all temporary differences between the financial reporting and tax values of assets and liabilities.

Deferred tax assets are only recognized when it is probable that sufficient taxable profit will be available against which the deductions for temporary differences can be taken. The deferred tax liabilities are generally recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred assets to be used. Unrecognized deferred tax assets are re-assessed at each reporting

date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized, unless the period of reversal of temporary differences is controlled by **WALMEX** and it is probable that the temporary differences will not reverse in the near future.

Deferred tax assets and liabilities are offset when a legal right exists and when the taxes are levied by the corresponding tax authority.

r) Employee benefits

Employees in Mexico are entitled to a seniority premium in accordance with the Mexican Federal Labor Law. Also, **WALMEX** employees in each of the six countries are entitled to termination benefits to be paid in accordance with each country's respective labor laws. These employee benefits are recognized as expenses during the years in which services are rendered, based on actuarial computations performed by independent experts using the projected unit credit method.

In Mexico, the seniority premium is granted to employees who retire from the Company with a minimum of fifteen years of seniority. The amount paid to the associate is equivalent to twelve days for each year worked, without exceeding the amount for each day of twice the minimum wage. The Company has set up a defined benefits trust fund to cover seniority premiums accruing to employees. Employees make no contributions to this fund.

In Central America, the termination benefits for associates are paid when required in the case of unjustified dismissal or death, in accordance with the Labor Law of each country where the Company operates. The benefits range from 20 days to one month of salary for each year of uninterrupted service.

All other payments to which employees or their beneficiaries are entitled in the event of involuntary retirement or death are expensed as incurred, in accordance with the federal labor laws of each country.

Actuarial gains and losses are recognized as they accrue directly in the consolidated statement of comprehensive income, and in the statement of change in equity.

s) Equity

Legal reserve:

At December 31, 2018, the Company's legal reserve amounts to \$9,104,745, which represents 20% of its equity, which under the Mexican Corporations Act is the maximum level the balance of the reserve can reach.

Employee stock option plan fund and stock option compensation:

As of December 31, 2017, the employee stock option plan fund is comprised of **WALMEX** shares which are acquired in the secondary market and are presented at acquisition cost. The plan is designed to grant stock options to executives of the companies of the Group, as approved by the Mexican National Banking and Securities Commission.

The shares subject to the plan are assigned, taking as a reference the weighted average price of the purchase and sale transactions in the secondary market of such shares.

According to the previous policy, **WALMEX** executives may exercise their option to acquire shares in equal parts over five years. The right to exercise an employee stock option expires after ten years as of the grant date or after sixty days following the date of the employee's termination.

In 2018, the policy was modified to add the "restricted shares" and modify the vesting period. According to the current policy, executives may exercise their option to acquire shares over four years divided in two equal parts, 50% in two years and the remaining 50% by the end of the fourth year. The term to exercise the rights is 10 years from the grant date.

The vesting period for the restricted shares plan is 3 years and the term to exercise the option is up to 10 years starting from the date of the assignment. The amount of the restricted shares is subject to compliance with certain metrics that are evaluated for assignment after the first year, which may cause the original allocation to decrease or increase within a range of 0% to 150%.

The compensation cost of stock options is recognized in general expenses in the consolidated statement of comprehensive income at fair value.

Premium on sale of shares:

The premium on sale of shares represents the difference between the cost of shares and the value at which such shares were sold, net of the corresponding income tax.

t) Revenue recognition

Revenue from merchandise sales, including online sales ("e-commerce") is recognized in the consolidated statement of comprehensive income at the time ownership and risks of the products sold are transferred to the customer. Revenue from services is recognized at the time the service is provided.

Extended warranties, service commissions and cell phone airtime are recognized in the net sales line in the consolidated statement of comprehensive income at time the service is provided.

Sam's Club membership income is deferred over the twelve-month term of the membership and presented in the other revenue line in the consolidated statement of comprehensive income.

Rental income is recognized as it accrues over the terms of the lease agreements entered into with third parties and presented in the other revenue line in the consolidated statement of comprehensive income.

Revenue from the sale of waste and parking is recognized in the other revenue line in the consolidated statement of comprehensive income at the time ownership of the products sold is transferred to the customer.

u) Basic earnings per share

Basic earnings per share is the result of dividing the net income of the year attributable to owners of the parent by the weighted average number of outstanding shares. Diluted earnings per share are the same as basic earnings per share since there is currently no potentially dilutive common stock.

v) Operating segments

Segment financial information is prepared based on the information used by the Chief Operating Decision Maker "CODM" to make business decisions and assess the Company's performance. Segment information is presented based on the geographical zones in which the Company operates.

w) Foreign currency transactions

The Company's foreign currency denominated assets and liabilities are translated to the functional currency at the prevailing exchange rate at the date of the consolidated statement of financial position. Exchange differences are recognized in the consolidated statement of comprehensive income in the financial income (expenses) lines.

4. Risk management

a) General risk factors

The Company is exposed to the effects of future events that could affect the purchasing power and/or buying habits of the population. These events may be economic, political or social in nature and some of the most important are described below:

I. Changes in exchange rates. Exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power, which could ultimately adversely affect the Company's sales, in particular due to the purchase of import goods.

II. Competition. The retail sector has become very competitive in recent years, which has led to the need for all the players in the market to constantly look for ways to set themselves apart from the competition. This puts the Company's market share at risk. Other factors affecting the Company's market share could be the business expansion of its competitors and the possible entrance of new competitors into the market.

III. Inflation. A significant increase in inflation rates could have a direct effect on the purchasing power of the Company's customers and the demand for its products and services, as well as employment and salaries.

IV. Changes in government regulations. The Company is exposed to the changes in different laws and regulations, which, after becoming effective, could affect the Company's operating results, such as an impact on sales, expenses for payroll indirect taxes and changes in applicable rates. Currently, the level of scrutiny and discretion by the tax authorities has greatly increased. Mexican legal courts have changed their position favoring the authorities with respect to ignoring violations of form and procedure.

b) Financial risk factors:

The Company's activities are exposed to various financial risks such as market risk, exchange rate risk and interest rate risk. The Company's risk management plan seeks to minimize the potential negative effects of these risks.

Exchange rate risk:

The Company operates with foreign companies and therefore is exposed to the risk of exchange rate operations with foreign currencies, particularly the US dollar ("USD").

At December 31, 2018, the exchange rate used to translate assets and liabilities denominated in US dollars was \$19.66 per dollar (\$19.65 in 2017).

Considering the net monetary position in dollars at December 31, 2018, if there was an increase or decrease in the exchange rate of the US dollar against the Mexican peso of 5%, there would be a favorable or unfavorable effect on the financial income (expenses) and equity of the Company of \$190,624.

The Company has entered into Fx-forward contracts for foreign currency in order to protect itself from exposure to variability in the exchange rate for the payment of liabilities in Mexico related to the purchase of imported goods agreed in US dollars.

The valuation techniques used by the Company to determine and disclose the fair value of its financial instruments are based on the fair value hierarchy level 2. (See Note 3 "Summary of significant accounting policies - Financial assets and liabilities and fair value measurement").

At December 31, 2018 and 2017, the Company has Fx-forward contracts for an average period of three months as shown below:

	2018		2017	
Current contracts		90		39
Notional amount (millions of USD)	US\$	191.96	US\$	62.32
Fair value (millions of pesos)	\$ (72.74)	\$	25.45

Interest rate risk:

The Company has temporary investments which generate financial income. By reducing the interest rate, the financial income of the Company also decreases. The interest rate of these investments fluctuated during the year between 4.20% and 8.18%. As of December 31, 2018 the financial income amounted to \$1,268,122 (\$1,030,317 in 2017).

Considering the highly liquid instruments as of December 31, 2018, if there was an increase or decrease in the interest rate of 0.50%, there would be a favorable or unfavorable effect on the financial income of the Company of \$74,683.

5. Cash and cash equivalents

An analysis of cash and cash equivalents as of December 31, 2018 and 2017, is as follows:

	2018		2017	
Cash and cash in banks	\$	14,625,147	\$	16,690,567
Highly marketable investments		24,204,451		18,905,550
	\$	38,829,598	\$	35,596,117

6. Accounts receivable

An analysis of accounts receivable at December 31, 2018 and 2017, is as follows:

	2018	2017
Recoverable taxes	\$ 7,865,937	\$ 6,878,768
Trade receivables	2,745,233	2,414,224
Other accounts receivable	1,495,376	1,628,462
Related parties (Note 13)	83,000	108,052
Provision for impairment of other receivables	(154,517)	(195,046)
	<u>\$ 12,035,029</u>	<u>\$ 10,834,460</u>

Average aging to collect the accounts receivable to customers is 30 to 90 days.

7. Inventories

An analysis of inventories as of December 31, 2018 and 2017, is as follows:

	2018	2017
Merchandise for sale	\$ 59,696,445	\$ 56,640,916
Agro-industrial development	914,688	909,313
	<u>60,611,133</u>	<u>57,550,229</u>
Merchandise in transit	2,733,132	1,913,026
	<u>\$ 63,344,265</u>	<u>\$ 59,463,255</u>

As of December 31, 2018 and 2017, the effect of inventory impairment is \$1,155,004 and \$1,134,477, respectively, which was included in cost of sales in the income statement.

8. Discontinued operations

On April 4, 2017, **WALMEX** sold to Liverpool 100% of the shares held by **WALMEX** in the legal entities comprising the Suburbia group, as well as certain intangible assets, furniture and **WALMEX**'s interest in owned and leased assets for the net amount of \$16,269,000. As part of this transaction, Liverpool assumed debt of \$1,392,000 under finance leases. In addition, Suburbia (now a subsidiary of Liverpool) paid **WALMEX** \$3,293,000 in dividends and a capital reduction.

In 2017, the Company obtained a net result for discontinued operations of \$7,474,618 (includes the gain on the sale of Suburbia of \$7,225,000). It also recognized \$5,047,000 as deferred revenue, which will be recognized in income through rental agreements for approximately 20 years (Notes 14 and 16).

The summary of discontinued operations reported in the consolidated statement of comprehensive income for the year ended December 31, 2017, that includes the results of operations of the Suburbia stores are as follows:

	2017
Total revenue	\$ 12,688,568
Costs and expenses	(2,658,436)
Income tax	(2,555,514)
Net income from discontinued operations	<u>\$ 7,474,618</u>

Legal, consulting, advisory and other expenses related to the disposal of Suburbia, are recognized in the year they are incurred in the discontinued operations line in the consolidated statement of comprehensive income.

In 2017, the Company applied tax benefits of \$3,063,000 that had been recognized in deferred tax assets as of December 31, 2016.

The net cash flows of Suburbia for the period from January 1 to April 4, 2017 were \$(666,813)

9. Property and equipment

An analysis of property and equipment at December 31, 2018 and 2017, is as follows:

	December 31, 2016	Additions	Disposals	Transfers	Translation effect	December 31, 2017	Additions	Disposals	Transfers	Translation effect	December 31, 2018
Land	\$ 31,023,378	\$ 306,878	\$ (203,763)	\$ (774,690)	\$ (420,098)	\$ 29,931,705	\$ 161,016	\$ (7,703)	\$ 402,095	\$ (306,839)	\$ 30,180,274
Buildings	48,873,293	2,489,449	(221,205)	9,430,500	(937,869)	59,634,168	1,788,325	(653,538)	3,086,509	(767,054)	63,088,410
Facilities and leasehold improvements	53,720,104	2,245,950	(747,229)	(11,337,835)	(311,966)	43,569,024	977,017	(706,321)	1,268,176	(260,999)	44,846,897
Furniture and equipment	63,670,932	6,776,701	(2,283,249)	1,508,929	(943,481)	68,729,832	5,789,288	(1,052,006)	2,740,692	(833,648)	75,374,158
Subtotal	197,287,707	11,818,978	(3,455,446)	(1,173,096)	(2,613,414)	201,864,729	8,715,646	(2,419,568)	7,497,472	(2,168,540)	213,489,739
Accumulated depreciation	(78,883,025)	(10,510,223)	2,696,170	1,943,700	620,159	(84,133,219)	(11,309,228)	2,080,436	(106,245)	661,052	(92,807,204)
Construction in progress	3,285,624	5,124,437	(237,638)	(3,981,714)	330,533	4,521,242	8,922,590	3,416	(7,502,528)	16,023	5,960,743
Total	\$ 121,690,306	\$ 6,433,192	\$ (996,914)	\$ (3,211,110)	\$ (1,662,722)	\$ 122,252,752	\$ 6,329,008	\$ (335,716)	\$ (111,301)	\$ (1,491,465)	\$ 126,643,278

Depreciation expense for the years ended December 31, 2018 and 2017, was \$11,154,800, and \$10,396,379, respectively, and is included in the general expenses line in the consolidated statement of comprehensive income. The depreciation included in cost of sales was \$154,428 and \$113,844, respectively.

As of December 31, 2017, the transfer column included the reclassification of the initial balance of the property and equipment held for the sale of Suburbia of \$2,129,746.

Property and equipment impairment for the years ended December 31, 2018 and 2017, was \$216,004 and \$46,243, respectively, and is presented in the disposals column. Also, impairment reversal amounted to \$128,270 and \$26,774, respectively.

10. Finance leases

An analysis of finance leases as of December 31, 2018 and 2017, is as follows:

	December 31, 2016	Additions	Disposals	Transfer	Translation effect	December 31, 2017	Additions	Disposals	Transfer	Translation effect	December 31, 2018
Buildings	\$ 14,168,689	\$ 1,071,885	\$ (205,285)	\$ (25,875)	\$ (121,250)	\$ 14,888,164	\$ 1,084,781	\$ (931,954)	\$ 297,828	\$ (85,631)	\$ 15,253,188
Furniture and equipment	2,248,595	128,733	(19,409)	(23,918)	–	2,334,001	120,416	(23,880)	(77,744)	–	2,352,793
Subtotal	16,417,284	1,200,618	(224,694)	(49,793)	(121,250)	17,222,165	1,205,197	(955,834)	220,084	(85,631)	17,605,981
Accumulated depreciation	(4,073,180)	(697,522)	59,727	168,660	30,124	(4,512,191)	(687,704)	552,424	(257,521)	23,742	(4,881,250)
Total	\$ 12,344,104	\$ 503,096	\$ (164,967)	\$ 118,867	\$ (91,126)	\$ 12,709,974	\$ 517,493	\$ (403,410)	\$ (37,437)	\$ (61,889)	\$ 12,724,731

Amortization expense for the years ended December 31, 2018 and 2017, was \$687,704 and \$697,522, respectively, and is included in the general expenses line in the consolidated statement of comprehensive income.

Finance lease impairment for the years ended December 31, 2018 and 2017, was \$57,656 and \$5,713, respectively, and is presented in the disposals column. Also, impairment reversal amounted \$41,494 and \$28,434, respectively.

11. Investment properties

An analysis of investment properties as of December 31, 2018 and 2017 is as follows:

	December 31, 2016				December 31, 2017				December 31, 2018	
		Additions	Disposals	Transfers		Additions	Disposals	Transfers		
Land	\$ 1,353,370	\$ –	\$ (5,580)	\$ 1,244,990	\$ 2,592,780	\$ –	\$ (39,246)	\$ –	\$ 2,553,534	
Buildings	810,646	–	(59,783)	1,929,137	2,680,000	39,984	(63,476)	–	2,656,508	
Facilities and improvements	489,603	–	(215)	1,861,807	2,351,195	1,630	15,478	–	2,368,303	
Subtotal	2,653,619	–	(65,578)	5,035,934	7,623,975	41,614	(87,244)	–	7,578,345	
Accumulated depreciation	(338,426)	(215,274)	–	(1,951,568)	(2,505,268)	(233,422)	14,315	–	(2,724,375)	
Total	\$ 2,315,193	\$ (215,274)	\$ (65,578)	\$ 3,084,366	\$ 5,118,707	\$ (191,808)	\$ (72,929)	\$ –	\$ 4,853,970	

Depreciation expense for the years ended December 31, 2018 and 2017, was \$233,422, and \$215,274, respectively, and is included in the general expenses line in the consolidated statement of comprehensive income.

The fair value of investment properties as of December 31, 2018 and 2017 is \$8,028,001 and \$8,325,199, respectively.

The investment properties of the Company consist of commercial properties located in Mexico. The administration determined that the investment properties are grouped according to the nature, characteristics and main client of each property.

As of December 31, 2018 and 2017, the fair values of the properties are based on management valuations. To calculate the value of a commercial property, the rental approach was used, applying the corresponding gross rent multiplier (GRM).

12. Intangible assets

An analysis of intangible assets at December 31, 2018 and 2017, is as follows:

	December 31, 2016	Additions	Disposals	Transfers	Translation effect	December 31, 2017	Additions	Disposals	Transfers	Translation effect	December 31, 2018
Goodwill	\$ 39,420,548	\$ –	–	\$ –	\$ (2,047,352)	\$ 37,373,196	\$ –	\$ –	\$ –	\$ (2,383,986)	\$ 34,989,210
Trademarks	974,126	–	–	–	(59,853)	914,273	–	–	–	(46,027)	868,246
Licenses and software	2,159,949	482,220	(1,353)	14,533	(33,094)	2,622,255	252,728	(4,223)	148,651	(10,594)	3,008,817
Customer base	250,366	–	–	–	(20,576)	229,790	–	–	–	(14,766)	215,024
Subtotal	42,804,989	482,220	(1,353)	14,533	(2,160,875)	41,139,514	252,728	(4,223)	148,651	(2,455,373)	39,081,297
Accumulated amortization	(1,465,457)	(335,701)	1,871	(6,566)	34,367	(1,771,486)	(327,234)	70	500	14,592	(2,083,558)
Total	\$ 41,339,532	\$ 146,519	\$ 518	\$ 7,967	\$ (2,126,508)	\$ 39,368,028	\$ (74,506)	\$ (4,153)	\$ 149,151	\$ (2,440,781)	\$ 36,997,739

As a result of its impairment testing, the Company concluded that there was no impairment in the value of the Company's Goodwill as of December 31, 2018 and 2017.

Trademarks represents the trademarks acquired at the time of the acquisition of Walmart Central America, including: Palí, Despensa Familiar, Maxi Bodega, among others. Trademarks are translated at the year-end exchange rate and the corresponding effect is recognized as a component of other comprehensive income.

Licenses, software and customer amortization expense for the years ended December 31, 2018 and 2017, was \$327,234 and \$335,701, respectively, and is included in the general expenses line of the consolidated statement of comprehensive income.

13. Related parties

GRI 102-25

a) Related party balances

As of December 31, 2018 and 2017, the consolidated statement of financial position includes the following balances with related parties:

	2018	2017
Accounts receivable:		
Walmart, Inc. (holding company)	\$ 83,000	\$ 108,052
Accounts payable:		
C.M.A. - U.S.A., L.L.C.	\$ 689,282	\$ 712,442
Swiss Asia Minor GmbH	120,005	207,225
	<u>\$ 809,287</u>	<u>\$ 919,667</u>
Other accounts payable:		
Walmart Inc.	<u>\$ 1,143,739</u>	<u>\$ 716,406</u>

As of December 31, 2018 and 2017, balances with related parties consist of current accounts that bear no interest, are payable in cash and have no guarantees.

b) Related party transactions

WALMEX has entered into the following open-ended agreements with related parties:

- Imports of goods for sale, which are interest-free and payable monthly.
- Purchase commissions with Swiss Asia Minor GmbH that are payable on a recurring basis.
- Technical assistance and services with Walmart, Inc. that are payable monthly.
- Royalties for trademark use with Walmart, Inc., payable quarterly based on a percentage of sales of the retail businesses.

The terms of the related party transactions are consistent with those of an arm's length transaction.

The Company had the following transactions with related parties during the years ended December 31, 2018 and 2017:

	2018	2017
Purchases and commissions related to the import of goods for sale:		
C.M.A. - U.S.A., L.L.C.	\$ 4,644,211	\$ 4,389,784
Swiss Asia Minor GmbH	247,429	218,174
	<u>\$ 4,891,640</u>	<u>\$ 4,607,958</u>
Costs and expenses related to technical assistance, services and royalties:		
Walmart Inc.	<u>\$ 4,225,378</u>	<u>\$ 3,284,545</u>

c) Remuneration of principal officers

Remuneration to the Company's principal officers and Board of Directors for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Short-term benefits	\$ 1,238,960	\$ 1,255,014
Termination benefits	60,081	86,076
Share-based payments	126,434	82,942
	<u>\$ 1,425,475</u>	<u>\$ 1,424,032</u>

14. Other accounts payable

An analysis of other accounts payable as of December 31, 2018 and 2017, is as follows:

	2018	2017
Accrued liabilities and others	\$ 17,002,963	\$ 16,969,500
Dividends	5,831,387	2,874,633
Contingencies (Note 15)	1,699,542	1,513,403
Deferred revenue ^(a)	1,583,393	1,382,740
Related parties (Note 13)	1,143,739	716,406
Finance lease (Note 16)	308,352	381,204
	<u>\$ 27,569,376</u>	<u>\$ 23,837,886</u>

^(a) Deferred income represents SAM's club memberships, unredeemed gift cards and deferred income for rentals related to the sale of Vips and Suburbia.

15. Commitments and contingencies

a) Commitments

As of December 31, 2018, the Company has entered into agreements with suppliers for the acquisition of inventories, property and equipment, maintenance services, as well as renewable energy supply services, as shown below:

Year	Amount
2019	\$ 21,532,340
2020	1,874,216
2021	1,950,337
2022	2,025,661
2023	2,103,907
2024 and thereafter	19,001,366

The Company has lease commitments as explained in Note 16.

b) Contingencies

The company is subject to several lawsuits and contingencies for legal proceedings (labor, civil, commercial and administrative proceedings) and tax proceedings. The Company has recognized a provision of \$1,699,542 as of December 31, 2018 (\$1,513,403 in 2017), which is presented in other accounts payable. In the opinion of the Company, none of the legal proceedings are significant either individually or as a whole.

The tax authorities have conducted a review on the sale operation of the Vips restaurant to Alsea and issued a termination document, in which they claim the payment of alleged differences in tax payments of \$3,665,000, which includes taxes, fines and other surcharges. An appeal for revocation was filed with the tax authorities, in order to make an adequate assessment of all the arguments, before going to the competent courts.

The Company has not recognized a provision for this contingency, since the external attorneys and the Company's Management consider that there are sufficient elements available to sustain the validity of the operations carried out and to prevail, either by administrative or judicial means.

c) Legal proceedings

WALMEX is a subsidiary of Walmart, Inc. ("WMT"). WMT owns approximately 70% of the shares and voting power in **WALMEX** and has the ability to designate at least a majority of the directors of **WALMEX**. The remaining shares of **WALMEX** are publicly traded on the Mexican Stock Exchange and, to the best of the knowledge of **WALMEX**, no shareholder other than WMT and its affiliates owns more than 2% of the outstanding shares of **WALMEX**.

Currently, the Board of Directors of **WALMEX** is composed of 11 directors. The Audit Committee and the Corporate Governance Committee of the Board of Directors are composed exclusively of independent directors.

WMT is subject to a wide variety of laws and regulations in the United States of America and in the countries in which it operates, including but not limited to the U.S. Foreign Corrupt Practices Act (the "FCPA").

As **WALMEX** publicly disclosed on April 23, 2012, WMT is the subject of an investigation under the FCPA by the U.S. Department of Justice and the U.S. Securities and Exchange Commission following a disclosure that WMT made to those agencies in November 2011.

The Audit Committee of the Board of Directors of WMT, which is composed solely of independent directors, is conducting an internal investigation into, among other things, alleged violations of the FCPA and other alleged crimes or misconduct in connection with foreign subsidiaries, including **WALMEX** and whether prior allegations of such violations and/or misconduct were appropriately handled by WMT. The Audit Committee of WMT and WMT have engaged outside counsel from a number of law firms and other advisors who are assisting in the on-going investigation of these matters. **WALMEX** has also engaged outside counsel to assist in these matters.

WMT is also conducting a voluntary global review of its policies, practices and internal controls for FCPA compliance. WMT is engaged in strengthening its global anti-corruption compliance programs through appropriate remedial anti-corruption measures. **WALMEX** is taking part in such voluntary global review and strengthening of programs.

Furthermore, lawsuits relating to the matters under investigation have been filed by several of WMT's shareholders against it and against **WALMEX**, its current directors, certain of its former directors, certain of its current and former officers and certain of **WALMEX**'s current and former officers. **WALMEX** is cooperating with WMT in the review of these matters and it intends to continue fully cooperating in such regard.

A number of federal and local government agencies in Mexico have also initiated investigations of these matters. **WALMEX** is cooperating with the Mexican governmental agencies conducting these investigations.

The Audit Committee and the Corporate Governance Committee of the Board of Directors of **WALMEX**, as well as the Board of Directors of **WALMEX**, have been informed about these matters and have determined, by an unanimous vote of the independent directors only, that

it is in the best interest of **WALMEX** to continue to cooperate at this time with WMT and the U.S. and Mexican agencies conducting these investigations.

WALMEX could be exposed to a variety of negative consequences as a result of the matters noted above. There could be one or more enforcement actions in respect of the matters that are the subject of some or all of the ongoing government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desist orders or other relief, criminal convictions and/or penalties. The shareholder lawsuits may result in judgments against WMT and **WALMEX** and to current and former directors and current and former officers of WMT and **WALMEX** named in those proceedings. **WALMEX** cannot predict accurately at this time the outcome or impact of the government's investigations, the shareholder lawsuits, the internal investigation and review. In addition, **WALMEX** expects to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the government investigations, and it cannot predict at this time the ultimate amount of all such costs. These matters may require the involvement of certain members of **WALMEX**'s senior management that could impinge on the time they have available to devote to other matters relating to the business. **WALMEX** may also see ongoing media and governmental interest in these matters that could impact the perception among certain audiences of its role as a corporate citizen.

WALMEX, its Board of Directors and its Audit Committee and Corporate Governance Committee will at all times ensure compliance with applicable Mexican law and ensure that they create value to **WALMEX**, acting diligently and adopting reasoned decisions, without favoring any shareholder or group of shareholders.

Although **WALMEX** does not presently believe, based on the information currently available and the advice of its external Mexican counsel, that these matters will have a material adverse effect on its business, given the inherent uncertainties in such situations, **WALMEX** can provide no assurance that these matters will not be material to its business in the future.

16. Other long-term liabilities

In other long-term liabilities as of December 31, 2018 and 2017, include:

	2018	2017
Finance leases	\$ 14,167,265	\$ 13,726,180
Deferred rental income (Note 14)	4,881,202	5,211,739
Operating leases	962,218	868,360
Others	8,623	8,835
	<u>\$ 20,019,308</u>	<u>\$ 19,815,114</u>

The Company has entered into property lease agreements with third parties with compulsory terms from 1 to 15 years in average.

In addition, the Company has also entered into finance leases for the rental of residual water treatment plants used to meet environmental protection standards. The terms of these agreements are between 7 to 10 years.

Future rental payments are as follows:

Year	Operating leases (compulsory term)	Finance leases (minimum payments)	
		Present value	Future value
2019	\$ 1,365,404	\$ 308,352	\$ 1,859,380
2020	1,357,628	319,446	1,839,689
2021	1,384,446	376,897	1,860,861
2022	1,263,451	360,986	1,804,969
2023	1,232,395	357,649	1,763,767
2024 and thereafter	8,526,296	12,752,287	29,527,034

Total rent under operating leases charged to the income statement during the years ended December 31, 2018 and 2017 was \$6,775,941 and \$6,101,990, respectively, and is included in the general expenses line in the consolidated statement comprehensive income.

The Company analyzes its services agreements that do not have the legal form of a lease to determine if the supplier transfers the use of an asset to **WALMEX**. After this analysis, **WALMEX** has determined that there are no material service agreements that must be classified as a lease.

17. Income taxes

Through December 31, 2018, **WALMEX** as an integrating entity and its integrated subsidiaries in Mexico, determine and pay income tax under the optional integration regime for groups of companies. Also, the tax provision includes the taxable income of subsidiaries located abroad, which is determined in accordance with the applicable tax laws of each country.

An analysis of income taxes charged to the income statement for the years ended December 31, 2018 and 2017, is as follows:

	2018	2017
Current year tax	\$ (13,034,909)	\$ (15,741,002)
Deferred tax	927,786	4,841,339
Total	<u>\$ (12,107,123)</u>	<u>\$ (10,899,663)</u>

As of December 31, 2018 and 2017, the Company's effective tax rate is 24.8% and 25.2%, respectively. The difference between the statutory tax rate and Company's effective tax rate is due to inflationary effects and other permanent items.

The income tax rates applicable to each country are shown below:

	Rate
Mexico	30%
Costa Rica	30%
Guatemala	25%
Honduras	30%
Nicaragua	30%
El Salvador	30%

An analysis of the effects of the temporary differences giving rise to deferred tax assets and liabilities at December 31, 2018 and 2017, is as follows:

	2018	2017
Deferred tax assets:		
Other long-term liabilities	\$ 3,729,985	\$ 2,950,192
Other accounts payable	1,852,480	2,146,325
Inventories	750,551	820,468
Labor obligations	553,700	688,823
Tax losses carryforward from subsidiaries	529,079	253,029
Provision for impairment of other receivables	51,827	23,585
	<u>\$ 7,467,622</u>	<u>\$ 6,882,422</u>
Deferred tax liabilities:		
Property and equipment	\$ 5,190,660	\$ 5,472,622
Prepaid expenses	234,830	280,678
Other items	361,442	333,887
	<u>\$ 5,786,932</u>	<u>\$ 6,087,187</u>

Deferred income tax assets on tax loss carryforwards are recognized to the extent that realization of the related tax benefit through future taxable income is probable.

The Company has the following tax losses from subsidiaries, which in conformity with the current Mexican Income Tax Law may be carried forward against the taxable income generated in future years.

Year of expiration	Amount
2024	\$ 161,645
2025	90,045
2026	211,740
2027	434,501
2028	865,665
	<u>\$ 1,763,596</u>

18. Employee benefits

As of December 31, 2018 and 2017, an analysis of the Company's assets and liabilities for seniority premiums and retirement benefits is as follows:

	Seniority premiums		Retirement benefits	
	2018	2017	2018	2017
Defined benefit obligations	\$ 1,015,698	\$ 1,020,340	\$ 1,446,924	\$ 1,728,121
Plan assets	(819,595)	(756,598)	–	–
Net projected liability	<u>\$ 196,103</u>	<u>\$ 263,742</u>	<u>\$ 1,446,924</u>	<u>\$ 1,728,121</u>

Changes in the net present value of the defined benefit obligations (DBO) as of December 31, 2018 and 2017, are shown below:

	Seniority premiums		Retirement benefits	
	2018	2017	2018	2017
DBO at beginning of year	\$ 1,020,340	\$ 856,129	\$ 1,728,121	\$ 1,538,632
Net period cost charged to results:				
Labor cost from actual services	152,112	128,762	180,208	141,040
Interest cost on DBO	78,675	66,974	144,023	89,817
Other comprehensive income items	(99,520)	75,090	29,142	245,110
Benefits paid	(135,909)	(106,615)	(568,705)	(243,609)
Translation impacts	–	–	(65,865)	(42,869)
DBO at year end	<u>\$ 1,015,698</u>	<u>\$ 1,020,340</u>	<u>\$ 1,446,924</u>	<u>\$ 1,728,121</u>

Changes in the net present value of the plan assets (PA) as of December 31, 2018 and 2017, are shown below:

	Seniority premiums	
	2018	2017
PA at beginning of year	\$ (756,598)	\$ (709,437)
Return on plan assets	(58,228)	(55,601)
Components of other comprehensive income	31,776	41,821
Plan contributions	(172,278)	(139,961)
Benefits paid	135,733	106,580
PA at year end	<u>\$ (819,595)</u>	<u>\$ (756,598)</u>

The valuation techniques used by the Company to determine and disclose the fair value of its financial instruments are based on a level 1 hierarchy.

As of December 31, 2018 and 2017, the plan assets have been invested through the trust mostly in money market instruments.

As of December 31, 2018 and 2017, actuarial gains/losses from labor obligations, net of taxes are recognized as a component of other comprehensive income in the amount of \$451,458 and \$412,046, respectively.

As of December 31, 2018, the assumptions used in the actuarial valuations of Mexico and Central America, are as follows:

	Mexico		Central America	
	2018	2017	2018	2017
Financial:				
Discount rate	9.50%	7.75%	3.80%-13.56%	6.86%-11.45%
Salary increase rate	5.25%	5.25%	2.50%-7.51%	2.50%-7.66%
Minimum salary increase rate	4.00%	4.00%	2.00%-7.01%	2.00%-7.16%
Inflation rate	4.00%	4.00%	2.00%-7.01%	2.00%-7.16%
Biometrics:				
Mortality	IMSS-97 ⁽¹⁾	IMSS-97 ⁽¹⁾	RP-2000 ⁽²⁾	RP-2000 ⁽²⁾
Disability	21.07%	21.07%	15.40%	15.40%
Retirement age	60 years	60 years	50-65 years	50-65 years

(1) Mexican Social Security Institute experience for males and females.

(2) RP-2000 for Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

A sensitivity analysis of the DBO at December 31, 2018, is as follows:

	Amount
DBO at December 31, 2018	\$ 2,462,622
DBO at discount rate +1%	2,306,136
DBO at discount rate -1%	2,642,379
Effects over DBO:	
Discount rate +1%	(156,483)
Discount rate -1%	179,759

The discount rate in Mexico is determined using the curve of government bonds issued by the Federal Government known as M. Bonds. In Central America, the discount rate is determined using the curve of government bonds of United States of America plus the risk of each country.

19. Equity

a) At an ordinary meeting held on March 22, 2018, the shareholders adopted the following resolutions:

1. Approval of a cap of \$5,000,000 on the amount the Company would use in 2018 to repurchase its own shares.
2. The shareholders declared an ordinary cash dividend of \$0.76 pesos per share, paid in four installments of \$0.19 pesos each on April 26, 2018; August 30, 2018; November 28, 2018; and February 27, 2019; and an extraordinary dividend to be paid in cash at a rate of \$0.89 pesos per share in four installments: \$0.20 pesos on April 26, 2018, \$0.10 pesos on August 30, 2018, \$0.45 pesos on November 28, 2018 and \$0.14 pesos on February 27, 2019.

After the dividend declared is approved at the shareholders' meeting, the Company reduces retained earnings and recognizes the accounts payable in the consolidated statement of financial position

b) Common stock is represented by one series of nominative, common or ordinary registered shares with no par value that can be freely subscribed. The Company's common stock must be represented by a minimum of three billion shares and a maximum of one hundred billion shares.

As of December 31, 2018 and 2017, an analysis of paid-in stock and the number of shares representing it is as follows:

Common stock	Amount
Fixed minimum capital	\$ 5,591,362
Variable capital	36,935,265
Subtotal	42,526,627
Inflation effects	2,941,801
Total	\$ 45,468,428
Number of freely subscribed common shares	17,461,402,631

During the years ended December 31, 2018 and 2017, **WALMEX** did not repurchase its own shares.

c) Distributed earnings and capital reductions that exceed the net taxed profits account (CUFIN per its acronym in Spanish) and restated contributed capital account (CUCA per its acronym in Spanish) balances, are subject to income tax, in conformity with Articles 10 and 78 of the Mexican Income Tax Law.

As of December 31, 2018 and 2017, the total balance of the tax accounts related to equity is \$77,766,617 and \$71,829,298, respectively, in conformity with the current tax laws.

- d) The employee stock option plan fund consists of 165,158,920 **WALMEX** shares, which have been placed in a trust created for the plan.

The total compensation cost charged to operating results in the years ended December 31, 2018 and 2017 was \$307,379 and \$250,513, respectively, which represented no cash outflow for the Company.

Changes in the stock option plan are as follows:

	Number of shares	Weighted average price per share (pesos)
Balance as of December 31, 2016	199,218,066	33.90
Granted	46,668,006	38.64
Exercised	(47,228,029)	30.38
Cancelled	(13,695,569)	37.35
Balance as of December 31, 2017	184,962,474	35.73
Granted	35,274,409	45.62
Exercised	(46,694,684)	33.39
Cancelled	(13,989,997)	34.50
Balance as of December 31, 2018	159,552,202	38.38
Shares available for option grant:		
As of December 31, 2018	5,606,718	
As of December 31, 2017	13,321,130	

As of December 31, 2018, the granted and exercisable share under the stock option plan fund is 159,552,202 and 60,060,863, respectively.

20. Other disclosures of revenue

- a) An analysis of the other revenue that forms part of the main activity of the Company is as follows:

	For the years ended December 31,	
	2018	2017
Memberships	\$ 1,600,375	\$ 1,480,819
Rental	1,996,618	1,787,025
Sale of waste	580,113	665,430
Bank bonuses	494,658	351,305
Parking	52,266	71,487
Total	\$ 4,724,030	\$ 4,356,066

As of December 31, 2018, rental income includes investment properties of \$575,280 (\$465,546 in 2017).

- b) The Company analyzes and manages its operation through its geographical location and format.

An analysis of income from contracts with customers is as follows:

	For the years ended December 31,	
	2018	2017
Mexico:		
Self-service	61.2%	60.9%
Price clubs	20.4%	20.3%
Central America:	18.4%	18.8%

Of **WALMEX**'s total net sales, approximately \$7.1 billion and \$4.8 billion relates to electronic commerce for the years ended December 31, 2018 and 2017, respectively.

21. Cost of sales and general expenses

Cost of sales and general expenses are presented in the consolidated statement of comprehensive income and mainly include the purchase of merchandise, personnel expenses, depreciation and amortization, rent, advertising, maintenance, utilities, royalties, and technical assistance.

22. Financial income (expenses)

An analysis of financial income (expenses) for the years ended December 31, 2018 and 2017, is as follows:

	2018	2017
Financial income:		
Financial income	\$ 1,268,122	\$ 1,052,093
Currency exchange gain	805,203	201,452
Income on changes in fair value of derivatives	256,252	132,291
	<u>\$ 2,329,577</u>	<u>\$ 1,385,836</u>
Financial expenses:		
Interest on finance leases	\$ (1,553,237)	\$ (1,436,653)
Currency exchange loss	(630,197)	(192,428)
Loss on changes in fair value of derivatives	(354,448)	(116,596)
Other	(121,747)	(187,698)
	<u>\$ (2,659,629)</u>	<u>\$ (1,933,375)</u>

Financial income primarily consists of interest earned on investments.

23. Segment financial information

Segment financial information is prepared based on the information used by the CODM to make business decisions.

An analysis of financial information by operating segments and geographical zones is as follows:

Segment	Operating income	Financial expenses - net	Income before income taxes
Year ended December 31, 2018			
Mexico	\$ 41,981,265	\$ (255,091)	\$ 41,726,174
Central America	7,208,523	(74,961)	7,133,562
Consolidated	<u>\$ 49,189,788</u>	<u>\$ (330,052)</u>	<u>\$ 48,859,736</u>

	Year ended December 31, 2017		
Mexico	\$ 37,221,878	\$ (473,024)	\$ 36,748,854
Central America	6,615,661	(74,515)	6,541,146
Consolidated	<u>\$ 43,837,539</u>	<u>\$ (547,539)</u>	<u>\$ 43,290,000</u>

Segment	Purchase of long term definite-lived assets	Depreciation and amortization	Total assets	Current liabilities
Year ended December 31, 2018				
Mexico	\$ 11,694,003	\$ 9,681,218	\$ 213,528,655	\$ 95,519,391
Central America	6,238,575	2,876,370	58,010,968	18,646,101
Goodwill	–	–	34,989,210	–
Consolidated	<u>\$ 17,932,578</u>	<u>\$ 12,557,588</u>	<u>\$ 306,528,833</u>	<u>\$ 114,165,492</u>

	Year ended December 31, 2017			
Mexico	\$ 11,259,484	\$ 9,088,722	\$ 202,122,787	\$ 88,272,139
Central America	6,166,151	2,556,154	55,759,681	19,555,408
Goodwill	–	–	37,373,196	–
Consolidated	<u>\$ 17,425,635</u>	<u>\$ 11,644,876</u>	<u>\$ 295,255,664</u>	<u>\$ 107,827,547</u>

24. Reclassification of presentation

The Company has made certain reclassifications in the consolidated income statement for the year that ended on December 31, 2017, mainly related to contributions from suppliers that were reclassified from general expenses to cost of sales as follows:

	December 31, 2017	Reclassification	December 31, 2017
Net sales	\$ 569,366,181	\$ (351,305)	\$ 569,014,876
Other revenue	3,898,839	457,227	4,356,066
Total revenue	573,265,020	105,922	573,370,942
Cost of sales	(445,569,672)	3,271,025	(442,298,647)
Gross profit	127,695,348	3,376,947	131,072,295
General expenses	(83,684,158)	(3,237,253)	(86,921,411)
Income before other income and expenses	44,011,190	139,694	44,150,884
Other income	861,066	(139,694)	721,372

25. Subsequent event

As of January 1, 2019, **WALMEX** and its subsidiaries in Mexico will determine and pay income tax under the general regime of the Mexican Income Tax Law, abandoning the optional integration regime for groups of companies. The change does not represent a material effect in the financial statements.

26. Approval of the financial statements

The consolidated financial statements and accompanying notes for the years ended December 31, 2018 and 2017 were approved by the Company's management and Board of Directors on February 13, 2019, and are subject to approval by the Shareholders meeting. Subsequent events are considered through this date.

Report by the

Audit and Corporate Practices Committees

Wal-Mart de México, S.A.B. de C.V.

Board of Directors, **Wal-Mart de México S.A.B. de C.V.**
Present.

To Whom It May Concern:

In compliance with article 43 of the Securities Market Law (LMV) and the internal regulations of the Committees I oversee, with approval from the Board of Directors for Wal-Mart de México, S.A.B. de C.V. (which together with its subsidiaries hereinafter is the Company), we hereby inform you of the activities undertaken during the reporting period ending on Dec. 31, 2018.

Throughout the work conducted, in addition to that stipulated under the LMV, we have always abided by that contained under the Code of Best Corporate Practices, issued by the CEC (Coordinating Business Council); the Company Code of Ethics; the General Internal Regulation of the Mexican Stock Exchange; and the general provisions stemming from the LMV.

In compliance with our oversight process the Audit and Corporate Practices have conducted quarterly regular meetings to analyze the overall situation regarding matters of material importance in the fields of finance, accounting, legal, operations and ethics for the Company, and supplementing our participation in said meetings throughout the year with the office of the CEO, Finance, Legal and the independent external

auditor, who has also participated in the quarterly meetings as guest with voice without vote, as well as the reports presented by the principal officers of the Company as requested by us, in addition to special meetings held to cover specific matters, as needed, such as the following:

I. Corporate Practices:

- a. We were kept informed by the management of the Company, with no observations made, on the following:
 1. Evaluation processes for relevant officers and their authorized succession plans.
 2. The processes followed to determine integrated compensation for the CEO and the integrated compensation packages for the other relevant officers -mentioned under note 13, paragraph c) of the consolidated financial statements for Wal-Mart de México, S.A.B. de C.V. and Subsidiaries, at Dec. 31, 2018 (hereinafter after the "financial statements for the Company"). [GRI 102-36](#)
 3. The compensation plan update for 2018, which contemplates the Society new stock plan for subsidiaries employees and its related parties, as well as the payment exchange currency regarding the President and General Director of Walmart of Mexico y Central America.

4. The policies and procedures followed during the reporting year, with regards to operations with related parties and the corresponding investigation on transfer prices, the concepts of which are discussed under note 13 of the financial statements.
- b. During the 2018 period, the Company management kept us informed of the progress made regarding the investigations on alleged corrupt practices that the Audit Committee of Wal-Mart Stores, Inc. ("Wal-Mart") has been conducting with the assistance of independent lawyers and other advisors and the measures that the Company has taken, reinforcing the internal organization, training Directors, executives and associates; and strengthening the processes, thus becoming a leader in compliance worldwide such as that explained in detail under note 15, paragraph c) of the Company financial statements. In addition, we continue believing that our cooperation with the aforementioned investigations is in the best interest of the Company and its shareholders, with no distinction whatsoever.
- c. The Board of Directors granted no dispensation whatsoever to any Director, executive, or anyone with a position of authority, as indicated under article 28, section III, paragraph f) of the LMV.

II. Audit:

- a. We analyze the status of the internal control system, and were informed in detail of the programs and development of internal and independent audit work done, as well of the primary aspects requiring improvement and follow-up on the preventive and corrective measures implemented by Management according to the action plan designed for it. Therefore, it is our opinion that the effectiveness required for the Company to function with an appropriate level of control is being accomplished.
- b. Regarding the external audit services upon the Financial Statements in charge of the Mancera, S.C. (a member of EY Global) and the independent external auditor, jointly deemed as "EY":
 - Once we validated the compliance with all necessary requirements regarding the professional quality and independence of intellectual and economic action, thus they were recommended as examiners and issuers of the report on the Company financial statements.
 - We evaluate the development of its commitment, as well as the additional or complementary services that the aforementioned auditors rendered for the Company throughout 2018 did neither impair their independence nor were they substantial.
 - Finally, we reviewed the external audit report, the financial statements, releases and opinions issued by EY during the performance of the audit services.
- c. We attended different meetings to review the quarterly and annual financial statements for the Company and, at the time, we recommended publishing said financial information.

- d. We were informed about the approved and applied accounting policies during 2018 and its modifications, where it stands out, since the first quarter of 2018 the new NIIF 15 "Revenue from contracts with customer", it updates the income recognition policy and the financial information note by segments reported to the Mexican Stock Exchange in that same quarter.
- e. Follow-up was given to any and all relevant observations made by the shareholders, directors, relevant officers, employees and any third party in general, regarding the accounting, internal controls, and subjects related to internal or independent audits.
- f. Follow-up was also given to all agreements made by shareholders and members of the board of directors for the Company.
- g. Information was provided on the progress made regarding investment plans and the impact on the results sent to the Mexican Stock Exchange, as a result of adjustments made to store-opening processes.
- h. Information was provided on the legal contingencies to which the Company is exposed, and which are recognized in the financial statements as per the probability of occurring.
- i. Lastly, information was periodically presented on the situation faced by the Company regarding Ethics and Compliance and the measures adopted by the Company to reinforce these aspects.

Based on the work completed and the opinion issued by outside auditors, we feel that the accounting and information policies and criteria followed by the Company are suitable and sufficient and that they have been consistently applied; as a

result, the information presented by the CEO is a reasonable reflection of the Company's financial situation and results.

Due to all the aforementioned, we recommend that the Board of Directors present the financial statements for Wal-Mart de México, S.A.B. de C.V. and subsidiaries for the period ending Dec. 31, 2018, to the General Annual Shareholders Assembly for their approval.

Sincerely,




Ing. Adolfo Cerezo

Chairman of the Audit and Corporate Practices Committees

Mexico City, February 13, 2019

Report of Independent Auditors

To the Shareholders of
Wal-Mart de México, S.A.B. de C.V.

Opinion

We have audited the accompanying consolidated financial statements of Wal-Mart de México, S.A.B. de C.V. and subsidiaries (hereinafter "the Company"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wal-Mart de México, S.A.B. de C.V. and subsidiaries as at 31 December 2017 and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for audit opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent from Wal-Mart de México, S.A.B. de C.V. within the meaning of the Code of Ethics for Accounting Professionals of the International Ethics Standards Board for Accountants (IESBA) and the ethical requirements applicable to our audit of the consolidated financial statements in Mexico established by the Code of Ethics of the Mexican Institute of Public Accountants (IMCP,

Spanish acronym) and have fulfilled our other responsibilities under those relevant ethical requirements and the Code of Ethics of the IESBA.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

I. Supplier agreements

The Company receives various types of supplier discounts. We focused our audit on these discounts since they comprise a significant portion of the Company's cost of sales for the year ended 31 December 2017 and to the risk that the Company will recognize discounts to suppliers without evidence of a formal agreement between the Company and the supplier and / or delay or accelerate the time of recognition of such discount.

To respond to the risk identified in this area, we assessed the Company's internal controls over its discounts process and based on our sample, we asked the Company's suppliers for confirmations regarding the discount agreements entered into with the Company and we reviewed some of these agreements to verify that they were duly approved and recorded in the Company's accounting in the correct accounting period.

We conducted analytical testing of the discounts. This testing consisting primarily of observing the monthly behavior of all supplier discounts compared to the amount of total purchases and we conducted a month-to-month comparison of the discounts that the Company obtained compared to the prior year. We analyzed any differences identified and assessed the differences against the explanations and supporting documentation provided to us by the Company.

II. Sale of the clothing store division (Suburbia)

As discussed in Notes 1b) and 8 to the accompanying consolidated financial statements, on April 4 2017, the Company sold 100% of the shares of its subsidiary Suburbia. This transaction required the Company to recognize its clothing store business segment as a discontinued operation. We focused on this area because this was a significant transaction for the Company in 2017 and since, due to the complexity of the accounting requirements applicable to the sale of this subsidiary, it required special attention from us during our audit.

We reviewed the calculation of the Company's net income from the discontinued operations and we compared the sale price of the subsidiary agreed on with the buyer (fair value) with the book value of the net assets of the division. We also reviewed the respective sale purchase agreement and verified that the discontinued operations are presented in the Company's financial statements and accompanying notes in accordance with applicable accounting standards.

Other information

The other information comprises the financial and non-financial information (other than the financial statements and our audit report) presented in the annual report by the Company submitted to the National Banking and Securities Commission (the Commission) and in the annual report submitted to the shareholders for the year ended as at 31 December 2017. Management is responsible for the other information. We expect to obtain the other information after the date of this auditor's 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 when we have access to it 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.

If we conclude that there is a material misstatement of the other information contained in the Annual Report filed with the Commission and/or in the annual report submitted to the Company's shareholders, we are required to report that fact to those charged with governance and to describe the matter in our statement on the Annual Report required by the Commission.

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

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

The objectives of our audit 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

From the matters communicated with those charged with corporate governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes

public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Sitt.

The report of independent auditors and the accompanying consolidated financial statements and footnotes have been translated from the original Spanish version to English for convenience purposes only.

Mancera, S.C.
A Member Practice of
Ernst & Young Global Limited



David Sitt

Mexico City, February 15, 2018

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Notes 1 and 3)

Amounts in thousands of Mexican pesos

	Year ended December 31	
	2017	2016
Net sales	\$ 569,366,181	\$ 528,571,376
Other revenues (Note 20)	3,898,839	3,812,707
Total revenues	573,265,020	532,384,083
Cost of sales	(445,569,672)	(414,900,193)
Gross profit	127,695,348	117,483,890
General expenses (Note 21)	(83,684,158)	(77,833,627)
Income before other income and expenses	44,011,190	39,650,263
Other income	861,066	578,707
Other expenses	(1,034,717)	(773,835)
Operating income	43,837,539	39,455,135
Financial income (Note 22)	1,385,836	1,321,139
Financial expenses (Note 22)	(1,933,375)	(1,644,004)
Income before income taxes	43,290,000	39,132,270
Income taxes (Note 17)	(10,899,663)	(10,622,996)
Net Income from continuing operations	32,390,337	28,509,274
Income from discontinued operations net of income taxes (Note 8)	7,474,618	4,842,597
Consolidated net income	\$ 39,864,955	\$ 33,351,871

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

	Year ended December 31	
	2017	2016
Other comprehensive income items:		
Items that do not reclassify to profit and loss of the year:		
Actuarial (loss) gain on employee benefits net of income taxes	\$ (260,303)	\$ 222,015
Items that may be reclassified subsequently to profit and loss:		
Cumulative translation adjustment	(4,103,030)	10,324,721
Other comprehensive (loss) income	(4,363,333)	10,546,736
Comprehensive income	\$ 35,501,622	\$ 43,898,607
Net income attributable to:		
Controlling interest	\$ 39,864,955	\$ 33,352,298
Non-controlling interest	–	(427)
	\$ 39,864,955	\$ 33,351,871
Comprehensive income attributable to:		
Controlling interest	\$ 35,501,622	\$ 43,899,034
Non-controlling interest	–	(427)
	\$ 35,501,622	\$ 43,898,607
Basic earnings per share from continuing operations attributable to controlling interest (in pesos)	\$ 1.855	\$ 1.633
Basic earnings per share attributable to Controlling interest (in pesos)	\$ 2.283	\$ 1.910

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Financial Position

(Notes 1 and 3)

Amounts in thousands of Mexican pesos

	December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
Assets			Liabilities and equity		
Current assets:			Current liabilities:		
Cash and cash equivalents (Note 5)	\$ 35,596,117	\$ 27,975,536	Accounts payable (Note 13)	\$ 80,099,063	\$ 65,918,998
Accounts receivable, net (Note 6 and 13)	10,834,460	9,817,878	Other accounts payable (Note 13 and 14)	23,837,886	21,224,627
Inventories (Note 7)	59,463,255	53,665,239	Income taxes payable	3,890,598	3,222,964
Advanced payments and others	982,374	935,125	Total current liabilities	107,827,547	90,366,589
Total current assets	106,876,206	92,393,778	Liabilities relating to assets held for sale (Note 8)	–	3,951,542
Assets held for sale (Note 8)	–	11,628,894	Long-term liabilities:		
Non-current assets:			Other long-term liabilities (Note 16)	19,815,114	14,778,703
Property and equipment, net (Note 9)	122,252,752	121,690,306	Deferred tax liabilities (Note 17)	6,087,187	10,483,437
Financial leases, net (Note 10)	12,709,974	12,344,104	Employee benefits (Note 18)	1,991,863	1,685,324
Investment properties, net (Note 11)	5,118,707	2,315,193	Total liabilities	135,721,711	121,265,595
Intangible assets, net (Note 12)	39,368,028	41,339,532	Equity (Note 19):		
Deferred tax assets (Note 17)	6,882,422	4,699,729	Capital stock	45,468,428	45,468,428
Other non-current assets	2,047,575	1,880,075	Retained earnings	96,413,711	99,650,564
Total assets	\$ 295,255,664	\$ 288,291,611	Other comprehensive income items	20,011,198	24,374,531
			Premium on sale of shares	3,559,058	3,108,097
			Employee stock option plan fund	(5,918,442)	(5,575,604)
			Total equity	159,533,953	167,026,016
			Total liabilities and equity	\$ 295,255,664	\$ 288,291,611

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

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Changes In Equity

For the years ended December 31, 2017 and 2016

(Notes 1, 3 and 19)

Amounts in thousands of Mexican pesos

	Capital stock	Retained earnings		Other comprehensive income items	Premium on sale of shares	Employee stock option plan fund	Equity attributable to controlling interest	Non-controlling interest	Total equity
		Legal reserve	Earnings						
Balance at December 31, 2015	\$ 45,468,428	\$ 9,104,745	\$ 86,188,284	\$ 13,827,795	\$ 2,830,646	\$ (5,625,092)	\$ 151,794,806	\$ 25,844	\$ 151,820,650
Movements in employee stock option plan fund					277,451	49,488	326,939		326,939
Dividends declared			(28,973,896)				(28,973,896)		(28,973,896)
Purchase of shares of non-controlling interests			(20,867)				(20,867)	(25,417)	(46,284)
Comprehensive income			33,352,298	10,546,736			43,899,034	(427)	43,898,607
Balance at December 31, 2016	45,468,428	9,104,745	90,545,819	24,374,531	3,108,097	(5,575,604)	167,026,016	–	167,026,016
Movements in employee stock option plan fund					450,961	(342,838)	108,123		108,123
Dividends declared			(43,101,808)				(43,101,808)		(43,101,808)
Comprehensive income			39,864,955	(4,363,333)			35,501,622		35,501,622
Balance at December 31, 2017	\$ 45,468,428	\$ 9,104,745	\$ 87,308,966	\$ 20,011,198	\$ 3,559,058	\$ (5,918,442)	\$ 159,533,953	\$ –	\$ 159,533,953

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

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Notes 1 and 3)

Amounts in thousands of Mexican pesos

	Year ended December 31	
	2017	2016
Operating activities		
Income before taxes on profits	\$ 43,290,000	\$ 39,132,270
Items related to investing activities:		
Depreciation and amortization	11,644,876	10,693,735
Loss from disposal of property, equipment and impairment	245,619	507,575
Stock option compensation expense	250,513	270,416
Interest earned	(1,030,317)	(559,618)
Items related to financing activities:		
Interest payable under finance leases	1,436,653	1,270,826
Discontinued operations	371,824	2,471,145
Cash flow from results of operations	56,209,168	53,786,349
Variances in:		
Accounts receivable	(1,604,457)	(1,253,330)
Inventories	(6,468,291)	(4,525,586)
Advanced payments and other assets	(436,377)	(1,163,455)
Accounts payable	14,925,876	9,345,322
Other accounts payable	2,736,206	1,031,983
Income tax paid	(15,219,977)	(7,068,985)
Employee benefits	(19,674)	106,624
Discontinued operations	(987,109)	(3,150,974)
Net cash flow from operating activities	49,135,365	47,107,948

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

	Year ended December 31	
	2017	2016
Investing activities		
Finite useful life non-current assets	(17,425,635)	(14,334,781)
Purchase of shares of non-controlling interest	–	(44,737)
Interest collected	1,030,317	559,618
Proceeds from sale of property and equipment	231,697	275,883
Employee stock option plan fund	(142,390)	56,523
Business disposal	20,229,114	–
Discontinued operations	(35,945)	(313,400)
Net cash flow from (used in) investing activities	3,887,158	(13,800,894)
Financing activities		
Dividends paid	(42,755,604)	(28,972,332)
Payment of finance leases	(1,609,939)	(1,550,479)
Discontinued operations	(15,583)	(69,841)
Net cash flow used in financing activities	(44,381,126)	(30,592,652)
Effect of changes in the value of cash	(1,020,816)	470,296
Net increase in cash and cash equivalents	7,620,581	3,184,698
Cash and cash equivalents at beginning of year	27,975,536	24,790,838
Cash and cash equivalents at end of year	\$ 35,596,117	\$ 27,975,536

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

At December 31, 2017 and 2016

Amounts in thousands of Mexican pesos, except where otherwise indicated

1.- DESCRIPTION OF THE BUSINESS AND RELEVANT EVENTS

a. Corporate information

Wal-Mart de México, S.A.B. de C.V. (**WALMEX** or “the Company”) is a Mexican company incorporated under the laws of Mexico and listed on the Mexican Stock Exchange, whose headquarters are located at Nextengo #78, Santa Cruz Acayucan, 02770, in Mexico City. The principal shareholder of **WALMEX** is Walmart Inc. (formerly Wal-Mart Stores, Inc.), a U.S. corporation, through Intersalt, S. de R.L. de C.V., a Mexican company with a 70.51% shares ownership.

WALMEX holds equity interest in the following groups of companies in Mexico and Central America, as are shown below:

Group	Line of business
Nueva Walmart	Operation of 1,820 (1,763 in 2016) Bodega Aurrerá discount stores, 270 (262 in 2016) Walmart hypermarkets 94 (96 in 2016) Superama supermarkets, 162 (160 in 2016) Sam's Club membership self-service wholesale stores, and 10 Medimart pharmacies, in both years.
Import companies	Import goods for sale.

Group	Line of business
Real estate	Property developments and management of real estate companies.
Service companies	Rendering of professional services to Group companies and non-for-profit services to the community at large, and shareholding.
Walmart Central America	Operation of 522 (495 in 2016) discount stores (Despensa Familiar and Palí), 94 (92 in 2016) supermarkets (Paiz, La Despensa de Don Juan, La Unión and Más x Menos), 133 (117 in 2016) Bodegas, Maxi Bodega and Maxi Palí, 29 (27 in 2016) Walmart hypermarkets. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

b. Relevant events

Sale of Suburbia stores (Note 8)

On April 4, 2017, after receiving the approval from the competent authorities, **WALMEX** completed the sale to El Puerto de Liverpool, S.A.B. de C.V. (Liverpool) of 100% of the shares held by **WALMEX** in the legal entities comprising Suburbia. Additionally, this transaction included the sale of certain intangible assets, furniture and **WALMEX's** interest in owned and leased assets for the net amount of \$16,269,000.

2.- NEW ACCOUNTING PRONOUNCEMENTS

a. Amendments effective as from January 1, 2017

- Amendments to International Accounting Standard (IAS), *Income Taxes*. The IAS 12 established the requirement over recognition and measure of liabilities and assets for current and deferred taxes. This amendment clarify about the recognition of deferred tax assets for unrealized losses. They did not have impact in the financial statements of the Company.
- Amendments to IAS 7, *Statement of cash flow*. The modifications that require disclosure has the objective that the entities provide disclosures that allow the users of the financial statements to evaluate the changes in the liabilities derived from the financing activities. To achieve this objective, it is required that the following changes arising from financing activities be disclosed (if it is necessary): (i) changes in financing cash flows; (ii) changes from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of exchange rate variations; (iv) changes in fair value; and (v) other changes. There were no significant impacts as a result of these modifications.

b. Standards that will be effective in 2018

- International Financial Reporting Standard (IFRS) 9, *Financial instruments*. Outlines the new requirements for classification, measurement, impairment and hedge accounting. The Company has evaluated this standard and concluded it will not have a material effect in the consolidated financial statements.
- IFRS 15, *Revenue from contracts with customers*. According to IFRS 15, an entity recognizes the revenue when the obligation is satisfied, that is, when the "control" of the goods or services

underlying the performance obligation has been transferred to the customer. Likewise, guides have been included to deal with specific situations. In addition, the number of disclosures required is increased. The Company concluded that the application of this standard will not have a material effect in the consolidated financial statements. The adoption of this standard was made on January 1, 2018 under the modified retrospective method.

- Amendments to IFRS 2 - *Classification and measurement of share-based payments* - The amendments contain clarifications and modifications related to accounting for transactions share-based payment paid in cash; the classification of this kind of transactions with net settlement characteristics; and accounting for changes in share-based payments transactions settled in cash and payable through equity instruments. The Company's Management expects that there may be some impacts as a result of these modifications.

c. Standards that will be effective on 2019

- IFRS 16, *Leases*. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires use a model similar to the accounting for finance leases. The Company is in process to quantify and evaluate the impacts of the adoption of this standard, which are considered material in the consolidated financial statements and disclosures.
- IFRIC 23, *Uncertainty over income tax treatments*. The Company is in process quantifying the impact in the consolidated financial statements, and taking into consideration that **WALMEX** operates in a complex multinational tax environment. The Company may require the implementation of processes and procedures to obtain on timely basis all the information that is necessary to apply the requirements of this interpretation.

3.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies is described below. These policies have been applied consistently with those applied in the year ended December 31, 2016, except where otherwise indicated.

a. Basis of preparation

The accompanying consolidated financial statements have been prepared in conformity with IFRS issued by the International Accounting Standards Board (IASB), the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), including those issued previously by the former Standing Interpretations Committee (SIC).

The consolidated statements of comprehensive income were prepared based on the function of its components, which allows disclosure of cost of sales separately from other costs, operating and administrative expenses, both expenses are recognized in the statement of income at the time they are incurred. The consolidated statement of comprehensive income also shows the amount of operating income separately to provide a better understanding of the Company's business performance.

Prior to the consolidation process, the financial statements of the Company's foreign subsidiaries are prepared under IFRS and translated to Mexican pesos using the average exchange rate for the consolidated statement of comprehensive income and the year-end exchange rate for the consolidated statement of financial position.

The cumulative translation adjustment is the effect of translating the financial statements of the Company's foreign subsidiaries into Mexican pesos. This effect is recognized in equity.

The statement of cash flows is prepared using the indirect method.

The preparation of consolidated financial statements requires the use of accounting estimates and assumptions based on historical experience and other factors and therefore the actual results may differ from estimates. The estimates and assumptions are reviewed periodically and are as follows:

- Accounting estimates for inventory shrinkage; impairment of property and equipment, investment properties and goodwill.
- Assumptions used like the discount rates to determine finance leases; useful lives for property and equipment and intangible assets with definite-lives; labor obligation present value factors determined through actuarial valuations using economic assumptions such discount rate, inflation rate, salary increase rate and minimum salary increase rate; and determination of the recoverable value involves significant judgments such as future cash flows, the discount rate and the interest rate; fair value of derivative financial instruments.

WALMEX has sufficient resources to continue operating as a going concern. The accompanying consolidated financial statements have been prepared on a going-concern basis and on a historical-cost basis, except for financial assets and liabilities, derivative financial instruments and assets held for sale, which are fair valued as of the end of every period. The Mexican peso is the Company's functional and reporting currency.

b. Consolidation

The accompanying consolidated financial statements include the financial statements of **WALMEX** and those of its Mexican and foreign subsidiaries in which has control, which are grouped as described in Note 1, and prepared considering the same accounting period.

Subsidiaries are consolidated from the date on which control is assumed by **WALMEX**, and until such control is lost. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of sale, as appropriate.

Transactions and related party balances are eliminated in the consolidation.

Non-controlling interest represent the portion of equity interest in the net assets of a subsidiary not attributable to the controlling company. Non-controlling interests is presented in the equity.

c. Financial assets and liabilities and fair value measurement

The Company determines the classification of financial assets and liabilities at initial recognition as described below:

- I. **Financial assets.** These assets are classified in one of the following categories, as required: financial assets at fair value through profit or loss, accounts receivable, investments held to maturity or financial assets held for sale. The Company's financial assets primarily consist of cash and cash equivalents, trade receivables and other accounts receivable which are initially recognized at fair value. Fair value of an asset is the price in which such asset would be sold in an ordinary transaction with third parties.
- II. **Financial liabilities.** These liabilities are classified in accounts payable, other accounts payable and financial leases; these liabilities are initially recognized at fair value and subsequently valued to amortized cost using effective interest rate method. The liabilities from derivatives are recognized initially and subsequently at fair value. Fair value of a liability is the amount that would be paid to transfer the responsibility to a new creditor in an ordinary transaction among those parties.

Assets and liabilities carried at fair value are measured using the fair value hierarchy, which prioritizes the inputs used in measuring fair value. The levels of the fair value hierarchy are as follows:

- **Level 1.** Quoted prices for identical instruments in active markets,
- **Level 2.** Other valuations included quoted prices for similar instruments in active markets that are directly or indirectly observable, and
- **Level 3.** Unobservable data inputs, so that the Company develops its own assumptions and valuations.

Subsequent measurement of the Company's financial assets and liabilities is determined based on classification.

d. Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits, credit and debit card transfer transactions that process in less than seven days, and highly liquid investments with maturities of less than 90 days, plus accrued interest. Cash is stated at fair value.

e. Derivative financial instruments

The Company has entered into currency hedging through Over the Counter (OTC) currency forward transactions (Fx-forwards) to mitigate the effects caused by variability in the exchange rate of foreign currency on its accounts payable related to import goods for sale. The maximum length of these contracts is six months.

Derivatives are initially recognized at fair value at the date the derivative contract is subscribed and subsequently revalued at fair value at the end of the reporting period. The resulting gain or loss is recognized immediately as a part of the financial income (expense) line in the consolidated statement of comprehensive income.

In accordance with our standards of corporate governance, the Company manages only Fx-forwards derivative financial instruments.

f. Accounts receivable and provision for impairment of other accounts receivable

WALMEX recognizes a reserve for bad debts when there is objective evidence that the receivables will not be recovered at the amounts initially agreed or will be recovered in a different period.

g. Inventories

Inventories are valued using the retail method, except for merchandise for the Sam's Club, distribution centers, Agro-Industrial development (grains, edibles and meat) and perishable division, which are stated using the average-cost method. These methods are consistent with those applied in the prior year. Inventories, including obsolete, slow-moving and defective items or items in poor condition, are stated at the lower of cost and net realizable value.

Freight and buying allowances are capitalized in inventory and are recognized in the cost of sales based on the turnover of the inventories that gave rise to them.

h. Advanced payments

Advanced payments are recorded at cost and recognized as current assets in the consolidated statement of financial position as from the date the prepayments are made. Once the goods or services related to the advanced payments are received, they should be charged to the income statement or capitalized in the corresponding asset line when there is certainty that the acquired goods will generate future economic benefits.

i. Property and equipment

Property and equipment are recorded at acquisition cost and are presented net of accumulated depreciation.

Depreciation of property and equipment is computed on a straight-line method at the following annual rates:

Buildings, facilities and leasehold improvements:

- Constructions and structure	2.5%	to	5.0%
- Facilities and adaptations	5.0%	to	12.5%
- Finishes of construction	10.0%	to	25.0%
Furniture and equipment	5.0%	to	33.3%
Computer equipment	12.5%	to	33.3%
Transport equipment	10.0%	to	33.3%

Construction in progress mostly consists of investments in the construction of new stores and is recognized at cost. Upon completion of each project, the Company reclassifies work in process to property and the depreciation begins.

j. Investment properties

Investment properties (land, building and constructions and facilities in properties that are given in lease) are maintained to obtain economic benefits through the collection of rents. Investment properties are measured initially at cost, including transaction costs. After the initial recognition, they continue being valued at cost less depreciation and accumulated losses due to impairment.

Depreciation of investment properties is computed on a straight-line method at the following annual rates:

- Constructions and structure	2.5%	to	5.0%
- Facilities and adaptations	5.0%	to	12.5%
- Finishes of construction	10.0%	to	25.0%

k. Leases

The Company classifies its property lease agreements as either finance or operating leases.

WALMEX as a lessee

WALMEX considers as finance leases those where substantially all of the risks and rewards of ownership are substantially transferred. Finance leases are recorded at the lower of the fair value of the leased property and the present value of the minimum lease payments, and are amortized over the term of the lease agreement and considering the renewals contemplated in each lease agreement.

Lease agreements that do not qualify as finance leases are treated as operating leases. Payments made under operated leases are recognized in the income statement on a straight-line method over the lease term. The starting date of a lease is considered the possession date of the leased property, including the lessee's rights to renewal. Variable lease payments are based on a percentage of the Company's sales, and are recognized as an expense in the period in which they are incurred.

The Company analyzes its service agreements that do not have the legal form of a lease, but which involve obtaining the right of use of an asset in exchange for payment.

WALMEX as a lessor

WALMEX obtains rental income from investment properties: the variable rent income is recognized as revenue in the period in which they are earned and; the fixed rent income is recognized on a straight-line method over the lease term. Such revenues are presented as a part of other revenues line within the consolidated statement of comprehensive income.

l. Impairment of long term finite useful life assets

The long term finite useful life assets are subject to impairment tests only when there is objective evidence of impairment.

The Company recognizes impairment in the value of this type of assets by applying the expected present value technique to determine value in use, considering each store as the minimum cash-generating unit.

The present value technique requires detailed budget calculations, which are prepared separately for each cash-generating unit. These budgets generally cover five years and, if necessary, are projected beyond five years using an expected growth percentage.

Impairment losses are recognized in the consolidated statement of comprehensive income as a part of other expenses.

m. Intangible assets

Intangible assets are recognized when they have the following characteristics: they are identifiable, they give future economic benefits and the Company has control over such benefits.

Intangible assets are valued at the lower of acquisition cost or fair value at the acquisition date and are classified based on their useful lives, which may be finite or indefinite. Indefinite-life assets are not amortized; however, they are subject to annual impairment tests. Finite life assets are amortized using the straight-line method at rates between 7.69% and 33.33%.

n. Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of Walmart Central America at the acquisition date and is not amortized.

Goodwill was assigned applying the perpetuity value technique to determine the goodwill's value in use, considering each Central American country (Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador) as a minimum cash generating unit.

Goodwill is tested for impairment annually. The Company engages the services of an independent expert to test its goodwill for impairment. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of value of money over time and the specific risks affecting such assets.

Future cash flows consider the business plan and projections used by management in its decision making for the following five years.

Goodwill is translated at the closing exchange rate and the effect is recognized in other comprehensive income.

o. Assets and liabilities held for sale and discontinued operations

The Company classifies as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are not subject to depreciation and are measured at the lower of their previous carrying amount and the fair value less costs to sell.

Assets and liabilities that meet the criteria to be classified as held for sale are presented separately in the statement of financial position from the rest of the assets and liabilities.

Revenues, expenses and costs related to such transactions are separately disclosed and recognized as part of the discontinued operations line in the consolidated statement of comprehensive income. The results must be comparable in both years.

p. Liabilities and provisions

Accrued liabilities represent current obligations (legal or assumed) for past events where outflow of economic resources is possible and that can be reasonably estimated. These provisions have been recorded based on management's best estimation. Reimbursements are recognized net of any related obligation when it is certain that the reimbursement will be obtained. Provision expenses are presented in the consolidated statement of comprehensive income net of any corresponding reimbursements.

q. Income taxes

Income taxes are classified as current and deferred, and are recognized in the consolidated statement of comprehensive income in the year they are expensed or accrued, except when they come from items directly recognized in other comprehensive income, in which case, the corresponding taxes are recognized in equity.

Current income taxes are determined based on the tax laws approved in the countries where **WALMEX** has operations, and is the result of applying the applicable tax rates at the date of the consolidated financial statements on the taxable profits of each entity of the Group. It is presented as a current liability/asset net of prepayments made during the year.

Deferred income taxes result from applying the applicable enacted or substantively enacted income tax rate at the reporting date to all temporary differences between financial reporting and tax values of assets and liabilities.

Deferred tax assets are only recognized when it is probable that sufficient taxable profit will be available against which the deductions for temporary differences can be taken. The deferred tax liabilities are generally recognized for all taxable temporary differences.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred assets to be used. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized, unless the period of reversal of temporary differences is controlled by **WALMEX** and it is probable that the temporary differences will not reverse in the near future.

Deferred tax assets and liabilities are offset when a legal right exists and when the taxes are levied by the same tax authority.

r. Employee benefits

Employees in Mexico are entitled to a seniority premium in accordance with the Mexican Federal Labor Law. **WALMEX** employees in each of the six countries are entitled to termination benefits to be paid in accordance to each country's respective labor laws. These employee benefits are recognized as expense during the years in which services are rendered, based on actuarial computations performed by independent experts using the projected unit credit method.

In Mexico, the seniority premium is granted to employees who retire from the Company with a minimum of fifteen years of seniority. The amount paid to the associate is equivalent to twelve days for each year worked, without exceeding the amount for each day of twice the minimum wage. The Company has set up a defined benefits trust fund to cover seniority premiums accruing to employees. Employees make no contributions to this fund.

In Central America, the termination benefits for associates are paid when in case of unjustified dismissal or death, in accordance with the Labor Law of each country where it operates. The benefits range from 20 days to one month of salary for each year of uninterrupted service.

All other payments to which employees or their beneficiaries are entitled to in the event of involuntary retirement or death are expensed as incurred, in accordance with federal labor laws of each country.

Actuarial gains and losses are recognized as they accrue directly in the consolidated statement of comprehensive income, and in the statement of change in equity.

s. Equity

Legal reserve:

At December 31, 2017, the legal reserve of the Company amounts to \$ 9,104,745 that represents 20% of the equity, which accordingly to the Mexican Corporations Act is the maximum level it can reach.

Employee stock option plan fund and stock option compensation:

The employee stock option plan fund is comprised of **WALMEX** shares which are acquired in the secondary market and are presented at acquisition cost. The plan is designed to grant stock options to executives of the companies in the Group, as approved by the Mexican National Banking and Securities Commission.

The shares subject to the plan are assigned, taking as a reference the weighted average price of the purchase and sale transactions in the secondary market of such shares.

In accordance with current corporate policy, **WALMEX** executives may exercise their option to acquire shares in equal parts over five years. The right to exercise an employee stock option expires after ten years as from the grant date or after sixty days following the date of the employee's termination.

The compensation cost of stock options is recognized in the consolidated statement of comprehensive income at fair value through the Black-Scholes financial valuation technique.

Premium on sale of shares:

The premium on sale of shares represents the difference between the cost of shares and the value at which such shares were sold, net of the corresponding income tax.

t. Revenue recognition

Revenue from merchandise sales is recognized in the consolidated statement of comprehensive income at the time ownership and risks of the products sold are transferred to the customer. Revenue from services is recognized at the time the service is provided.

Extended warranties, service commissions and cell phone airtime are recognized in the net sales line in the consolidated statement of comprehensive income at time the service is provided.

Sam's Club membership income is deferred over the twelve-month term of the membership and presented in the other revenues line in the consolidated statement of comprehensive income.

Rental income is recognized as it accrues over the terms of the lease agreements entered into with third parties and presented in the other revenues line in the consolidated statement of comprehensive income.

Revenues from the sale of waste are recognized in the other revenues line in the consolidated statement of comprehensive income at the time ownership of the products sold is transferred to the customer.

u. Basic earnings per share attributable to controlling interest

The basic earnings per share is the result of dividing the net income of the year attributable to owners of the parent by the weighted average number of outstanding shares. Diluted earnings per share are the same as basic earnings per share since there is currently no potentially dilutive common stock.

v. Operating segments

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions and assess the Company's performance. Segment information is presented based on the geographical zones in which the Company operates.

w. Foreign currency transactions

The Company's foreign currency denominated assets and liabilities are translated to functional currency at the prevailing exchange rate at the date of the consolidated statement of financial position. Exchange differences are recognized in the consolidated statement of comprehensive income in the financial income (expenses) lines.

4.- RISK MANAGEMENT

a. General risk factors:

The Company is exposed to the effects of future events that could affect the purchasing power and/or buying habits of its population. These events may be economic, political or social in nature and some of the most important are described below:

- I. **Changes in exchange rates.** Exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power, which could ultimately adversely affect the Company's sales, in particular, due to the purchase of import of goods.
- II. **Competition.** The retail sector has become very competitive in recent years, which has led to the need for all the players in the market to constantly look for ways to set themselves apart from the competition. This puts the Company's market share at risk. Other factors affecting the Company's market share could be the business expansion of its competitors and the possible entrance of new competitors into the market.

III. Inflation. A significant increase in inflation rates could have a direct effect on the purchasing power of the Company's customers and the demand for its products and services, as well as employment and salaries.

IV. Changes in government regulations. The Company is exposed to the changes in different laws and regulations, which, after becoming effective, they could affect the Company's operating results, such as an impact on sales, expenses for payroll indirect taxes and changes in applicable rates. Currently, the level of scrutiny and discretion by the tax authorities has greatly increased. Mexican courts have changed their position favoring those authorities ignoring violations of form and procedure.

b. Financial risk factors:

The Company's activities are exposed to various financial risks such as market risk, exchange rate risk and interest rate risk. The Company's risk management plan seeks to minimize the potential negative effects of these risks.

Exchange rate risk:

The Company operates with foreign companies and therefore is exposed to the risk of exchange rate operations with foreign currencies, particularly the US dollar.

At December 31, 2017, the exchange rate used to translate assets and liabilities denominated in US dollars was \$19.65 per dollar (\$20.73 in 2016). At the date of issuance of these financial statements, the exchange rate is \$18.66 per dollar.

Considering the net monetary position in dollars at December 31, 2017, whether an increase or decrease in the exchange rate of the US dollar against the Mexican peso of \$0.50 pesos arose, a favorable or unfavorable effect would be taken into the financial income (expenses) of the Company of \$24,635.

The Company has entered into Fx-forward contracts of foreign currency in order to protect itself from exposure to variability in the exchange rate for the payment of liabilities in Mexico related to the purchase of imported goods agreed in US dollars.

The valuation techniques used by the Company to determine and disclose the fair value of its financial instruments, are based on the fair value hierarchy level 2.

At December 31, 2017 and 2016, the Company has Fx-forward contracts with a term of no more than two months as shown below:

	2017	2016
Current contracts	39	38
Notional amount (millions of USD)	US\$ 62.32	US\$ 47.42
Fair value (millions of pesos)	\$ 25.45	\$ 9.76

Interest rate risk:

The Company has temporary investments which generate financial income. By reducing the interest rate the financial income of the Company also decreases. The interest rate of these investments fluctuated during the year between 3.0% and 7.2%. At December 31, 2017 the financial income amounted to \$1,030,317 (\$559,618 in 2016).

Considering the highly liquid instruments at December 31, 2017, whether an increase or decrease in the interest rate of 0.50% is present, favorable or unfavorable effect would have on the financial income of the Company of \$74,875.

5.- CASH AND CASH EQUIVALENTS

An analysis of cash and cash equivalents at December 31, 2017 and 2016, is as follows:

	2017	2016
Cash and cash in banks	\$ 16,690,567	\$ 15,193,486
Highly marketable investments	18,905,550	12,782,050
	<u>\$ 35,596,117</u>	<u>\$ 27,975,536</u>

6.- ACCOUNTS RECEIVABLE

An analysis of accounts receivable at December 31, 2017 and 2016, is as follows:

	2017	2016
Recoverable taxes	\$ 6,878,768	\$ 6,727,164
Trade receivables	2,414,224	2,197,981
Other accounts receivable	1,628,462	1,133,909
Related parties (Note 13)	108,052	93,841
Provision for impairment of other receivables	(195,046)	(335,017)
	<u>\$ 10,834,460</u>	<u>\$ 9,817,878</u>

Average aging to collect the accounts receivable to customers is 30 to 90 days.

7.- INVENTORIES

An analysis of inventories at December 31, 2017 and 2016, is as follows:

	2017	2016
Merchandise for sale	\$ 56,640,916	\$ 51,211,160
Agro-industrial development	909,313	777,056
	<u>57,550,229</u>	<u>51,988,216</u>
Merchandise in transit	1,913,026	1,677,023
	<u>\$ 59,463,255</u>	<u>\$ 53,665,239</u>

8.- ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

On April 4, 2017, **WALMEX** sold to Liverpool 100% of the shares held by **WALMEX** in the legal entities comprising the Suburbia group, as well as certain intangible assets, furniture and **WALMEX**'s interest in own and leased assets for the net amount of \$ 16,269,000. As part of this transaction, Liverpool assumed debt of \$1,392,000 under finance leases. In addition, Suburbia (now subsidiary of Liverpool) paid to **WALMEX** \$ 3,293,000 in dividends and a capital reduction.

In 2017 and 2016, the Company obtained a net result by discontinued operations of \$7,474,618 (includes the gain on the sale of Suburbia of \$7,225,000) and \$4,842,597, respectively. Additionally, \$5,047,000 were recognized as deferred revenue, which will be recognized in income through rental agreements for approximately 20 years (Notes 14 and 16).

The summary of discontinued operations reported in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016, that includes the results of operations of the Suburbia stores are as follows:

	2017	2016
Total revenue	\$ 12,688,568	\$ 14,495,607
Costs and expenses	(2,658,436)	(12,177,161)
Income tax	(2,555,514)	2,524,151
Net income from discontinued operations	<u>\$ 7,474,618</u>	<u>\$ 4,842,597</u>

Legal, consulting, advisory and other expenses related with the disposal of Suburbia, are recognized in the year they are incurred in the line of discontinued operations in the consolidated statement of comprehensive income.

An analysis of Suburbia's assets and liabilities classified as held for sale were as follows:

	April 4, 2017	December 31, 2016
Current assets	\$ 4,899,000	\$ 5,652,160
Property and equipment, net	3,323,911	2,463,592
Deferred tax assets	258,535	3,476,882
Other non-current assets	56,220	36,260
Total assets held for sale	<u>\$ 8,537,666</u>	<u>\$ 11,628,894</u>
Accounts payable	\$ 1,411,611	\$ 2,220,993
Other current liabilities	911,536	678,725
Non-current liabilities	985,494	1,051,824
Total liabilities associated with assets held for sale	<u>\$ 3,308,641</u>	<u>\$ 3,951,542</u>

The Company applied tax benefits of \$3,063,000 that had been recognized in deferred tax assets as of December 31, 2016.

The net cash flows of Suburbia for the period from January 1 to April 4, 2017 and the year ended December 31, 2016 were \$(666,813) and \$(1,063,070), respectively.

9.- PROPERTY AND EQUIPMENT

An analysis of property and equipment at December 31, 2017 and 2016, is as follows:

	December 31 2015	Additions	Disposals	Transfers	Translation effect	December 31, 2016	Additions	Disposals	Transfers	Translation effect	December 31, 2017
Land	\$ 31,409,287	\$ 219,303	\$ (94,511)	\$ (1,227,809)	\$ 717,108	\$ 31,023,378	\$ 306,878	\$ (203,763)	\$ (774,690)	\$ (420,098)	\$ 29,931,705
Buildings	45,432,517	1,912,719	(164,395)	(53,853)	1,746,305	48,873,293	2,489,449	(221,205)	9,430,500	(937,869)	59,634,168
Facilities and leasehold improvements	51,381,858	2,263,358	(543,049)	(203,717)	821,654	53,720,104	2,245,950	(747,229)	(11,337,835)	(311,966)	43,569,024
Furniture and equipment	58,449,102	5,472,626	(2,022,861)	(321,657)	2,093,722	63,670,932	6,776,701	(2,283,249)	1,508,929	(943,481)	68,729,832
Subtotal	186,672,764	9,868,006	(2,824,816)	(1,807,036)	5,378,789	197,287,707	11,818,978	(3,455,446)	(1,173,096)	(2,613,414)	201,864,729
Accumulated depreciation	(71,635,340)	(9,813,395)	1,984,913	2,315,321	(1,734,524)	(78,883,025)	(10,510,223)	2,696,170	1,943,700	620,159	(84,133,219)
Construction in progress	3,230,045	3,717,299	(297,503)	(3,347,657)	(16,560)	3,285,624	5,124,437	(237,638)	(3,981,714)	330,533	4,521,242
Total	\$ 118,267,469	\$ 3,771,910	\$ (1,137,406)	\$ (2,839,372)	\$ 3,627,705	\$ 121,690,306	\$ 6,433,192	\$ (996,914)	\$ (3,211,110)	\$ (1,662,722)	\$ 122,252,752

Depreciation expense for the years ended December 31, 2017 and 2016, was \$10,396,379, and \$9,713,707, respectively, and it is included in general expenses line in the consolidated statement of comprehensive income.

Property and equipment impairment for the years ended December 31, 2017 and 2016, was \$11,251 and \$267,576, respectively, and is presented in the disposals column. Also impairment reversed amounted \$14,503 and \$20,961, for the years ended December 31, 2017 and 2016, respectively.

At December 31, 2016, transfers column includes the reclassification of beginning balance of fixed assets held for sale of Suburbia by \$2,129,746.

10.- FINANCE LEASES

An analysis of finance leases as of December 31, 2017 and 2016, is as follows:

	December 31, 2015	Additions	Disposals	Transfer	Translation effect	December 31, 2016	Additions	Disposals	Transfer	Translation effect	December 31, 2017
Buildings	\$ 13,676,118	\$ 1,216,928	\$ (123,614)	\$ (922,005)	\$ 321,262	\$ 14,168,689	\$ 1,071,885	\$ (205,285)	\$ (25,875)	\$ (121,250)	\$ 14,888,164
Furniture and equipment	2,236,292	241,621	(98,042)	(131,276)	–	2,248,595	128,733	(19,409)	(23,918)	–	2,334,001
Subtotal	15,912,410	1,458,549	(221,656)	(1,053,281)	321,262	16,417,284	1,200,618	(224,694)	(49,793)	(121,250)	17,222,165
Accumulated Depreciation	(3,957,523)	(662,412)	202,153	466,001	(121,399)	(4,073,180)	(697,522)	59,727	168,660	30,124	(4,512,191)
Total	\$ 11,954,887	\$ 796,137	\$ (19,503)	\$ (587,280)	\$ 199,863	\$ 12,344,104	\$ 503,096	\$ (164,967)	\$ 118,867	\$ (91,126)	\$ 12,709,974

Amortization expense for the years ended December 31, 2017 and 2016, was \$697,522 and \$662,412, respectively, and it is included in the general expenses line in the consolidated statement of comprehensive income.

11.- INVESTMENT PROPERTIES

Investment properties as of December 31, 2017 and 2016 is as follows:

	December 31, 2016	Depreciation	Disposals	Transfers	December 31, 2017
Land	\$ 1,353,370	–	\$ (5,580)	\$ 1,244,990	\$ 2,592,780
Buildings	810,646	–	(59,783)	1,929,137	2,680,000
Facilities and improvements	489,603	–	(215)	1,861,807	2,351,195
Subtotal	2,653,619	–	(65,578)	5,035,934	7,623,975
Accumulated depreciation	(338,426)	(215,274)	–	(1,951,568)	(2,505,268)
Total	\$ 2,315,193	\$ (215,274)	\$ (65,578)	\$ 3,084,366	\$ 5,118,707

Depreciation expense for the years ended December 31, 2017 and 2016, was \$215,274, and \$35,603, respectively, and it is included in the general expenses line in the consolidated statement of comprehensive income.

The fair value of investment properties as of December 31, 2017 is \$8,325,199. This fair value has been determined by applying an appropriate rental approach to the rental earned by the investment property. A valuation has not been performed by an independent expert.

12.- INTANGIBLE ASSETS

An analysis of intangible assets at December 31, 2017 and 2016, is as follows:

	December 31, 2015	Additions	Disposals	Transfers	Translation effect	December 31, 2016	Additions	Disposals	Transfers	Translation effect	December 31, 2017
Goodwill	\$ 33,057,328	\$ –	\$ –	\$ –	\$ 6,363,220	\$ 39,420,548	\$ –	\$ –	\$ –	\$ (2,047,352)	\$ 37,373,196
Trademarks	832,324	–	–	–	141,802	974,126	–	–	–	(59,853)	914,273
Licences and software	1,498,004	746,315	(15,120)	(128,728)	59,478	2,159,949	482,220	(1,353)	14,533	(33,094)	2,622,255
Trade receivables	214,916	–	–	–	35,450	250,366	–	–	–	(20,576)	229,790
Patents	38,320	3,161	–	(40,485)	(996)	–	–	–	–	–	–
Subtotal	35,640,892	749,476	(15,120)	(169,213)	6,598,954	42,804,989	482,220	(1,353)	14,533	(2,160,875)	41,139,514
Accumulated amortization	(1,184,673)	(282,337)	23,088	55,768	(77,303)	(1,465,457)	(335,701)	1,871	(6,566)	34,367	(1,771,486)
Total	\$ 34,456,219	\$ 467,139	\$ 7,968	\$ (113,445)	\$ 6,521,651	\$ 41,339,532	\$ 146,519	\$ 518	\$ 7,967	\$ (2,126,508)	\$ 39,368,028

At December 31, 2016, transfers column includes the reclassification of beginning balance of intangible assets held for sale of the Suburbia of \$ 6,582.

As a result of impairment test, the Company concluded that there was no impairment in the value of the Company's Goodwill as of December 31, 2017 and 2016.

Trade marks represents those that were acquired at the time of the acquisition of Walmart Central America such as: Palí, Despensa Familiar, Maxi Bodega, among others. They are translated at the year-end exchange rate and the corresponding effect is recognized in other comprehensive income items.

Licenses, software and customers amortization expense for the years ended December 31, 2017 and 2016, was \$335,701 and \$282,014, respectively, and it is included in general expenses line of the consolidated statement of comprehensive income.

13.- RELATED PARTIES:

a) Related party balances

At December 31, 2017 and 2016, the consolidated statement of financial position includes the following balances with related parties:

	2017	2016
Accounts receivable:		
Walmart Inc (holding company)	\$ 108,052	\$ 93,841
Accounts payable:		
C.M.A. – U.S.A., L.L.C. (affiliate)	\$ 712,442	\$ 786,220
Global George, LTD. (affiliate)	207,225	99,005
	<u>\$ 919,667</u>	<u>\$ 885,225</u>
Other accounts payable:		
Walmart Inc. (holding company)	\$ 716,406	\$ 753,643

At December 31, 2017 and 2016, balances with related parties consist of current accounts that bear no interest, payable in cash and without guarantees.

b) Related party transactions

WALMEX has entered into the following open-ended agreements with related parties:

- Imports of goods for sale, interest-free and payable monthly.
- Purchase commissions with Global George that are payable on a recurring basis.
- Technical assistance and services with Walmart Inc. that are payable monthly.
- Royalties for trademark use with Walmart Inc., payable quarterly based on a percentage of sales of the retail businesses.

The terms of the related party transactions are consistent with those of an arm's length transaction.

The Company had the following transactions with related parties during the years ended December 31, 2017 and 2016:

	2017	2016
Purchases and commissions related to import of goods for sale:		
C.M.A. – U.S.A., L.L.C. (affiliate)	\$ 4,389,784	\$ 4,786,947
Global George, LTD. (affiliate)	218,174	180,379
	<u>\$ 4,607,958</u>	<u>\$ 4,967,326</u>
Costs and expenses related to technical assistance, services and royalties:		
Walmart Inc. (holding company)	\$ 3,284,545	\$ 2,960,241

c) Remuneration of principal officers

An analysis of remuneration to the Company's principal officers for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Short-term benefits	\$ 1,255,014	\$ 1,281,379
Termination benefits	86,076	185,724
Share-based payments	82,942	77,976
	<u>\$ 1,424,032</u>	<u>\$ 1,545,079</u>

14.- OTHER ACCOUNTS PAYABLE

An analysis of other accounts payable at December 31, 2017 and 2016, is as follows:

	2017	2016
Accrued liabilities and others	\$ 16,969,500	\$ 15,221,812
Dividends	2,874,633	2,506,349
Provisions (Note 15)	1,513,403	1,223,328
Deferred revenue	1,382,740	986,448
Related parties (Note 13)	716,406	753,643
Finance lease (Note 16)	381,204	533,047
	<u>\$ 23,837,886</u>	<u>\$ 21,224,627</u>

15.- COMMITMENTS AND CONTINGENCIES

a) Commitments

At December 31, 2017, the Company has entered into agreements with suppliers for the acquisition of inventories, property and equipment, maintenance services, as well as renewable energy supply services which are shown below:

Year	Amount
2018	\$ 18,390,254
2019	\$ 1,507,681
2020	\$ 1,563,577
2021	\$ 1,621,556
2022	\$ 1,681,697
2023 and thereafter	\$ 33,170,265

The Company has lease commitments as explained in Note 16.

b) Contingencies

The company is subject to several lawsuits and contingencies for legal proceedings (labor, civil, commercial and administrative proceedings) and tax proceedings. The Company has recognized a provision of \$1,513,403 as of December 31, 2017 (\$1,223,328 in 2016), which is presented in other accounts payable. In the opinion of the Company, none of the legal proceedings are significant either individually or as a whole.

c) Legal proceedings

WALMEX is a subsidiary of Walmart Inc. ("WMT"). WMT owns approximately 70% of the shares and voting power in **WALMEX** and has the ability to designate at least a majority of the directors of **WALMEX**. The remaining share of **WALMEX** are publicly traded on the Mexican Stock Exchange and, to the best of the knowledge of **WALMEX**, no shareholder other than WMT and its affiliates owns more than 2% of the outstanding shares of **WALMEX**.

Currently, the Board of Directors of **WALMEX** is composed of 11 directors. The Audit Committee and the Corporate Governance Committee of the Board of Directors are composed exclusively of independent directors.

WMT is subject to a wide variety of laws and regulations in the United States of America and in the countries in which it operates, including but not limited to the U.S. Foreign Corrupt Practices Act (the "FCPA").

As **WALMEX** publicly disclosed on April 23, 2012, WMT is the subject of an investigation under the FCPA by the U.S. Department of Justice and the U.S. Securities and Exchange Commission following a disclosure that WMT made to those agencies in November 2011.

The Audit Committee of the Board of Directors of WMT, which is composed solely of independent directors, is conducting an internal investigation into, among other things, alleged violations of the FCPA and other alleged crimes or misconduct in connection with foreign subsidiaries, including **WALMEX** and whether prior allegations of such violations and/or misconduct were appropriately handled by WMT. The Audit Committee of WMT and WMT have engaged outside counsel from a number of law firms and other advisors who are assisting in the on-going investigation of these matters. **WALMEX** has also engaged outside counsel to assist in these matters.

WMT is also conducting a voluntary global review of its policies, practices and internal controls for FCPA compliance. WMT is engaged in strengthening its global anti-corruption compliance programs through

appropriate remedial anti-corruption measures. **WALMEX** is taking part in such voluntary global review and strengthening of programs.

Furthermore, lawsuits relating to the matters under investigation have been filed by several of WMT's shareholders against it and against **WALMEX**, its current directors, certain of its former directors, certain of its current and former officers and certain of **WALMEX**'s current and former officers.

WALMEX is cooperating with WMT in the review of these matters and it intends to continue fully cooperating in such regard.

A number of federal and local government agencies in Mexico have also initiated investigations of these matters. **WALMEX** is cooperating with the Mexican governmental agencies conducting these investigations.

The Audit Committee and the Corporate Governance Committee of the Board of Directors of **WALMEX**, as well as the Board of Directors of **WALMEX**, have been informed about these matters and have determined, by an unanimous vote of the independent directors only, that it is in the best interests of **WALMEX** to continue to cooperate at this time with WMT and the U.S. and Mexican agencies conducting these investigations.

WALMEX could be exposed to a variety of negative consequences as a result of the matters noted above. There could be one or more enforcement actions in respect of the matters that are the subject of some or all of the ongoing government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desists orders or other relief, criminal convictions and/or penalties. The shareholder lawsuits may result in judgments against WMT and **WALMEX** and to current and former directors and current and former officers of WMT and **WALMEX** named in those proceedings. **WALMEX** cannot predict accurately at this time the outcome or impact of the government's investigations, the shareholder lawsuits, the internal investigation and review. In addition, **WALMEX** expects to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the government investigations, and it cannot predict

at this time the ultimate amount of all such costs. These matters may require the involvement of certain members of **WALMEX**'s senior management that could impinge on the time they have available to devote to other matters relating to the business. **WALMEX** may also see ongoing media and governmental interest in these matters that could impact the perception among certain audiences of its role as a corporate citizen.

WALMEX, its Board of Directors and its Audit Committee and Corporate Governance Committee will at all times ensure compliance with applicable Mexican law and ensure that they create value to **WALMEX**, acting diligently and adopting reasoned decisions, without favoring any shareholder or group of shareholders.

Although **WALMEX** does not presently believe, based on the information currently available and the advice of its external Mexican counsel, that these matters will have a material adverse effect on its business, given the inherent uncertainties in such situations, **WALMEX** can provide no assurance that these matters will not be material to its business in the future.

16.- OTHER LONG-TERM LIABILITIES

At December 31, 2017 and 2016, the other long-term liabilities line includes the Company's obligations that are due over one year and that are related to its finance leases, and the deferred revenue for rent income of \$5,211,739.

The Company analyzes its services agreements that do not have the legal form of a lease to determine if the supplier transfers to **WALMEX** the use of an asset. After this analysis, **WALMEX** has determined that there are no service agreements that must be classified as a lease.

The Company has entered into property lease agreements with third parties with compulsory terms of 15 years in average.

The Company has also entered into finance leases for the rental of residual water treatment plants used to meet environmental protection standards. The terms of these agreements are 10 years.

Future rental payments are as follows:

Year	Operating leases (compulsory term)	Finance leases (minimum payments)	
		Present value	Future value
2018	\$ 1,179,600	\$ 381,204	\$ 1,790,688
2019	1,123,503	354,719	1,732,761
2020	1,155,379	343,839	1,694,039
2021	1,211,312	386,925	1,706,425
2022	1,170,137	383,638	1,670,738
2023 and thereafter	9,352,859	12,257,059	29,265,701

At December 31, 2017 and 2016, the liability derived from the use of the straight-line method under operating leases was \$927,680 and \$861,659, respectively, from which \$59,320 and \$40,575 are presented in the current liabilities line.

Total rent under operating leases charged to the income statement during the years ended December 31, 2017 and 2016 was \$6,101,990 and \$6,075,341, respectively, and it is included in general expenses line in the statement of consolidated of comprehensive income.

17.- INCOME TAXES

WALMEX as an integrating entity and its integrated subsidiaries in Mexico, determine and pay its income tax under the optional integration regime for groups of entities. Also, the tax provision includes the tax income of subsidiaries located abroad, which is determined in accordance with applicable tax laws of each country.

An analysis of income taxes charged to the income statement for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Current year tax	\$ 15,741,002	\$ 11,475,470
Deferred tax	(4,841,339)	(852,474)
Total	<u>\$ 10,899,663</u>	<u>\$ 10,622,996</u>

As of December 31, 2017 and 2016, the Company's effective tax rate is 25.2% and 27.1%, respectively. The difference between the statutory tax rate and Company's effective tax rate is due to inflationary effects and other permanent items.

Income tax rates applicable to each country are shown below:

	Rate
Mexico	30 %
Costa Rica	30 %
Guatemala	25 %
Honduras	30 %
Nicaragua	30 %
El Salvador	30 %

An analysis of the effects of the temporary differences giving rise to deferred tax assets and liabilities at December 31, 2017 and 2016, is as follows:

	2017	2016
<u>Deferred tax assets</u>		
Other long-term liabilities	\$ 2,950,192	\$ 939,166
Other accounts payable	2,146,325	2,228,223
Inventories	820,468	767,033
Labor obligations	688,823	505,439
Tax losses carryforward from subsidiaries	253,029	159,543
Provision for impairment of other receivables	23,585	100,325
	<u>\$ 6,882,422</u>	<u>\$ 4,699,729</u>
<u>Deferred tax liabilities</u>		
Property and equipment	\$ 5,472,622	\$ 9,621,766
Prepaid expenses	280,678	290,507
Other items	333,887	571,164
	<u>\$ 6,087,187</u>	<u>\$ 10,483,437</u>

Deferred income tax assets on tax losses carryforwards are recognized to the extent that realization of the related tax benefit through future taxable income is probable.

The Company has the following tax losses from subsidiaries which in conformity with the current Mexican Income Tax Law, may be carried forward against the taxable income generated in future years.

Year of expiration	Amount
2024	\$ 154,469
2025	86,044
2026	202,327
2027	400,589
	<u>\$ 843,429</u>

18.- EMPLOYEE BENEFITS

At December 31, 2017 and 2016, an analysis of the Company's assets and liabilities for seniority premiums and retirement benefits is as follows:

	Seniority premiums		Retirement benefits	
	2017	2016	2017	2016
Defined benefit obligations	\$ 1,020,340	\$ 856,129	\$ 1,728,121	\$ 1,538,632
Plan Assets	(756,598)	(709,437)	–	–
Net projected liability	<u>\$ 263,742</u>	<u>\$ 146,692</u>	<u>\$ 1,728,121</u>	<u>\$ 1,538,632</u>

Changes in the net present value of the defined benefit obligations (DBO) at December 31, 2017 and 2016, are shown below:

	Seniority premiums		Retirement benefits	
	2017	2016	2017	2016
DBO at beginning of year	\$ 856,129	\$ 935,158	\$ 1,538,632	\$ 1,424,654
Net period cost charged to the results:				
- Labor cost from actual services	128,762	140,223	141,040	226,080
- Interest cost on DBO	66,974	64,535	89,817	130,797
Other comprehensive income items	75,090	(92,344)	245,110	(259,389)
Benefits paid	(106,615)	(123,483)	(243,609)	(226,333)
Translation impacts	–	–	(42,869)	252,404
Transfers	–	(67,960)	–	(9,581)
DBO at year end	<u>\$ 1,020,340</u>	<u>\$ 856,129</u>	<u>\$ 1,728,121</u>	<u>\$ 1,538,632</u>

Changes in the net present value of the plan assets (PA), at December 31, 2017 and 2016, are shown below:

	Seniority premiums	
	2017	2016
PA at beginning of year	\$ (709,437)	\$ (730,709)
Return on plan assets	(55,601)	(50,223)
Other comprehensive income items	41,821	48,465
Plan contributions	(139,961)	(145,171)
Benefits paid	106,580	123,438
Transfers	–	44,763
PA at year end	<u>\$ (756,598)</u>	<u>\$ (709,437)</u>

Valuation techniques used by the Company to determine and disclose the fair value of its financial instruments is based on a level 1 hierarchy.

At December 31, 2017 and 2016, the plan assets have been invested through the trust mostly in money market instruments.

At December 31, 2017 and 2016, actuarial gains/losses from labor obligations, net of taxes are recognized in the other comprehensive income items by \$412,046 and \$155,662, respectively.

At December 31, 2017, the assumptions used in the actuarial valuations of Mexico and Central America, are as follows:

	Mexico		Central America	
	2017	2016	2017	2016
Financial:				
Discount rate	7.75%	7.75%	6.86% - 11.45%	8.39% - 13.10%
Salary increase rate	5.25%	5.25%	2.50% - 7.66%	2.50% - 7.50%
Minimum salary increase rate	4.00%	4.00%	2.00% - 7.16%	2.00% - 7.00%
Inflation rate	4.00%	4.00%	2.00% - 7.16%	2.00% - 7.00%
Biometrics:				
Mortality	IMSS-97 ⁽¹⁾	IMSS-97 ⁽¹⁾	RP-2000 ⁽²⁾	RP-2000 ⁽²⁾
Disability	21.07%	21.07%	15.40%	15.40%
Retirement age	60 years	60 years	50-65 years	50-65 years

(1) Experience from the Mexican Institute for Social Security for males and females

(2) RP-2000 for Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

A sensitivity analysis of the DBO at December 31, 2017, is as follows:

	Amount
DBO at December 31, 2017	\$ 2,748,461
DBO at discount rate +1%	2,594,950
DBO at discount rate -1%	3,002,539
Effects over DBO:	
Discount rate +1%	(188,726)
Discount rate -1%	218,864

The discount rate in Mexico is determined using the curve of government bonds issued by the Federal Government known as M. Bonds. In Central America, the discount rate is determined using the curve of government bonds of United States of America plus the risk of each country.

19.- EQUITY

- a. At an ordinary meeting held on March 30, 2017, the shareholders adopted the following resolutions:
1. Approval of a cap of \$ 5,000,000 on the amount the Company would use in 2017 to repurchase its own shares.
 2. The shareholders declared an ordinary cash dividend of \$ 0.64 pesos per share, paid in four installments of \$ 0.16 pesos each on April 26, 2017; August 30, 2017; November 29, 2017; and February 21, 2018. The shareholders also declared an extraordinary cash dividend of \$ 1.86 pesos per share that include \$0.96 pesos per share relate to the sale of Suburbia division that were paid on April 26, 2017; and the amount of \$0.90 pesos to paid out in two installments: one of \$ 0.53 pesos on April 26, 2017 and another of \$ 0.37 pesos on November 29, 2017.

Once the dividend declared is approved by Shareholders' meeting, the Company reduces retained earnings and recognizes the accounts payable in the consolidated statement of financial position.

- b. Capital stock is represented by shares of one series, nominatives, common or ordinary, freely subscribed and registered shares with no par value. The Company's capital stock must be represented by a minimum of three billion shares and a maximum of one hundred billion shares.

At December 31, 2017 and 2016, an analysis of paid-in stock and the number of shares representing it is as follows:

Capital stock	Amount
Fixed minimum capital	\$ 5,591,362
Variable capital	<u>36,935,265</u>
Subtotal	42,526,627
Inflation effects	<u>2,941,801</u>
Total	<u>\$ 45,468,428</u>
Number of freely subscribed common shares	<u>17,461,402,631</u>

During the year ended December 31, 2017 and 2016, **WALMEX** did not repurchase its own shares.

- c. Distributed earnings and capital reductions that exceed the net taxed profits account (CUFIN per its acronym in Spanish) and restated contributed capital account (CUCA per its acronym in Spanish) balances are subject to income tax, in conformity with Articles 10 and 78 of the Mexican Income Tax Law.

At December 31, 2017 and 2016, the total balance of the tax accounts related to equity is \$ 71,829,298 and \$ 85,708,979, respectively, in conformity of the current tax laws effective January 1, 2014.

- d. The employee stock option plan fund consists of 198,283,604 **WALMEX** shares, which have been placed in a trust created for the plan.

The total compensation cost charged to operating results in the years ended December 31, 2017 and 2016 was \$ 250,513 and \$ 270,416, respectively, which represented no cash outflow for the Company.

Changes in the stock option plan are as follows:

	Number of shares	Weighted Average price per share (pesos)
Balance at December 31, 2015	206,144,049	31.77
Granted	43,004,673	40.25
Exercised	(35,404,131)	27.92
Cancelled	(14,526,525)	37.09
Balance at December 31, 2016	199,218,066	33.90
Granted	46,668,006	38.64
Exercised	(47,228,029)	30.38
Cancelled	(13,695,569)	37.35
Balance at December 31, 2017	<u>184,962,474</u>	35.73
Shares available for option grant:		
At December 31, 2017	<u>13,321,130</u>	
At December 31, 2016	<u>5,789,567</u>	

At December 31, 2017, the granted and exercisable share under the stock option plan fund is 184,962,474 and 76,664,906, respectively.

20.- OTHER REVENUES

For the years ended on December 31, 2017 and 2016, an analysis of other revenues related to the Company's primary business activities is as follows:

	2017	2016
Memberships	\$ 1,480,819	\$ 1,312,042
Rental	1,681,103	1,289,258
Sale of waste	665,430	452,804
Parking	71,487	87,596
Others	—	671,007
Total	<u>\$ 3,898,839</u>	<u>\$ 3,812,707</u>

As of January 1, 2017, service commissions and extended warranties are recognized in net sales item in the consolidated statement of comprehensive income. Until to December 31, 2016, such revenues were presented as other income item in the consolidated statement of comprehensive income.

As of December 31, 2017, rental item includes \$465,546 (\$282,635 in 2016) of investment properties.

21.- COST AND GENERAL EXPENSES

Cost of sales and general expenses are presented in the consolidated statement of comprehensive income and mainly include the purchase of merchandise, personnel expenses, depreciation and amortization, rent, advertising, maintenance, utilities, royalties, and technical assistance.

22.- FINANCIAL INCOME (EXPENSES)

An analysis of financial income (expenses) for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Financial income		
Financial income	\$ 1,052,093	\$ 601,577
Currency exchange gain	201,452	559,390
Income on changes in fair value of derivatives	132,291	160,172
	<u>\$ 1,385,836</u>	<u>\$ 1,321,139</u>
Financial expenses		
Interest on finance leases	\$ (1,436,653)	\$ (1,270,826)
Currency exchange loss	(192,428)	(181,216)
Loss on changes in fair value of derivatives	(116,596)	(150,863)
Other	(187,698)	(41,099)
	<u>\$ (1,933,375)</u>	<u>\$ (1,644,004)</u>

Financial income primarily consists of interest earned on investments.

23.- SEGMENT FINANCIAL INFORMATION

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions.

The Company analyzes and manage it operations through the following geographical segments: Mexico and Central America.

An analysis of financial information by operating segments and geographical zones is as follows:

Segment	Year ended December 31, 2017			
	Total revenues	Operating income	Financial expenses – net	Income before taxes on profits
Mexico	\$ 465,885,937	\$ 37,221,878	\$ (473,024)	\$ 36,748,854
Central America	107,379,083	6,615,661	(74,515)	6,541,146
Consolidated	<u>\$ 573,265,020</u>	<u>\$ 43,837,539</u>	<u>\$ (547,539)</u>	<u>\$ 43,290,000</u>

Segment	Year ended December 31, 2016			
	Total revenues	Operating income	Financial expenses – net	Income before taxes on profits
Mexico	\$ 433,025,350	\$ 33,645,606	\$ (288,838)	\$ 33,356,768
Central America	99,358,733	5,809,529	(34,027)	5,775,502
Consolidated	<u>\$ 532,384,083</u>	<u>\$ 39,455,135</u>	<u>\$ (322,865)</u>	<u>\$ 39,132,270</u>

Segment	Year ended December 31, 2017			
	Purchase of long term definite-lived assets	Depreciation and amortization	Total assets	Current liabilities
Mexico	\$ 11,259,484	\$ 9,088,722	\$ 202,122,787	\$ 88,272,139
Central America	6,166,151	2,556,154	55,759,681	19,555,408
Goodwill	–	–	37,373,196	–
Consolidated	\$ 17,425,635	\$ 11,644,876	\$ 295,255,664	\$ 107,827,547

Segment	Year ended December 31, 2016			
	Purchase of long term definite-lived assets	Depreciation and amortization	Total assets	Current liabilities
Mexico	\$ 9,270,784	\$ 8,435,439	\$ 185,542,078	\$ 73,898,816
Central America	5,063,997	2,258,296	51,700,091	16,467,773
Goodwill	–	–	39,420,548	–
Consolidated	\$ 14,334,781	\$ 10,693,735	\$ 276,662,717	\$ 90,366,589

At December 31, 2017, total assets do not include assets held for sale corresponds to the Suburbia stores.

24.- RECLASSIFICATIONS BY PRESENTATION

Due to comparability purposes and to get a better understanding of its financial information, the Company has done certain reclassifications in the consolidated statement of financial position as of December 31, 2016.

Assets

Non-current assets:

Properties and equipment, net	\$ 136,349,603	\$ (14,659,297)	\$ 121,690,306
Finance lease, net	–	12,344,104	12,344,104
Investment properties, net	–	2,315,193	2,315,193
Other non-current assets	1,518,766	361,309	1,880,075
Total assets	287,930,302	361,309	288,291,611

Liabilities and equity

Short-term liabilities:

Accounts payable	\$ 65,557,689	\$ 361,309	\$ 65,918,998
Other accounts payable	17,455,165	3,769,462	21,224,627
Tax payable	6,992,426	(6,992,426)	–
Income tax payable	–	3,222,964	3,222,964
Total liabilities	120,904,286	361,309	121,265,595
Equity:			
Legal reserve	9,104,745	(9,104,745)	–
Retained earnings	90,545,819	9,104,745	99,650,564

25.- APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements and accompanying notes for the years ended December 31, 2017 and 2016 were approved by the Company's management and Board of Directors on February 15, 2018, and are subject to approval by the Shareholders meeting. The subsequent events are considered until this date.

Report by the Audit Corporate Practices Committees

Wal-Mart de México, S.A.B. de C.V.

Annual Report

Board of Directors, Wal-Mart de México S.A.B. de C.V.
Present.

To Whom It May Concern:

In compliance with article 43 of the Securities Market Law (LMV) and the internal regulations of the Committees I oversee, with approval from the Board of Directors for Wal-Mart de México, S.A.B. de C.V. (which together with its subsidiaries hereinafter is the Company), we hereby inform you of the activities undertaken during the reporting period ending on Dec. 31, 2017.

Throughout the work conducted, in addition to that stipulated under the LMV, we have always abided by that contained under the Code of Best Corporate Practices, issued by the CEC (Coordinating Business Council); the Company Code of Ethics; the General Internal Regulation of the Mexican Stock Exchange; and the general provisions stemming from the LMV.

In compliance with our oversight process the Audit and Corporate Practices have conducted quarterly regular meetings to analyze the overall situation regarding matters of material importance in the fields of finance, accounting, legal, operations and ethics for the Company, and supplementing our participation in said meetings

throughout the year with the office of the CEO, Legal, Finance and Internal Audit are the reports presented by the principal officers of the Company as requested by us, in addition to special meetings held to cover specific matters, as needed, such as the following:

I. Corporate Practices:

a. We were kept informed by the management of the Company, with no observations made, on the following:

1. Evaluation processes for relevant officers and their authorized succession plans, which include but are not limited to Olga González Aponte in his position of Senior Vice President of Administration and Finance for Walmart Mexico and Central America, effective as of 1st of July 2017, replacing Pedro Farah.
2. The processes followed to determine integrated compensation for the CEO and the integrated compensation packages for the other relevant officers -mentioned under note 13, paragraph c) of the consolidated financial statements for Wal-Mart de México,

S.A.B. de C.V. and Subsidiaries, at Dec. 31, 2017 (hereinafter the "financial statements for the Company").

3. The policies and procedures followed during the reporting year, with regards to operations with related parties and the corresponding investigation on transfer prices, the concepts of which are discussed under note 13 of the financial statements.
 4. The operations related to the sale of the apparel store -Suburbia- which is mentioned under note 8 of the financial statements.
- b. During the 2017 period, the Company management kept us informed of the progress made regarding the investigations on alleged corrupt practices that the Audit Committee of Wal-Mart Stores, Inc. ("Wal-Mart") has been conducting with the assistance of independent lawyers and other advisors and the measures that the Company has taken, reinforcing the internal organization, training Directors, executives and associates: and strengthening the processes, thus becoming a leader in compliance worldwide such as that explained in detail

under note 15, paragraph c) of the Company financial statements. In addition, we continue believing that our cooperation with the aforementioned investigations is in the best interest of the Company and its shareholders, with no distinction whatsoever.

- c. The Board of Directors granted no dispensation whatsoever to any Director, executive, or anyone with a position of authority, as indicated under article 28, section III, paragraph f) of the LMV.

II. Audit:

- a. We analyze the status of the internal control system, and were informed in detail of the programs and development of internal and independent audit work done, as well of the primary aspects requiring improvement and follow-up on the preventive and corrective measures implemented by Management. Therefore, it is our opinion that the effectiveness required for the Company to function with an appropriate level of control is being accomplished.
- b. We evaluated the performance of the independent auditors, who are responsible for issuing an opinion on the reasonability of the Company financial statements and their adherence to International Financial Information Standards. With regards to the same, we consider that the partners at Mancera, S.C. (a member of EY Global) comply with all necessary requirements regarding the professional quality and independence of intellectual and economic action, thus they were recommended as examiners and issuers of the report

on the Company financial statements. On the other hand, the additional or complementary services that the aforementioned auditors rendered for the Company throughout 2017, did neither impair their independence nor were they substantial.

- c. We attended different meetings to review the quarterly and annual financial statements for the Company and, at the time, we recommended publishing said financial information.
- d. We were informed about the accounting policies that were approved and put into practice throughout 2017 and its modifications, the elimination of the accounting policies of Suburbia, S. de R.L. of C.V. and other companies related to Suburbia clothing stores as a result of their sale.
- e. Follow-up was given to any and all relevant observations made by the shareholders, directors, relevant officers, employees and any third party in general, regarding the accounting, internal controls, and subjects related to internal or independent audits.
- f. Follow-up was also given to all agreements made by shareholders and members of the board of directors for the Company.
- g. Information was provided on the progress made regarding investment plans and the impact on the results sent to the Mexican Stock Exchange, as a result of adjustments made to store-opening processes.
- h. Information was provided on the legal contingencies to which the Company is exposed, and which are

recognized in the financial statements as per the probability of occurring,

- i. Lastly, information was periodically presented on the situation faced by the Company regarding Ethics and Compliance and the measures adopted by the Company to reinforce these aspects.

Based on the work completed and the opinion issued by outside auditors, we feel that the accounting and information policies and criteria followed by the Company are suitable and sufficient and that they have been consistently applied; as a result, the information presented by the CEO is a reasonable reflection of the Company's financial situation and results.

Due to all the aforementioned, we recommend that the Board of Directors present the financial statements for Wal-Mart de México, S.A.B. de C.V. and subsidiaries for the period ending Dec. 31, 2017, to the General Annual Shareholders Assembly for their approval.

Sincerely,



Adolfo Cerezo

Chairman of the Audit and
Corporate Practices Committees

Mexico City, February 15, 2018

REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF WAL-MART DE MÉXICO, S.A.B. DE C.V.

OPINION

We have audited the accompanying consolidated financial statements of Wal-Mart de México, S.A.B. de C.V. and subsidiaries (the Company), which comprise the consolidated statement of financial position at December 31, 2016, and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wal-Mart de México, S.A.B. de C.V. and subsidiaries at December 31, 2016 and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

BASIS FOR AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent from Wal-Mart de México, S.A.B. de C.V. within the meaning of the Code of Ethics for Accounting Professionals of the International Ethics Standards Board for Accountants (IESBA) and the ethical requirements applicable to our audit of the consolidated financial statements in Mexico established by the Code of Ethics of the Mexican Institute of Public Accountants (IMCP, Spanish acronym) and have fulfilled our other responsibilities under those relevant ethical requirements and the Code of Ethics of the IESBA.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those 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. For each key audit matters, our description of how the matter was addressed in the audit is provided in this context.

We have complied with the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report, including those related to key audit matters. Accordingly, our audit included audit procedures designed to respond to assessed risks of material misstatement in the accompanying consolidated financial statements. The results of our audit procedures, including the procedures applied to address the key audit matters described below, are the basis for our audit opinion on the accompanying consolidated financial statements.

I. Supplier agreements

The Company receives various types of supplier discounts. We focused especially on this item due to these discounts comprise a significant component of the Company's cost of sales for the year ended December 31, 2016 and to the significant risk that the Company will recognize discounts to suppliers without evidence of a formal agreement between the Company and the supplier and / or delay or accelerate the time of recognition of such discounts.

For our audit we assessed the Company's internal control over supplier discounts for this process and as part of our procedures we sent confirmation requests directly to the suppliers of the agreements entered into for the discounts granted; Likewise, based on a random sample, we obtained copies of the agreements entered into and we observed that they were properly approved and recorded in the appropriate accounting period.

Finally, we applied analytical testing to these discounts consisting primarily of observing the monthly behavior of all supplier discounts compared to the amount of total purchases in order to assess the reasonableness of the reported amounts, and we also conducted a month-to-month comparison of the discounts that the Company obtained compared to the prior year. We analyzed any identified differences and evaluated such differences based on management explanations and related supporting documentation.

II. Impairment of property, equipment and work in progress

One area that we deemed a key audit matter is management's assessment of the indicators of impairment of the Company's assets subject to depreciation and amortization, which primarily consist of properties, leasehold improvements, furniture and equipment and computer equipment. This designation is due the complexity of the methodology established by International Accounting Standard (IAS) 36 Impairment of assets used to estimate the recoverable amount of the assets of each cash generating unit (CGU).

Note 3k. to the accompanying consolidated financial statements provide further information on the accounting policies and criteria followed by the Company to assess impairment of property and equipment at December 31, 2016.

We evaluated the criteria followed by the Company to identify its cash generating units (CGUs), considering where applicable, whether there were any indicators of impairment. We reviewed the analysis and other evidence supporting the criteria applied by the Company to identify and group its CGUs and the potential indicators of impairment affecting the consolidated financial statements at the December 31, 2016. We evaluated the appropriateness of the discount rate used to calculate of these assets. We also evaluated the objectiveness and competence of the Company's specialists that performed this work. We involve our specialists for the application of audit procedures on the calculation of impairment loss of non-financial assets.

III. Sale of the clothing store division (Suburbia)

As described in Notes 1b. and 8a. to the accompanying consolidated financial statements, on August 10, 2016, the Company reached an agreement with third party for the latter to acquire the 100% of the partnerships interest of the Company Suburbia from **WALMEX**. This transaction required the Company to recognize its clothing store business segment as a discontinued operation and to classify the related assets and liabilities as held for sale. We focused on this disposal because this was a significant transaction for the Company in 2016 and because it required special attention during our audit owing to the complex accounting treatment of the transaction.

We compared the sale price agreed with the buyer (consider as fair value) to their carrying values of the net assets. We also examined the purchase/sale agreement and verified that the business is presented as discontinued operations in the income statement and as assets held for sale in the balance sheet, in accordance with the respective accounting requirements.

OTHER INFORMATION

The other information comprises the financial information and non-financial (other than the financial statements and our audit report) included in the annual report presented to the National Banking and Securities Commission (CNBV Spanish acronym) and in the annual report to the shareholders of the Company for the year ended December 31, 2016. Management is responsible for the other information. We expect the annual report for 2016 to be provided to us by Management after the date of this audit 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 financial statements, our responsibility is to read and consider the other information that we described above when we will obtain it and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and/or our knowledge obtained in the audit. Otherwise, we will consider that there is a materially misstated in the other information for some other reason.

If we concluded that the other information contained in the annual report to CNBV, and/or annual report to shareholders of Company contained a material misstatement of this other information, we are required to report that fact to those charged with governance and such fact will be describing in our declaration about the annual report required by the CNBV.

RESPONSIBILITIES OF MANAGEMENT AND OF THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives of our audit 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is who signs this report.

The report of independent auditors and the accompanying consolidated financial statements and footnotes have been translated from the original Spanish version to English for convenience purposes only.

Mancera, S.C.
A Member Practice of
Ernst & Young Global Limited



David Sitt Cofradía

Mexico City, February 15, 2017.

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Notes 1 and 3)

Amounts in thousands of Mexican pesos

	December 31, 2016		December 31, 2015	
Assets				
Current assets:				
Cash and cash equivalents (Note 5)	Ps.	27,975,536	Ps.	24,790,838
Accounts receivable, net (Note 6)		9,817,878		9,758,720
Inventories (Note 7)		53,665,239		49,748,874
Prepaid expenses and others		935,125		550,253
Assets held for sale (Note 8)		11,628,894		-
Total current assets		104,022,672		84,848,685
Non-current assets:				
Property and equipment, net (Note 9)		136,349,603		130,222,356
Intangible assets (Note 10)		41,339,532		34,456,219
Deferred tax assets (Note 15)		4,699,729		3,461,109
Other non-current assets		1,518,766		661,750
Total assets	Ps.	287,930,302	Ps.	253,650,119
Liabilities and equity				
Current liabilities:				
Accounts payable to suppliers (Note 11)	Ps.	65,557,689	Ps.	56,395,523
Other accounts payable (Note 12)		17,455,165		16,682,373
Taxes payable		6,992,426		4,231,457
Liabilities relating to assets held for sale (Note 8)		3,951,542		-
Total current liabilities		93,956,822		77,309,353
Long-term liabilities:				
Other long-term liabilities (Note 14)		14,778,703		13,104,120
Deferred tax liabilities (Note 15)		10,483,437		9,786,893
Employee benefits (Note 16)		1,685,324		1,629,103
Total liabilities		120,904,286		101,829,469
Equity (Note 17):				
Capital stock		45,468,428		45,468,428
Legal reserve		9,104,745		9,104,745
Retained earnings		90,545,819		86,188,284
Other comprehensive income items		24,374,531		13,827,795
Premium on sale of shares		3,108,097		2,830,646
Employee stock option plan fund	(5,575,604)	(5,625,092)
Equity attributable to owners of the parent		167,026,016		151,794,806
Non-controlling interests		-		25,844
Total equity		167,026,016		151,820,650
Total liabilities and equity	Ps.	287,930,302	Ps.	253,650,119

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

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Notes 1 and 3)
Amounts in thousands of Mexican pesos

	Year ended December 31			
	2016		2015	
Net sales	Ps.	528,571,376	Ps.	472,459,832
Other revenues (Note 18)		3,812,707		3,450,729
Total revenues		532,384,083		475,910,561
Cost of sales		(414,900,193)		(373,307,853)
Gross profit		117,483,890		102,602,708
General expenses (Note 19)		(77,833,627)		(69,547,364)
Income before other income and expenses		39,650,263		33,055,344
Other income		578,707		755,984
Other expenses		(773,835)		(983,206)
Operating income		39,455,135		32,828,122
Financial income (Note 20)		1,321,139		1,319,326
Financial expenses (Note 20)		(1,644,004)		(1,230,594)
Income before taxes on profits		39,132,270		32,916,854
Taxes on profits (Note 15)		(10,622,996)		(9,472,686)
Net Income from continuing operations		28,509,274		23,444,168
Net income from discontinued operations (Note 8)		4,842,597		2,934,920
Consolidated net income	Ps.	33,351,871	Ps.	26,379,088
Other comprehensive income items:				
Items that do not reclassify to profit and loss of the year:				
Actuarial gain (loss) on employee benefits	Ps.	222,015	Ps.	(12,724)
Items that may be reclassified subsequently to profit and loss:				
Cumulative translation adjustment		10,324,721		8,358,537
		10,546,736		8,345,813
Comprehensive income	Ps.	43,898,607	Ps.	34,724,901
Net income attributable to:				
Owners of the parent	Ps.	33,352,298	Ps.	26,375,779
Non-controlling interests		(427)		3,309
	Ps.	33,351,871	Ps.	26,379,088
Comprehensive income attributable to:				
Owners of the parent	Ps.	43,899,034	Ps.	34,721,592
Non-controlling interests		(427)		3,309
	Ps.	43,898,607	Ps.	34,724,901
Basic earnings per share from continuing operations attributable to owners of the parent (in pesos)	Ps.	1.633	Ps.	1.341
Basic earnings per share attributable to owners of the parent (in pesos)	Ps.	1.910	Ps.	1.508

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

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

(Notes 1, 3 and 17)

Amounts in thousands of Mexican pesos

	Capital stock	Legal reserve	Retained earnings	Other comprehensive income items	Premium on sale of shares	Employee stock option plan fund	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at December 31, 2014	Ps. 45,523,723	Ps. 8,085,178	Ps. 94,265,950	Ps. 5,481,982	Ps. 2,464,001	Ps. (5,598,259)	Ps. 150,222,575	Ps. 23,245	Ps. 150,245,820
Movements in employee stock option plan fund					366,645	(26,833)	339,812		339,812
Increase in legal reserve		1,019,567	(1,019,567)				-		-
Repurchase of shares	(123,116)		(1,701,956)				(1,825,072)		(1,825,072)
Dividends declared			(31,731,812)				(31,731,812)		(31,731,812)
Shares issued for the payment of the contingent liability	67,821						67,821		67,821
Purchase of shares of non-controlling interests			(110)				(110)	(710)	(820)
Comprehensive income			26,375,779	8,345,813			34,721,592	3,309	34,724,901
Balance at December 31, 2015	45,468,428	9,104,745	86,188,284	13,827,795	2,830,646	(5,625,092)	151,794,806	25,844	151,820,650
Movements in employee stock option plan fund					277,451	49,488	326,939		326,939
Dividends declared			(28,973,896)				(28,973,896)		(28,973,896)
Purchase of shares of non-controlling interests			(20,867)				(20,867)	(25,417)	(46,284)
Comprehensive income			33,352,298	10,546,736			43,899,034	(427)	43,898,607
Balance at December 31, 2016	Ps. 45,468,428	Ps. 9,104,745	Ps. 90,545,819	Ps. 24,374,531	Ps. 3,108,097	Ps. (5,575,604)	Ps. 167,026,016	Ps. -	Ps. 167,026,016

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

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Notes 1 and 3)

Amounts in thousands of Mexican pesos

	Year ended December 31	
	2016	2015
Operating activities		
Income before taxes on profits	Ps. 39,132,270	Ps. 32,916,854
Items related to investing activities:		
Depreciation and amortization	10,693,735	10,024,729
Loss from disposal of property, equipment and impairment	507,575	740,888
Stock option compensation expense	270,416	298,498
Interest earned	(559,618)	(503,892)
Items related to financing activities:		
Interest payable under finance leases	1,270,826	1,244,536
Discontinued operations	2,471,145	2,107,182
Cash flow from results of operations	53,786,349	46,828,795
Variances in:		
Accounts receivable	(1,253,330)	(898,674)
Inventories	(4,525,586)	(1,380,955)
Prepaid expenses and other assets	(1,163,455)	303,826
Accounts payable to suppliers	9,345,322	2,388,568
Other accounts payable	1,031,983	3,153,345
Taxes on profits paid	(7,068,985)	(11,605,744)
Employee benefits	(109,872)	114,510
Discontinued operations	(3,150,974)	-
Net cash flow from operating activities	46,891,452	38,903,671
Investing activities		
Purchase of property, equipment and software	(14,334,781)	(12,526,265)
Purchase of shares of non-controlling interests	(44,737)	(157)
Interest collected	559,618	503,892
Proceeds from sale of property and equipment	275,883	226,448
Employee stock option plan fund	56,523	41,314
Discontinued operations	(313,400)	-
Business disposal	-	3,726,761
Net cash flow used in investing activities	(13,800,894)	(8,028,007)
Financing activities		
Dividends paid	(28,972,332)	(31,562,146)
Repurchase of shares	-	(1,825,072)
Payment of finance leases	(1,550,479)	(1,624,105)
Discontinued operations	(69,841)	-
Net cash flow used in financing activities	(30,592,652)	(35,011,323)
Effect of changes in the value of cash	686,792	878,649
Net increase (decrease) in cash and cash equivalents	3,184,698	(3,257,010)
Cash and cash equivalents at beginning of year	24,790,838	28,047,848
Cash and cash equivalents at end of year	Ps. 27,975,536	Ps. 24,790,838

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

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2016 AND 2015

Amounts in thousands of Mexican pesos, except where otherwise indicated

1.- DESCRIPTION OF THE BUSINESS AND RELEVANT EVENTS:

a. Description of the business

Wal-Mart de México, S.A.B. de C.V. (**WALMEX** or "the Company") is a Mexican company incorporated under the laws of Mexico and listed on the Mexican Stock Exchange, whose headquarters are located at Nextengo #78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City, Mexico. The principal shareholder of **WALMEX** is Wal-Mart Stores, Inc., a U.S. corporation, through Intersalt, S. de R.L. de C.V., a Mexican company with a 70.51% shares ownership.

WALMEX holds 99.9% equity interest in the following groups of companies in Mexico and Central America:

Group	Line of business
Nueva Walmart	Operation of 1,763 (1,719 in 2015) Bodega Aurrerá discount stores, 262 (256 in 2015) Walmart hypermarkets 96 (95 in 2015) Superama supermarkets, 160 Sam's Club membership self-service wholesale stores, and 10 Medimart pharmacies in both years.
Suburbia	Operation of 122 (117 in 2015) Suburbia stores specializing in apparel and accessories for the entire family.
Import companies	Import goods for sale.
Real estate	Property developments and management of real estate companies.
Service companies	Rendering of professional services to Group companies and not-for-profit services to the community at large, and shareholding.
Walmart Central America	Operation of 495 (484 in 2015) discount stores (Despensa Familiar and Palí), 92 (99 in 2015) supermarkets (Paiz, La Despensa de Don Juan, La Unión and Más x Menos), 117 (102 in 2015) Bodegas, Maxi Bodega and Maxi Palí), 27 (24 in 2015) Walmart hypermarkets. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

b. Relevant events

I. Sale of Suburbia stores (Note 8a)

On August 10, 2016, the Company announced that it had reached a final agreement with El Puerto de Liverpool, S.A.B. de C.V. (Liverpool) for Liverpool to acquire the clothing store division Suburbia from **WALMEX**. Completion of the sale is subject to approval by the relevant authorities and other regulatory approvals that are customary for this type of transaction.

II. Sale of the Walmart Bank (Note 8b)

On June 23, 2015, after receiving the approval from the competent authorities, **WALMEX** sold 100% of the Walmart Bank shares to Inbursa for an amount of Ps. 3,612 million pesos in cash, equivalent to 1.7 times its equity. In addition, certain **WALMEX**'s assets were sold to Inbursa for Ps. 115 million pesos. **WALMEX** announced a commercial alliance with Inbursa for the last to offer certain financial services to Walmart's customers.

2.- NEW ACCOUNTING PRONOUNCEMENTS

The standards that are issued, but not yet effective, up to the issue date of the accompanying consolidated financial statements and that are applicable to the Company are discussed below.

- IAS 1, *Presentation of Financial Statements*. This disclosure initiative clarifies the standard related to materiality requirements that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated, that entities have flexibility as to the order in which they present the notes to financial statements. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of comprehensive income.

- IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. This amendment is applied prospectively.

- IFRS 9, *Financial Instruments*. In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments that replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required but providing comparative information is not compulsory. Early application of previous versions of IFRS 9 is permitted if the date of initial application is before February 1, 2015. The Company is currently determining the potential impact of the adoption of this new standard on its consolidated financial statements.

- IFRS 15, *Revenue from Contracts with Customers*. On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new revenue standard will supersede all current revenue recognition requirements. It applies to revenue earned from a contract with a customer and it establishes a five-step model for the recognition and measurement of gains and losses on the sale of some non-financial assets, such as sales of property and plant and equipment. The new revenue recognition standard requires the Company to make more estimates and use more judgment than under the previous standard. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

- IFRS 16, *Leases*. In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases*, and the interpretation issued by the International Financial Reporting Interpretation Committee, IFRIC 4, *Determining whether an Arrangement contains a Lease*.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company is currently determining the impact of the adoption of IFRS 15 and IFRS 16 on its consolidated financial statements.

The following new standards will be effective for annual periods beginning on or after January 1, 2017. Management is evaluating the impact that the adoption of these standards will have on the Company's financial statements.

- IFRS 2, *Share-based Payment*. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. This amendment clarifies the requirements for the classification and measurement of share-based payments.

- IAS 7, *Statement of Cash Flows*. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

-IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply this amendment retrospectively.

- IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*. These amendments clarify the acceptable methods of depreciation and amortization, and are effective as of January 1, 2016. Prospective adoption is permitted.

- IAS 19, *Employee Benefits*. The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

3.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the significant accounting policies used in the preparation of the consolidated financial statements is described below. These policies have been applied consistently with those applied in the year ended December 31, 2015.

a. Basis of preparation

The accompanying consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the IASB, as well as all the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), including those issued by the former Standing Interpretations Committee (SIC).

The consolidated statements of comprehensive income were prepared on a functional basis, which allows for the disclosure of cost of sales separately from other costs, operating and administrative expenses, in conformity with IAS 1, *Presentation of Financial Statements*. The consolidated statement of comprehensive income also includes a separate operating income line to provide a better understanding of the Company's business performance.

Before the financial statements of the Company's foreign subsidiaries are consolidated, they are prepared under IFRS and translated to Mexican pesos using the average exchange rate for the consolidated statement of comprehensive income and the year-end exchange rate for the consolidated statement of financial position, in conformity with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

The cumulative translation adjustment is the effect of translating the financial statements of the Company's foreign subsidiaries into Mexican pesos. This effect is recognized in equity.

The Company prepares its statement of cash flows using the indirect method in accordance with IAS 7, *Statements of Cash Flows*.

The preparation of consolidated financial statements in accordance with IFRS requires the use of accounting estimates in certain areas, such as in the calculation of the allowance for doubtful accounts.

WALMEX has sufficient resources to continue operating as a going concern and accordingly, the accompanying consolidated financial statements have been prepared on a going-concern basis and on a historical-cost basis. The Mexican peso is the Company's functional and reporting currency, due to mainly activity of the Company is in Mexico.

b. Consolidation

The accompanying consolidated financial statements include the Financial Statements of **WALMEX** and those of its subsidiaries in which has control in Mexico and abroad, which are grouped as described in Note 1 paragraph a, and they are prepared for the same accounting period.

Subsidiaries are consolidated from the date on which control is transferred to **WALMEX**, and are no longer consolidated from the date that control is lost. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of sale, as appropriate.

All related party balances and transactions have been eliminated in the consolidation, in conformity with IFRS 10, *Consolidated Financial Statements*.

Non-controlling interests represent the portion of equity interest in the net assets of a subsidiary not attributable to the controlling company. Non-controlling interests is presented as a separate component of equity.

c. Financial assets and liabilities and fair value measurement

The Company determines the classification of its financial assets and liabilities at its initial recognition in conformity with IFRS 9, *Financial Instruments*, as described below:

- I. Financial assets. These assets are classified in one of the following categories, as required: financial assets at fair value through profit or loss, accounts receivable, investments held to maturity or financial assets held for sale. The Company's financial assets primarily consist in trade receivables and other accounts receivable which are initially recognized at fair value. Fair value of an asset is the price in which such asset could be sold in an ordinary transaction with third parties, capable of being part of such transaction.
- II. Financial liabilities. These liabilities are classified at its fair value, including accounts payable to suppliers, other accounts payable and financial leases, as required; these liabilities are initially recognized at fair value. Fair value of a liability is the amount that would be paid to transfer the responsibility to a new creditor in an ordinary transaction among those parties.

Assets and liabilities carried at fair value are measured using the fair value hierarchy, which prioritizes the inputs used in measuring fair value. The levels of the fair value hierarchy are as follows:

- Level 1. Observable data as they are quoted prices in active markets,
- Level 2. Other quoted prices in active markets that are directly or indirectly observable inputs, and
- Level 3. Unobservable for which there is little or no market data inputs, so that the Company develops its own assumptions.

Subsequent measurement of the Company's financial assets and liabilities is determined based on its classification.

d. Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits, credit and debit card transfer transactions that process in less than seven days, and highly liquid investments with maturities of less than 90 days, plus accrued interest. Cash is stated at fair value.

e. Derivative financial instruments

The Company has entered into currency hedging through Over the Counter (OTC) currency forward transactions (Fx-forwards) to mitigate the effects caused by variability in the exchange rate of foreign currency on its accounts payable related to import goods for sale.

In accordance with IFRS 9, *Financial Instruments*, derivatives are initially recognized at fair value at the date the derivative contract is subscribed and subsequently revalued at fair value at the end of the reporting period. The resulting gain or loss is recognized immediately in the financial income (expense) line in the consolidated statement of comprehensive income.

The maturity of these contracts shall be a maximum duration of six months.

In accordance with our standards of corporate governance, the Company does not manage derivative financial instruments other than the Fx-forwards.

f. Accounts receivable and reserve for bad debts

WALMEX recognizes a reserve for bad debts when there is objective evidence that the receivables will not be recovered, in conformity with its internal procedures.

g. Inventories

Inventories are valued using the retail method, except for merchandise for the Sam's Club, distribution centers and Agro-Industrial Development (grains, edibles and meat), which are valued using the average-cost method. These inventory valuation methods are the same as those applied in the prior year. Inventories, including obsolete, slow-moving and defective items or items in poor condition, are stated at amounts not in excess of their net realizable value.

Freight and buying allowances from suppliers are capitalized in inventory and are recognized in the cost of sales based on the turnover of the inventories that gave rise to them.

h. Prepaid expenses

Prepaid expenses are recognized as current assets in the consolidated statement of financial position as of the date the prepayments are made. At the time the goods are received, prepaid expenses are charged to the income statement or capitalized in the corresponding asset line when there is certainty that the acquired goods will generate future economic benefits.

i. Property and equipment

Property and equipment are recorded at acquisition cost and presented net of accumulated depreciation.

Depreciation of property and equipment is computed on a straight-line method at the following annual rates:

Buildings, facilities and leasehold improvements:

- Constructions and structure	2.5%	to	5.0%
- Facilities and adaptations	5.0%	to	12.5%
- Finishes of construction	10.0%	to	25.0%
	5.0%	to	33.3%

Furniture and equipment

Computer equipment	25.0%	to	33.3%
Transport equipment	10.0%	to	25.0%

j. Lease

In conformity with IAS 17, *Leases*, the Company classifies its property lease agreements as either finance or operating leases.

WALMEX considers a lease to be a finance lease if it transfers substantially all of the risks and rewards incidental to ownership of the underlying property. Finance leases are recognized at the present value of minimum lease payment or, if lower, at market value of the leased property, and are amortized over the term of the lease agreement considering the renewals established in each lease agreement.

Lease agreements that do not qualify as finance leases are treated as operating leases. Fixed lease payments are recognized in the income statement on a straight-line method over the lease term. The commencement date of lease is considered the occupancy date of the leased property, including the lessee's rights to renewal. Variable lease payments are based on a percentage of the Company's sales, and are recognized as an expense in the period in which they are incurred.

The Company analyses its service agreements which are legally not a lease, but which involve obtaining the use of an asset in exchange for payment, in accordance with IFRIC 4 *Determining Whether an Agreement Contains a Lease*.

k. Impairment in the value of property and equipment

Based on the guidelines of IAS 36, *Impairment of Assets*, the Company recognizes impairment in the value of property and equipment by applying the expected present value technique to determine value in use, considering each store as the minimum cash generating unit.

The present value technique requires detailed budget calculations, which are prepared separately for each cash-generating unit. These budgets generally cover five years and for those projected beyond five years, an expected growth percentage is applied.

Impairment losses are recognized in the consolidated statement of comprehensive income in the other expenses line.

l. Intangible assets

Intangible assets are valued at the lower of either acquisition cost or their fair value at the acquisition date and are classified based on their useful lives, which may be definite or indefinite. Indefinite-lived assets are not amortized; however, they are tested annually for impairment, in conformity with IAS 36, *Impairment of Assets*. Definite-lived assets are amortized using the straight-line method.

m. Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of Walmart Central America at the acquisition date, plus the fair value of the non-controlling interests, computed in conformity with the guidelines in IFRS 3, *Business Combinations*.

Goodwill was assigned in conformity with IAS 38, *Intangible Assets*, applying the perpetuity value technique to determine the goodwill's value in use, considering each Central American country (Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador) as a minimum cash generating unit.

The Company engages independent experts to evaluate its goodwill on an annual basis. This testing is performed in accordance with IAS 36, *Impairment of Assets*.

Goodwill is converted at the closing exchange rate and the effect is recognized in other comprehensive income.

n. Assets and liabilities held for sale and discontinued operations

In conformity with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are not subject to depreciation and are measured at the lower of their previous carrying amount and fair value less costs to sell.

Assets and liabilities that meet the criteria to be classified as held for sale are presented separately in the statement of financial position from the rest of the assets and liabilities.

Incomes, expenses and costs related to this transaction are separately disclosed and recognized as part of the discontinued operations line in the consolidated statement of comprehensive income.

o. Liabilities and provisions

In conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, accrued liabilities are recognized whenever the Company has current obligations (legal or assumed) resulting from past events, that can be reasonably estimated and that will most likely give rise to a future cash disbursement for their settlement. Reimbursements are recognized net of the related obligation when it is certain that the reimbursement will be obtained. Provision expenses are presented in the consolidated statement of comprehensive income net of any corresponding reimbursements.

p. Taxes on profits

Taxes on profits are classified on current and deferred, and are recognized in the consolidated statement of comprehensive income in the year they are expensed or accrued, except when they come from items directly recognized in other comprehensive income, in which case, the corresponding taxes are recognized in equity.

Current taxes on profits are determined based on the tax laws approved in the countries on which **WALMEX** has operations, and is the result of applying the applicable tax rates at the date of the consolidated financial statements on the taxable profits of each entity of the Group. It is presented as a current liability/asset net of prepayments made during the year.

Deferred taxes on profits are recognized using the asset and liability method, in conformity with IAS 12, *Income Taxes*. Under this method, deferred taxes are recognized on all temporary differences between the financial reporting and tax values of assets and liabilities, applying the enacted income tax rate, effective as of the date of the consolidated statement of financial position, or the enacted rate that will be in effect when the deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets.

q. Employee benefits

WALMEX employees in each of the six countries are entitled to termination benefits to be paid in accordance with the Company's current policies and the each country's respective labor laws. Employees in Mexico are also entitled to a seniority premium in accordance with the Mexican Federal Labor Law. These employee benefits are recognized as expense during the years in which services are rendered, based on actuarial computations performed by independent experts using the projected unit credit method, in accordance with IAS 19, *Employee Benefits*.

Actuarial gains and losses are recognized as they accrue directly in the consolidated statement of comprehensive income, in conformity with IAS 19.

In Mexico, employee profit sharing expense is presented in operating results as part of the general expenses line and represents a liability due and payable in less than one year. All other payments accruing to Mexican employees or their beneficiaries in the event of involuntary retirement or death, are expensed as incurred, pursuant to federal labor laws.

r. Equity

Legal reserve:

In conformity with the Mexican Corporations Act, the Company appropriates at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's capital stock.

Employee stock option plan fund:

The employee stock option plan fund is comprised of **WALMEX** shares presented at acquisition cost. The plan is designed to grant stock options to executives of the companies in the Group, as approved by the Mexican National Banking and Securities Commission.

All employee stock options are granted to executives of subsidiary companies at a value that is no less than the market value on the grant date.

In accordance with current corporate policy, **WALMEX** executives may exercise their option to acquire shares in equal parts over five years. The right to exercise an employee stock option expires after ten years as of the grant date or after sixty days following the date of the employee's termination.

The compensation cost of stock option is calculated using the Black-Scholes financial valuation technique, in conformity with IFRS 2, *Share-Based Payments*.

Premium on sale of shares:

The premium on sale of shares represents the difference between the cost of shares and the value at which such shares were sold, net of the corresponding income tax.

s. Revenue recognition

Revenue from merchandise sales is recognized in the consolidated statement of comprehensive income at the time ownership of the products sold is transferred to the customer and the services income at the time the service is provided, in conformity with IAS 18, *Revenue*.

Sam's Club membership income is deferred over the twelve-month term of the membership and it is presented in the other revenues line in the consolidated statement of comprehensive income.

Rental income is recognized as it accrues over the terms of the lease agreements entered into with third parties and it is presented in the other revenues line in the consolidated statement of comprehensive income.

Revenues from the sale of waste, extended warranties and service commissions are recognized in the other revenues line in the consolidated statement of comprehensive income at the time ownership of the products sold is transferred to the customer or the service is provided.

t. Basic earnings per share attributable to owners of the parent

The basic earnings per share is the result of dividing the net income of the year attributable to owners of the parent by the weighted average number of outstanding shares, in conformity with the guidelines of IAS 33, *Earnings per Share*. Diluted earnings per share is the same as basic earnings per share since there is currently no potentially dilutive common stock.

u. Operating segments

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions and assess the Company's performance. Segment information is presented based on the geographical zones in which the Company operates, in conformity with IFRS 8, *Operating Segments*.

v. Foreign currency transactions

The Company's foreign currency denominated assets and liabilities are translated to functional currency at the prevailing exchange rate at the date of the consolidated statement of financial position. Exchange differences are recognized in the consolidated statement of comprehensive income under the financial income (expenses) line, in conformity with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

4.- RISK MANAGEMENT:

The Company is exposed to the effects of future events that could affect the purchasing power and/or buying habits of its population. These events may be economic, political or social in nature and some of the most important are described below:

- I. Employment and salary. Positive or negative changes in employment and/or real salary levels could affect Mexico's per capita income and, consequently, the Company's business performance.
- II. Changes in interest rates and exchange rates. Historically, Walmart has generated cash surpluses in Mexico and Central America on which it earns financial income. A reduction in interest rates could cause a decrease in the Company's financial income, which would affect its earnings growth. However, the Company believes that a reduction in interest rates would actually have a positive effect on its business in the medium and long-term, since it would help improve the purchasing power of its customers.

On the other hand, exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power, which could ultimately hinder the Company's sales, in particular, due to the purchase of import goods.

- III. Competition. The retail sector has become very competitive in recent years, which has led to the need for all the players in the market to constantly look for ways to set themselves apart from the competition. This puts the Company's market share at risk. Other factors affecting the Company's market share could be the business expansion of its competitors and the possible entrance of new competitors into the market.

IV. Inflation. Over the last few years, inflation rates in Mexico and Central America have remained at low levels. A significant increase in inflation rates could have a direct effect on the purchasing power of the Company's customers and the demand for its products and services.

V. Changes in government regulations. The Company is exposed to the changes in different laws and regulations, which, after becoming effective, they could affect the Company's operating results, such as an impact on sales, expenses for payroll indirect taxes and changes in applicable rates. Currently, the level of scrutiny and discretion by the tax authorities has greatly increased. Mexican courts have changed their position favoring those authorities ignoring violations of form and procedure.

VI. Recent Developments. During the last weeks, international and national events have occurred, that have increased the volatility of some economic indicators, creating an environment of vulnerability and uncertainty. Among the events, we can find the possibility of the renegotiation or termination of the North American Free Trade Agreement, possible increases in import duties or tariffs for the export of Mexican products, the cancelation of third-party foreign investment projects previously announced, the depreciation of the Mexican peso, the increase in the prices of gasoline, as well as violent demonstrations that have affected our stores, among others. Even though the Company's market is internal, these events have started to have some effects that can result in the loss of confidence by consumers and the resulting decrease of consumption, inflationary pressures derived from the increases in gasoline and the exchange rate, possibility of generalized increase of prices of goods by suppliers and increase in our production, operation and distribution costs, all of which in the aggregate could have a material adverse effect on the Company's financial condition and results of operation. Because these events are recent, to this date we cannot define the effects that they could have.

The Company's activities are exposed to various financial risks such as market risk, exchange rate risk and interest rate risk. The Company is in the care of those risks that impede or jeopardize their financial goals, seeking to minimize the potential negative effects through different strategies.

Exchange rate and interest rate risks, as well as derivative financial instruments, are explained below.

Exchange rate risk:

The Company operates with foreign companies and therefore is exposed to the risk of exchange rate operations with foreign currencies, particularly the US dollar. This risk may arise from commercial transactions, recognized monetary assets and liabilities as well as the operation in Central America.

At December 31, 2016, the exchange rate used to translate assets and liabilities denominated in US dollars was Ps. 20.7293 per dollar (Ps. 17.3832 in 2015). At the date of issuance of these financial statements, the exchange rate is Ps. 20.2659 per dollar.

Considering the net monetary position in dollars at December 31, 2016, whether an increase or decrease in the exchange rate of the US dollar against the Mexican peso of Ps. 0.50 pesos arose, a favorable or unfavorable effect would be taken into the financial income (expenses) of the Company of Ps. 12,739.

Derivative financial instruments:

The Company has entered into Fx-forward contracts of foreign currency in order to protect itself from exposure to variability in the exchange rate for the payment of liabilities in Mexico for the purchase of import goods agreed in US dollars.

The valuation techniques used by the Company to determine and disclose the fair value of its financial instruments, are based on the hierarchy level 2 (Other quoted prices in active markets that are directly or indirectly observable inputs), in accordance with IFRS 13, *Fair Value Measurement*.

At December 31, 2016, the Company has Fx-forward contracts for a period of two months in the amount of US \$ 47.42 million. The notional amount and fair value amounted Ps. 976,053 and Ps. 9,756, respectively. The change in fair value related to these contracts was Ps. 9,309, net and is presented under financial income in the consolidated statement of comprehensive income.

During the year ended December 31, 2016, 217 Fx-forwards contracts matured for US \$ 261.2 million (Ps. 4,799 million pesos).

Interest rate risk:

The Company has temporary investments which generate interests. By reducing the interest rate decreases the financial income of the Company. The interest rate of these investments fluctuated during the year between 3.0% and 4.3%. At December 31, 2016 financial income was obtained from interest in the amount of Ps. 559,618 (Ps. 498,435 in 2015).

Considering the highly liquid instruments at December 31, 2016, whether an increase or decrease in the interest rate of 0.50% is present, favorable or unfavorable effect would have on the financial income of the Company of Ps. 51,116.

5.- CASH AND CASH EQUIVALENTS:

An analysis of cash and cash equivalents at December 31, 2016 and 2015, is as follows:

	December 31, 2016	December 31, 2015
Cash and cash in banks	Ps. 15,193,486	Ps. 9,913,581
Highly marketable investments	12,782,050	14,877,257
	Ps. 27,975,536	Ps. 24,790,838

6.- ACCOUNTS RECEIVABLE, NET:

An analysis of accounts receivable at December 31, 2016 and 2015, is as follows:

	December 31, 2016	December 31, 2015
Recoverable taxes	Ps. 6,727,164	Ps. 6,423,542
Trade receivables	2,291,822	2,751,227
Other accounts receivable	1,133,909	894,186
Reserve for bad debts	(335,017)	(310,235)
	Ps. 9,817,878	Ps. 9,758,720

Average aging of the accounts receivable to customers is 30 to 90 days.

7.- INVENTORIES:

An analysis of inventories at December 31, 2016 and 2015, is as follows:

	December 31, 2016	December 31, 2015
Merchandise for sale	Ps. 52,033,246	Ps. 47,778,980
Agro-industrial development	777,056	616,344
	52,810,302	48,395,324
Merchandise in transit	854,937	1,353,550
	Ps. 53,665,239	Ps. 49,748,874

8.- ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS:

As mentioned in Note 1 paragraph b subsections I and II, during 2016 and 2015, the Company announced the agreement to sell its clothing store division Suburbia and completed the sale of the Walmart Bank, respectively.

At December 31, 2016, the assets and liabilities held for sale shown in the consolidated statement of financial position correspond to the Suburbia stores division. For the year ended December 31, 2016, discontinued operations shown in the statement of income include the results of operations of the Suburbia stores division and in 2015 it includes the results of operations of both the Suburbia division and Banco Walmart.

An analysis of these discontinued operations is as follows:

a) Sale of the Suburbia stores

As part of its strategy to focus on its core business, **WALMEX** reached a final agreement to sell its investment in the Suburbia entities to Liverpool for approximately Ps. 15,700 million, which includes debt of Ps. 1,400 million under

finance leases, as set forth in the sale agreement. Liverpool will also pay an additional Ps. 3,300 million to **WALMEX** in dividends and a capital reduction immediately after the deal closes. The sale price will be subject to certain future adjustments that are customary for this type of transaction.

In addition, Liverpool will pay rent to **WALMEX** for Suburbia stores that are located on common properties with **WALMEX** stores.

This transaction includes 100% of the shares held by **WALMEX** in the four legal entities comprising the Suburbia group, including the store operations division, purchasing, commercial planning, product design, marketing, procurement, fixed assets, the intellectual property rights over the Suburbia brand and its owned brands, and two distribution centers.

An analysis of Suburbia's assets and liabilities classified as held for sale at December 31, 2016 is as follows:

	Amount
Current assets	Ps. 5,652,160
Property and equipment, net	2,463,592
Deferred tax assets	3,476,882
Other non-current assets	36,260
Total assets held for sale	Ps. 11,628,894
Suppliers	Ps. 2,220,993
Other current liabilities	678,725
Non-current liabilities	1,051,824
Total liabilities associated with assets held for sale	Ps. 3,951,542

Summary results of discontinued operations reported in the consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015, include the results of operations of the Suburbia stores and are as follows:

	December 31, 2016	December 31, 2015
Total revenue	Ps. 14,495,607	Ps. 13,456,785
Costs and expenses	(12,177,161)	(11,349,603)
Income tax	2,524,151	(614,124)
Net income from discontinued operations	Ps. 4,842,597	Ps. 1,493,058

As a result of the final agreement for the sale of the Suburbia stores and in accordance with IAS 12, Income Tax, the Company recognized tax benefits in discontinued operations and a deferred tax asset of Ps. 3,198 million due to the fact that it is probable that the temporary difference will reverse in the foreseeable future.

The Company's deferred tax assets relate to temporary differences in investments in subsidiaries and unused tax losses.

b) Walmart Bank

On June 23, 2015, **WALMEX** sold 100% of the Walmart Bank shares to Inbursa for an amount of Ps. 3,612 million pesos in cash. In addition, certain **WALMEX's** assets were sold to Inbursa for Ps. 115 million pesos.

Also, it was announced a commercial alliance with Inbursa for the last to offer certain financial services to Walmart's customers.

The main items of the result of the discontinued operation that is presented in the consolidated statement of comprehensive income that includes the results of the Walmart Bank for the six months period ended on June 30, 2015 and the effects derived from the sale, are shown below:

	December 31, 2015
Net revenues	Ps. 4,626,799
Costs, expenses and taxes	(3,184,937)
Net income from discontinued operations	Ps. 1,441,862

Legal, consulting, advisory and other expenses related with the disposals of the Suburbia and the Walmart Bank, are recognized in the year they are incurred in the line of discontinued operations in the consolidated statement of comprehensive income.

9.- PROPERTY AND EQUIPMENT – NET:

An analysis of property and equipment at December 31, 2016 and 2015, is as follows:

	Property and equipment owned by the Company										
	December 31, 2014	Additions	Disposals	Transfers	Translation effect	December 31, 2015	Additions	Disposals	Transfers	Translation effect	December 31, 2016
Land	Ps. 30,273,600	Ps. 194,790	Ps. (22,389)	Ps. 390,712	Ps. 572,574	Ps. 31,409,287	Ps. 219,303	Ps. (94,511)	Ps. 125,561	Ps. 717,108	Ps. 32,376,748
Buildings	47,119,751	2,291,570	(170,144)	(4,703,460)	894,800	45,432,517	1,912,719	(164,395)	756,793	1,746,305	49,683,939
Facilities and leasehold improvements	42,483,490	2,626,734	(573,547)	5,982,656	862,525	51,381,858	2,263,358	(543,049)	285,886	821,654	54,209,707
Furniture and equipment	52,733,752	4,902,570	(1,654,270)	976,916	1,490,134	58,449,102	5,472,626	(2,022,861)	(321,657)	2,093,722	63,670,932
Subtotal	172,610,593	10,015,664	(2,420,350)	2,646,824	3,820,033	186,672,764	9,868,006	(2,824,816)	846,583	5,378,789	199,941,326
Accumulated depreciation	(62,451,894)	(9,269,521)	1,308,559	(56,745)	(1,165,739)	(71,635,340)	(9,813,395)	1,984,913	1,976,895	(1,734,524)	(79,221,451)
Work in process	3,483,961	2,075,568	(78,225)	(2,497,005)	245,746	3,230,045	3,717,299	(297,503)	(3,347,657)	(16,560)	3,285,624
Total	Ps. 113,642,660	Ps. 2,821,711	Ps. (1,190,016)	Ps. 93,074	Ps. 2,900,040	Ps. 118,267,469	Ps. 3,771,910	Ps. (1,137,406)	Ps. (524,179)	Ps. 3,627,705	Ps. 124,005,499

	Leased property and equipment										
	December 31, 2014	Additions	Disposals	Transfers	Translation effect	December 31, 2015	Additions	Disposals	Transfers	Translation effect	December 31, 2016
Buildings	Ps. 13,699,440	Ps. 173,208	Ps. (441,654)	Ps. (3,904)	Ps. 249,028	Ps. 13,676,118	Ps. 1,216,928	Ps. (123,614)	Ps. (922,005)	Ps. 321,262	Ps. 14,168,689
Furniture and equipment	2,003,767	379,000	-	(146,475)	-	2,236,292	241,621	(98,042)	(131,276)	-	2,248,595
Subtotal	15,703,207	552,208	(441,654)	(150,379)	249,028	15,912,410	1,458,549	(221,656)	(1,053,281)	321,262	16,417,284
Accumulated depreciation	(3,349,811)	(668,249)	99,829	57,011	(96,303)	(3,957,523)	(662,412)	202,153	466,001	(121,399)	(4,073,180)
Total	Ps. 12,353,396	Ps. (116,041)	Ps. (341,825)	Ps. (93,368)	Ps. 152,725	Ps. 11,954,887	Ps. 796,137	Ps. (19,503)	Ps. (587,280)	Ps. 199,863	Ps. 12,344,104
Grand total	Ps. 125,996,056	Ps. 2,705,670	Ps. (1,531,841)	Ps. (294)	Ps. 3,052,765	Ps. 130,222,356	Ps. 4,568,047	Ps. (1,156,909)	Ps. (1,111,459)	Ps. 3,827,568	Ps. 136,349,603

At December 31, 2016, property and equipment includes Ps. 2,315,193 of investment properties, which are measured at historical cost, including transaction costs. Rental income from investment properties was Ps. 647,077 for the year ended December 31, 2016.

Depreciation expense for the years ended December 31, 2016 and 2015, was Ps. 10,411,721 (Ps. 35,603 of investment properties), and Ps. 9,587,187, respectively.

Property and equipment impairment for the years ended December 31, 2016 and 2015, was Ps. 152,202 and Ps. 407,953, respectively, and is presented in the disposals column.

At December 31, 2016, the transfer column includes the reclassification of beginning balance of fixed assets held for sale of suburbia by Ps. 2,129,746.

Work in process mostly consists of investments in the construction of new stores and it is recognized at cost. Upon completion of each project, the Company reclassifies work in process to property and depreciation of the assets begins.

10.- INTANGIBLE ASSETS:

An analysis of intangible assets at December 31, 2016 and 2015, is as follows:

	Intangible Assets										
	December 31, 2014	Additions	Disposals	Transfers	Translation effect	December 31, 2015	Additions	Disposals	Transfers	Translation effect	December 31, 2016
Goodwill	Ps. 28,020,341	Ps. -	Ps. -	Ps. -	Ps. 5,036,987	Ps. 33,057,328	Ps. -	Ps. -	Ps. -	Ps. 6,363,220	Ps. 39,420,548
Trademarks	724,023	-	-	-	108,301	832,324	-	-	-	141,802	974,126
Licences and software	1,219,187	425,320	(191,252)	975	43,774	1,498,004	746,315	(15,120)	(128,728)	59,478	2,159,949
Trade receivables	180,124	-	-	-	34,792	214,916	-	-	-	35,450	250,366
Patents	70,658	9,713	(49,513)	-	7,462	38,320	3,161	-	(40,485)	(996)	-
Subtotal	30,214,333	435,033	(240,765)	975	5,231,316	35,640,892	749,476	(15,120)	(169,213)	6,598,954	42,804,989
Accumulated amortization	(1,099,314)	(179,981)	156,296	(1,617)	(60,057)	(1,184,673)	(282,337)	23,088	55,768	(77,303)	(1,465,457)
Total	Ps. 29,115,019	Ps. 255,052	Ps. (84,469)	Ps. (642)	Ps. 5,171,259	Ps. 34,456,219	Ps. 467,139	Ps. 7,968	Ps. (113,445)	Ps. 6,521,651	Ps. 41,339,532

At December 31, 2016, the transfer column includes the reclassification of beginning balance of intangible assets held for sale of the Suburbia of Ps. 6,582.

Annually, the Company engages the services of an independent expert to test its goodwill for impairment. This evaluation was performed in conformity with IAS 36, *Impairment of Assets*, using the discounted cash flow technique (expected present value) to estimate the value in use of each cash generating unit based on the estimated revenues, costs, expenses, working capital requirements and fixed asset investments of each unit. This technique includes projection assumptions and value estimates and is consistent with the technique used to determine the purchase price of Walmart Central America at the time of the acquisition, which was the basis for estimating the goodwill to be allocated to each country.

Recoverable goodwill was computed based on value in use, which was calculated using cash flow projections considering the business plan and the projections used by management in its decision making for the following five years.

As a result of this study, at December 31, 2016 and 2015, there was no impairment in the value of the Company's Goodwill.

Trade marks represents those that were acquired at the time of the acquisition of Walmart Central America such as: Palí, Despensa Familiar, Maxi Bodega, among others. They are translated at the year-end exchange rate and the corresponding effect is recognized in other comprehensive income items.

Licenses, software and customers amortization expense for the years ended December 31, 2016 and 2015, was Ps. 282,014 and Ps. 176,708, respectively.

11.- RELATED PARTIES:

a) Related party balances

At December 31, 2016 and 2015, the consolidated statement of financial position includes the following balances with related parties:

	December 31, 2016	December 31, 2015
Accounts payable to suppliers:		
C.M.A. – U.S.A., L.L.C. (affiliate)	Ps. 786,220	Ps. 916,863
Global George, LTD. (affiliate)	99,005	37,618
	Ps. 885,225	Ps. 954,481
Other accounts payable:		
Wal-Mart Stores, Inc. (holding company)	Ps. 753,643	Ps. 640,601

At December 31, 2016 and 2015, balances receivable due from and payable due to related parties consist of current accounts that bear no interest, payable in cash and without guarantees.

b) Related party transactions

WALMEX has entered into the following open-ended agreements with related parties:

- Agreement for imports of merchandise for sale, interest-free and payable monthly.
- Agreement for purchase commissions with Global George that are payable on a recurring basis.
- Agreement for technical assistance and services with Walmart Stores that are payable monthly.
- Agreement for royalties for trademark use with Walmart Stores, payable quarterly based on a percentage of sales of the retail businesses.

The terms of the related party transactions are consistent with those of an arm's length transaction.

The Company had the following transactions with related parties during the years ended December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Import of merchandise for sale:		
C.M.A. – U.S.A., L.L.C. (affiliate)	Ps. 4,786,947	Ps. 4,680,065
Global George, LTD. (affiliate)	180,379	71,093
	Ps. 4,967,326	Ps. 4,751,158
Technical assistance, services and royalties:		
Wal-Mart Stores, Inc. (holding company)	Ps. 2,960,241	Ps. 2,527,818

c) Remuneration of principal officers

An analysis of remuneration to the Company's principal officers for the years ended December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Short-term benefits	Ps. 1,281,379	Ps. 1,006,727
Termination benefits	185,724	123,429
Share-based payments	77,976	97,556
	Ps. 1,545,079	Ps. 1,227,712

12.- OTHER ACCOUNTS PAYABLE:

An analysis of other accounts payable at December 31, 2016 and 2015, is as follows:

	December 31, 2016	December 31, 2015
Accrued liabilities and others	Ps. 11,480,325	Ps. 10,959,660
Dividends	2,506,349	2,488,350
Provisions	1,223,328	1,179,335
Deferred revenue	958,473	857,879
Related parties (Note 11)	753,643	640,601
Financial lease (Note 14)	533,047	556,548
	Ps. 17,455,165	Ps. 16,682,373

13.- COMMITMENTS AND CONTINGENCIES:

a) Commitments

At December 31, 2016, the Company has commitments totaling Ps. 18,144,540 (Ps. 13,957,560 in 2015) for the acquisition of inventories, property and equipment, as well as for maintenance services.

b) Contingencies

Legal proceedings

Wal-Mart de México, S.A.B. de C.V. ("**WALMEX**") is a subsidiary of Wal-Mart Stores, Inc. ("WMT"). WMT owns approximately 70% of the shares and voting power in **WALMEX** and has the ability to designate at least a majority of the directors of **WALMEX**. The remaining shares of **WALMEX** are publicly traded on the Mexican Stock Exchange and, to the best of the knowledge of **WALMEX**, no shareholder other than WMT and its affiliates owns more than 2% of the outstanding shares of **WALMEX**.

Currently, the Board of Directors of **WALMEX** is composed of 11 directors. The Audit Committee and the Corporate Governance Committee of the Board of Directors are composed exclusively of independent directors.

WMT is subject to a wide variety of laws and regulations in the United States of America and in the countries in which it operates, including but not limited to the U.S. Foreign Corrupt Practices Act (the "FCPA").

As **WALMEX** publicly disclosed on April 23, 2012, WMT is the subject of an investigation under the FCPA by the U.S. Department of Justice and the U.S. Securities and Exchange Commission following a disclosure that WMT made to those agencies in November 2011.

The Audit Committee of the Board of Directors of WMT, which is composed solely of independent directors, is conducting an internal investigation into, among other things, alleged violations of the FCPA and other alleged crimes or misconduct in connection with foreign subsidiaries, including **WALMEX** and whether prior allegations of such violations and/or misconduct were appropriately handled by WMT. The Audit Committee of WMT and WMT have engaged outside counsel from a number of law firms and other advisors who are assisting in the on-going investigation of these matters. **WALMEX** has also engaged outside counsel to assist in these matters.

WMT is also conducting a voluntary global review of its policies, practices and internal controls for FCPA compliance. WMT is engaged in strengthening its global anti-corruption compliance programs through appropriate remedial anti-corruption measures. **WALMEX** is taking part in such voluntary global review and strengthening of programs.

Furthermore, lawsuits relating to the matters under investigation have been filed by several of WMT's shareholders against it and against **WALMEX**, its current directors, certain of its former directors, certain of its current and former officers and certain of **WALMEX**'s current and former officers.

WALMEX is cooperating with WMT in the review of these matters and it intends to continue fully cooperating in such regard.

A number of federal and local government agencies in Mexico have also initiated investigations of these matters. **WALMEX** is cooperating with the Mexican governmental agencies conducting these investigations.

The Audit Committee and the Corporate Governance Committee of the Board of Directors of **WALMEX**, as well as the Board of Directors of **WALMEX**, have been informed about these matters and have determined, by an unanimous vote of the independent directors only, that it is in the best interests of **WALMEX** to continue to cooperate at this time with WMT and the U.S. and Mexican agencies conducting these investigations.

WALMEX could be exposed to a variety of negative consequences as a result of the matters noted above. There could be one or more enforcement actions in respect of the matters that are the subject of some or all of the ongoing government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desists orders or other relief, criminal convictions and/or penalties. The shareholder lawsuits may result in judgments against WMT and **WALMEX** and to current and former directors and current and former officers of WMT and **WALMEX** named in those proceedings. **WALMEX** cannot predict accurately at this time the outcome or impact of the government's investigations, the shareholder lawsuits, the internal investigation and review. In addition, **WALMEX** expects to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the

government investigations, and it cannot predict at this time the ultimate amount of all such costs. These matters may require the involvement of certain members of **WALMEX**'s senior management that could impinge on the time they have available to devote to other matters relating to the business. **WALMEX** may also see ongoing media and governmental interest in these matters that could impact the perception among certain audiences of its role as a corporate citizen.

WALMEX, its Board of Directors and its Audit Committee and Corporate Governance Committee will at all times ensure compliance with applicable Mexican law and ensure that they create value to **WALMEX**, acting diligently and adopting reasoned decisions, without favoring any shareholder or group of shareholders.

Although **WALMEX** does not presently believe, based on the information currently available and the advice of its external Mexican counsel, that these matters will have a material adverse effect on its business, given the inherent uncertainties in such situations, **WALMEX** can provide no assurance that these matters will not be material to its business in the future.

14.- OTHER LONG-TERM LIABILITIES:

At December 31, 2016 and 2015, the other long-term liabilities line includes the Company's obligations beyond one year under its finance leases.

The Company analyzed its services agreements that do not have the legal form of a lease, but that involve the use of an asset and determined there are not service agreements that must be classified as a lease, in conformity with IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

The Company has entered into property lease agreements with third parties for compulsory terms ranging from 1 to 13 years.

The Company has also entered into finance leases for the rental of residual water treatment plants used to meet environmental protection standards. The terms of these agreements are 7 and 10 years.

Future rental payments are as follows:

Year	Operating leases (compulsory term)		Finance leases (minimum payments)		
			Present value		Future value
2017	Ps.	467,474	Ps.	533,047	Ps. 1,878,424
2018	Ps.	371,038	Ps.	413,548	Ps. 1,721,438
2019	Ps.	278,809	Ps.	372,686	Ps. 1,652,674
2020	Ps.	307,734	Ps.	362,113	Ps. 1,612,337
2021	Ps.	306,821	Ps.	380,503	Ps. 1,597,743
2022 and thereafter	Ps.	1,636,773	Ps.	11,548,169	Ps. 28,550,026

At December 31, 2016 and 2015, the liability derived from the use of the straight-line method under operating leases was Ps. 861,659 and Ps. 712,297, respectively, from which Ps. 40,575 and Ps. 26,565 are presented in the current liabilities line.

Total rent under operating leases charged to the income statement during the years ended December 31, 2016 and 2015 was Ps. 5,125,280 and Ps. 4,698,570, respectively.

15.- TAXES ON PROFITS:

WALMEX as an integrating entity and its integrated subsidiaries in Mexico, determine and pay its income tax under the optional integration regime for groups of entities. Also, the tax provision includes the tax income of subsidiaries located abroad, which is determined in accordance with applicable tax laws of each country.

An analysis of taxes on profits charged to the income statement for the years ended December 31, 2016 and 2015, is as follows:

	December 31, 2016	December 31, 2015
Current year tax	Ps. 11,475,470	Ps. 8,715,980
Deferred tax	(852,474)	756,706
Total	Ps. 10,622,996	Ps. 9,472,686

The reconciliation between the statutory tax rate and Company's effective tax rate for the year ended December 31, 2016 and 2015, is as follows:

	2016	2015
Statutory tax rate	30.0 %	30.0 %
Non-deductible expenses from payments to associates exempt from income tax	0.9 %	0.9 %
Other items	(3.8)%	(2.1)%
Effective tax rate	27.1 %	28.8%

Income tax rates applicable are shown below:

	Rate
Mexico	30%
Costa Rica	30%
Guatemala	25%
Honduras	30%
Nicaragua	30%
El Salvador	30%

An analysis of the effects of the temporary differences giving rise to deferred tax assets and liabilities at December 31, 2016 and 2015, is as follows:

	December 31, 2016		December 31, 2015	
Deferred tax assets				
Inventories	Ps.	767,033	Ps.	565,092
Advance collections		286,957		305,603
Labor obligations		505,439		547,287
Other long-term liabilities		705,714		585,681
Provisions		315,159		295,599
Reserve for bad debts		100,325		93,070
Tax losses carryforward from subsidiaries		8,468		28,208
Other items		2,010,634		1,040,569
	Ps.	4,699,729	Ps.	3,461,109
Deferred tax liabilities				
Property and equipment	Ps.	9,621,766	Ps.	9,573,657
Prepaid expenses		290,507		186,016
Other items		571,164		27,220
	Ps.	10,483,437	Ps.	9,786,893

The Company has tax losses from subsidiaries that, in conformity with the current Mexican Income Tax Law, may be carried forward against the taxable income generated in future years, as follows:

Year of expiration	Amount	
2020	Ps.	45
2021		333
2022		764
2023		330
2024		330
2025		10,708
2026		16,057
	Ps.	28,567

16.- EMPLOYEE BENEFITS:

Annually, the Company engages an independent expert to perform the actuarial calculations related to its labor obligations in conformity with IAS 19, *Employee Benefits*.

Mexico:

The Company has set up a defined benefits trust fund to cover seniority premiums accruing to employees. Workers make no contributions to this fund. Also, the Company recognizes the liability for termination benefits for retirement. These obligations are determined using the projected unit credit method.

At December 31, 2016 and 2015, an analysis of the Company's assets and liabilities for seniority premiums and retirement benefits is as follows:

	Seniority Premiums		Retirement benefits	
	2016	2015	2016	2015
Defined benefit obligations	Ps. 856,129	Ps. 935,158	Ps. 112,401	Ps. 123,396
Plan assets	(709,437)	(730,709)	-	-
Net projected liability	Ps. 146,692	Ps. 204,449	Ps. 112,401	Ps. 123,396

Changes in the net present value of the defined benefit obligations (DBO) at December 31, 2016 and 2015, are shown below:

	Seniority Premiums		Retirement benefits	
	2016	2015	2016	2015
DBO at beginning of year	Ps. 935,158	Ps. 855,596	Ps. 123,396	Ps. 113,410
Net period cost charged to the results:				
- Labor cost from actual services	140,223	128,809	8,083	7,455
- Interest cost on DBO	64,535	58,401	8,432	7,763
Other comprehensive income items	(92,344)	(8,207)	(17,929)	(5,232)
Benefits paid	(123,483)	(99,441)	-	-
Transfers	(67,960)	-	(9,581)	-
DBO at year end	Ps. 856,129	Ps. 935,158	Ps. 112,401	Ps. 123,396

Changes in the net present value of the plan assets (PA), at December 31, 2016 and 2015, are shown below:

Seniority premiums			
2016		2015	
Ps.	(730,709)	Ps.	(684,207)
PA at beginning of year			
Return on plan assets	(50,223)		(46,402)
Other comprehensive income items	48,465		41,187
Plan contributions	(145,171)		(140,719)
Benefits paid	123,438		99,432
Transfers	44,763		-
PA at year end	Ps. (709,437)	Ps.	(730,709)

Valuation techniques used by the Company to determine and disclose the fair value of its financial instruments is based on a level 1 hierarchy (observable data as they are quoted prices in active markets) in conformity with IFRS 13, *Fair value measurement*.

At December 31, 2016 and 2015, the plan assets have been invested through the trust mostly in money market instruments.

At December 31, 2016 and 2015, actuarial gains/losses from the labor obligations are recognized in the other comprehensive income items line by Ps. 73,560 and Ps. 116,826, respectively.

Central America:

At December 31, 2016 and 2015, changes in the net present value of the DBO, is shown below:

	2016		2015	
DBO at beginning of year	Ps.	1,301,258	Ps.	1,020,105
Net period cost charged to the results:				
- Labor costs from actual services		217,997		187,372
- Interest cost on DBO		122,365		94,164
Other comprehensive income items		(241,460)		34,747
Benefits paid		(226,333)		(194,417)
Translation effects		252,404		159,287
DBO at year end	Ps.	1,426,231	Ps.	1,301,258

At December 31, 2016 and 2015, actuarial gains/losses from the labor obligations are recognized in the other comprehensive income items line by Ps. 82,102 and Ps. 260,851, respectively.

At December 31, 2016, the assumptions used in the actuarial valuations of Mexico and Central America, are as follows:

Financial:

	Mexico		Central America	
	2016	2015	2016	2015
Discount rate	7.75%	7.00%	8.39% - 13.10%	7.91% - 12.77%
Salary increase rate	5.25%	5.25%	2.50% - 7.50%	3.10% - 7.50%
Minimum salary increase rate	4.00%	4.00%	2.00% - 7.00%	2.60% - 7.00%
Inflation rate	4.00%	4.00%	2.00% - 7.00%	2.00% - 7.00%

Biometrics:

Mortality	IMSS-97 ⁽¹⁾	IMSS-97 ⁽¹⁾	RP-2000 ⁽²⁾	RP-2000 ⁽²⁾
Disability	21.07%	21.07%	15.4%	15.4%
Retirement age	60 years	65 years	50 – 65 years	60 – 65 years

(1) Experience from the Mexican Institute for Social Security for males and females

(2) RP-2000 for Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

A sensitivity analysis of the DBO at December 31, 2016, is as follows:

	Mexico		Central America	
DBO at December 31, 2016	Ps.	968,530	Ps.	1,426,231
DBO at discount rate +1%	Ps.	925,977	Ps.	1,680,876
DBO at discount rate -1%	Ps.	1,110,024	Ps.	1,847,044
Effects over DBO:				
Discount rate +1%	Ps.	(84,810)	Ps.	(77,817)
Discount rate -1%	Ps.	99,237	Ps.	88,350

The discount rate in Mexico is determined using the curve of government bonds issued by the Federal Government known as M. Bonds.

17.- EQUITY:

a. At an ordinary meeting held on March 31, 2016, the shareholders adopted the resolutions establishing the following:

1. A limit on the amount available for share repurchase to Ps. 3,288,533.
2. Cancellation of 44,304,712 shares resulting from share repurchases.
3. The shareholders declared an ordinary cash dividend of Ps. 0.56 pesos per share, paid in four installments of Ps. 0.14 pesos each on April 26, 2016; August 23, 2016; November 22, 2016; and February 21, 2017. The shareholders also declared an extraordinary cash dividend of Ps. 1.12 pesos per share that was paid out in two installments: one of Ps. 0.64 pesos on April 26, 2016 and another of Ps. 0.48 pesos on November 22, 2016.

b. At ordinary meeting held on March 24, 2015, the shareholders adopted the following resolutions:

1. Approval of a cap of Ps. 5,000,000 on the amount the Company would use in 2015 to repurchase its own shares.
2. Cancellation of 114,048,160 shares resulting from the repurchase of shares.
3. Increase in the legal reserve of Ps. 1,019,567 to be charged to retained earnings.

4. A declared ordinary cash dividend of Ps. 0.56 pesos per share to be paid in four installments of Ps. 0.14 pesos per share on April 28, 2015, August 25, 2015, November 24, 2015 and February 23, 2016; and one extraordinary cash dividend of Ps. 1.28 pesos per share to be paid in four installments of Ps. 0.64 pesos per share on April 28, 2015, Ps. 0.13 pesos per share on August 25, 2015, Ps. 0.32 pesos per share on November 24, 2015 and Ps. 0.19 pesos per share which is subject to the approval and closing of the sale of the Walmart Bank and will be paid on the date and subject to the terms determined by the Board of Directors.

c. Capital stock is represented by registered shares with no par value. The Company's capital stock must be represented by a minimum of 3,000,000,000 shares and a maximum of 100,000,000,000 shares.

At December 31, 2016 and 2015, an analysis of historical paid-in stock and the number of shares representing it is as follows:

Capital stock	Amount
Fixed minimum capital	Ps. 5,591,362
Variable capital	36,935,265
Total	Ps. 42,526,627
Number of freely subscribed common shares	17,461,402,631

During the year ended December 31, 2015, **WALMEX** repurchased 47,284,712 in 2015 of its own shares, of which 2,980,000 were cancelled as per the resolution adopted at the shareholders' meeting held on March 24, 2015. As a result of the share repurchases, the Company's historical capital stock was reduced by Ps. 115,149. The difference between the theoretical value and the repurchase cost of the shares acquired was reflected against retained earnings.

- d. Distributed earnings and capital reductions that exceed the net taxed profits account (CUFIN per its acronym in Spanish) and restated contributed capital account (CUCA per its acronym in Spanish) balances are subject to income tax, in conformity with Articles 10 and 78 of the Mexican Income Tax Law.

At December 31, 2016 and 2015, the total balance of the tax accounts related to equity is Ps. 85,708,879 and Ps. 94,297,267, respectively, in conformity of the current tax laws effective January 1, 2014.

Additionally the individuals residing in Mexico and residents abroad (individuals or corporations) are subject to pay income tax at an additional rate of 10% on dividends or profits distributed by corporations resident in Mexico. The latter are obliged to withhold tax to pay it to the federal treasury. The additional tax rate of 10% mentioned only applies to profits obtained beginning on 2014. For these purposes, the corporation is required to keep track of CUFIN with the profits generated until December 31, 2013. From the balance of this account, dividends paid from January 1, 2014, will be subtracted and once exhausted, this balance will begin to withhold an additional tax rate of 10%. At December 31, 2016 the Company no longer has a CUFIN balance with the profits generated as of December 31, 2013 (Ps. 19,080,323 in 2015).

- e. At December 31, 2016, the legal reserve of the Company amounts to Ps. 9,104,745 that represents 20% of the equity, which according to the Mexican Corporations Act, has reached the maximum of its constitution.

- f. The employee stock option plan fund consists of 205,007,633 **WALMEX** shares, which have been placed in a trust created for the plan.

The total compensation cost charged to operating results in the years ended December 31, 2016 and 2015 was Ps. 270,416 and Ps. 298,498, respectively, which represented no cash outlay for the Company.

Changes in the stock option plan are as follows:

	Number of shares	Weighted average price per share (pesos)
Balance at December 31, 2014	232,626,838	28.70
Granted	44,185,575	35.91
Exercised	(56,630,756)	21.78
Cancelled	(14,037,608)	34.28
Balance at December 31, 2015	206,144,049	31.77
Granted	43,004,673	40.25
Exercised	(35,404,131)	27.92
Cancelled	(14,526,525)	37.09
Balance at December 31, 2016	199,218,066	33.90
Shares available for option grant:		
At December 31, 2016	5,789,567	
At December 31, 2015	12,142,715	

At December 31, 2016, an analysis of granted and exercisable shares under the stock option plan fund is as follows:

Year	Granted			Range of price (pesos)	Exercisable	
	Number of shares	Average remaining life (in years)	Weighted average price per share (pesos)		Number of shares	Weighted average price per share (pesos)
2007	5,917,357	0.2	21.54	21.54	5,917,357	21.54
2008	9,252,938	1.2	19.35	19.35	9,252,938	19.35
2009	11,248,143	2.2	15.85	15.85 – 19.00	11,248,143	15.85
2010	12,316,434	3.2	29.70	29.69 – 31.05	12,316,434	29.70
2011	13,832,187	4.2	33.75	33.70 – 33.75	13,832,187	33.75
2012	21,277,431	5.2	39.70	34.74 – 40.05	16,389,209	39.69
2013	22,409,087	6.2	39.22	39.17 – 41.89	11,820,745	39.22
2014	31,585,233	7.2	30.84	30.84 – 39.17	8,791,223	30.84
2015	31,860,289	8.2	36.07	30.50 – 36.07	4,584,765	36.07
2016	39,518,967	9.2	40.18	40.14 – 42.63	-	-
Total	199,218,066	6.2	33.89		94,153,001	30.46

18.- OTHER REVENUES:

For the years ended December 31, 2016 and 2015, an analysis of other revenues related to the Company's primary business activities is as follow:

	December 31, 2016		December 31, 2015	
Memberships	Ps.	1,312,042	Ps.	1,218,007
Rental		1,289,258		1,163,210
Sale of waste		452,804		417,427
Service commissions		291,062		280,783
Gasoline		215,172		228,349
Parking		87,596		56,280
Others		164,773		86,673
Total	Ps.	3,812,707	Ps.	3,450,729

19.- GENERAL EXPENSES:

General expenses principally include personnel expenses, depreciation and amortization, rent, advertising, maintenance, utilities, royalties, and technical assistance.

20.- FINANCIAL INCOME (EXPENSES):

An analysis of financial income (expenses) for the years ended December 31, 2016 and 2015, is as follows:

	December 31, 2016	December 31, 2015
Financial income		
Financial income	Ps. 601,577	Ps. 1,096,537
Currency exchange gain	559,390	222,342
Income on changes in fair value of derivatives	160,172	447
	Ps. 1,321,139	Ps. 1,319,326
Financial expenses		
Interest on finance leases	Ps. (1,270,826)	Ps. (1,126,237)
Currency exchange loss	(181,216)	(98,719)
Loss on changes in fair value of derivatives	(150,863)	-
Other	(41,099)	(5,638)
	Ps. (1,644,004)	Ps. (1,230,594)

Financial income primarily consists of interest earned on investments. Additionally, in 2015 included income earned on factoring transactions.

21.- SEGMENT FINANCIAL INFORMATION:

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions and on the criteria established in IFRS 8, *Operating Segments*.

The Company operates in Mexico and Central America and sells to the general public, and it is primarily engaged in operating self-service stores.

The Company has identified the following operating segments by geographical zone:

Mexico:

Operation of discount stores, hypermarkets, wholesale-price membership stores and supermarkets.

Central America:

Operation of discount stores, supermarkets, hypermarkets, warehouse stores and wholesale-price membership stores in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

An analysis of financial information by operating segments and geographical zones is as follows:

Year ended December 31, 2016					
Segment	Total revenues	Operating income	Financial income (expenses) – net	Income before taxes on profits	
Mexico	Ps. 433,025,350	Ps. 33,645,606	Ps. (288,838)	Ps. 33,356,768	
Central America	99,358,733	5,809,529	(34,027)	5,775,502	
Consolidated	Ps. 532,384,083	Ps. 39,455,135	Ps. (322,865)	Ps. 39,132,270	

Year ended December 31, 2015					
Segment	Total revenues	Operating income	Financial income (expenses) – net	Income before taxes on profits	
Mexico	Ps. 396,792,063	Ps. 28,977,970	Ps. (15,496)	Ps. 28,962,474	
Central America	79,118,498	3,850,152	104,228	3,954,380	
Consolidated	Ps. 475,910,561	Ps. 32,828,122	Ps. 88,732	Ps. 32,916,854	

Segment	Year ended December 31, 2016							
	Purchase of property and equipment		Depreciation and amortization		Total assets		Current liabilities	
Mexico	Ps.	9,270,784	Ps.	8,435,439	Ps.	185,180,769	Ps.	73,537,507
Assets and liabilities held for sale		-		-		11,628,894		3,951,542
Central America		5,063,997		2,258,296		51,700,091		16,467,773
Goodwill		-		-		39,420,548		-
Consolidated	Ps.	14,334,781	Ps.	10,693,735	Ps.	287,930,302	Ps.	93,956,822

Segment	Year ended December 31, 2015							
	Purchase of property and equipment		Depreciation and amortization		Total assets		Current liabilities	
Mexico	Ps.	8,481,147	Ps.	8,225,062	Ps.	182,421,703	Ps.	64,945,080
Central America		4,045,118		1,799,667		38,171,088		12,364,273
Goodwill		-		-		33,057,328		-
Consolidated	Ps.	12,526,265	Ps.	10,024,729	Ps.	253,650,119	Ps.	77,309,353

At December 31, 2016, assets and liabilities held for sale correspond to the Suburbia stores.

22.- APPROVAL OF THE FINANCIAL STATEMENTS:

The consolidated financial statements and accompanying notes for the years ended December 31, 2016 and 2015 were approved by the Company's management and Board of Directors on February 15, 2017, and are subject to approval by the Shareholders meeting.

**BOARD OF DIRECTORS,
WAL-MART DE MÉXICO S.A.B. DE C.V.
PRESENT**

TO WHOM IT MAY CONCERN:

In compliance with Article 43 of the Securities Market Law (LMV) and the internal regulation for the Committees I oversee, with approval from the Board of Directors for Wal-Mart de México, S.A.B. de C.V. (which together with its subsidiaries hereinafter is the Company) we hereby inform you of the activities undertaken during the reporting period ending on Dec. 31, 2016.

Throughout the work conducted, in addition to that stipulated under the LMV, we have always abided by that contained under the Code of Best Corporate Practices, issued by the CEC (Coordinating Business Council); the Company Code of Ethics; the General Internal Regulation of the Mexican Stock Exchange; and the general provisions stemming from the LMV.

In compliance with our oversight process, the Audit and Corporate Practices Committees have conducted quarterly regular meetings to analyze the overall situation regarding matters of material importance in the fields of finance, accounting, legal, operations and ethics for the Company, and supplementing our participation in said meetings throughout the year with the office of the CEO, Legal, and Finance are the reports presented by the principal officers of the Company as requested by us, in addition to special meetings held to cover specific matters, as needed, such as the following:

I. CORPORATE PRACTICES:

- a) We were kept informed by the management of the Company, with no observations made, on the following:
1. Evaluation processes for relevant officers and their authorized succession plans, which include but are not limited to Enrique Ostalé Cambiaso in his position of Executive President and Chief Executive Officer for the Company, appointing Guilherme Loureiro as his replacement as of Feb. 1, 2016.
 2. The processes followed to determine integrated compensation for the CEO and the integrated compensation packages for the other relevant officers -mentioned under note 11, paragraph c) of the consolidated financial statements for Wal-Mart de México, S.A.B. de C.V. and Subsidiaries, at Dec. 31, 2016 (hereinafter the "financial statements for the Company").
 3. The policies and procedures followed during the reporting year, with regards to operations with related parties and the corresponding investigation on transfer prices, the concepts of which are discussed under note 11 of the financial statements.
 4. The operations related to the sale of the apparel store -Suburbia- and the Walmart bank, which is mentioned under note 1 paragraph b) sections I and II, respectively, of the financial statements.
- b) During the 2016 period 2016, the Company management kept us informed of the progress made regarding the investigations on alleged corrupt practices that the Audit Committee for Wal-Mart Stores, Inc. ("Wal-Mart") has been conducting with the assistance of independent lawyers and other advisors and the measures that the Company has taken, reinforcing the internal organization; training Directors, executives and associates; and strengthening processes, thus becoming a leader in compliance worldwide, such as that explained in detail under note 13 paragraph b) of the Company financial statements. In addition, we continue believing that our cooperation with the aforementioned investigations is in the best interest of the Company and its shareholders, with no distinction whatsoever.

- c) We attended different meetings to review the quarterly and annual financial statements for the Company and, at the time, we recommended publishing said financial information.

II. AUDIT:

- a) We analyzed the status of the internal control system, and were informed in detail of the programs and development of internal and independent audit work done, as well of the primary aspects requiring improvement and follow up on the preventive and corrective measures implemented by Management. Therefore, it is our opinion that the effectiveness required for the Company to function with an appropriate level of control is being accomplished. .

- b) We evaluated the performance of the independent auditors, who are responsible for issuing an opinion on the reasonability of the Company financial statements and their adherence to International Financial Information Standards. With regards to the same, we consider that the partners at Mancera, S.C. (a member of EY Global) comply with all necessary requirements regarding the professional quality and independence of intellectual and economic action, thus they were recommended as examiners and issuers of the report on the Company financial statements. On the other hand, the additional or complementary services that the aforementioned auditors rendered for the Company throughout 2016, did neither impair their independence nor were they substantial.

- c) We attended different meetings to review the quarterly and annual financial statements for the Company and, at the time, we recommended publishing said financial information.

- d) We were informed of the accounting policies that were approved and put into practice throughout 2016, and the amendments thereto.

- e) Follow-up was given to any and all relevant observations made by the shareholders, directors, relevant officers, employees and any third party in general, regarding the accounting, internal controls, and subjects related to internal or independent audits.

- f) Follow-up was also given to all agreements made by shareholders and members of the board of directors for the Company.

- g) Information was provided on the progress made regarding investment plans and the impact on the results sent to the Mexican Stock Exchange, as a result of adjustments made to store-opening processes.

- h) Information was provided on the legal contingencies to which the Company is exposed, and which are recognized in the financial statements as per the probability of occurring, as well as the primary issues concerning systems security and the progress made within *eCommerce*.

- i) Lastly, information was periodically presented on the situation faced by the Company regarding Ethics and Compliance and the measures adopted by the Company to reinforce these aspects..

Based on the work completed and the opinion issued by outside auditors, we feel that the accounting and information policies and criteria followed by the Company are suitable and sufficient and that they have been consistently applied; as a result, the information presented by the CEO is a reasonable reflection of the Company's financial situation and results.

Due to all the aforementioned, we recommend that the Board of Directors present the financial statements for Wal-Mart de México, S.A.B. de C.V. and subsidiaries for the period ending Dec. 31, 2016, to the General Annual Shareholders Assembly for their approval..

Sincerely,



ADOLFO CEREZO

CHAIRMAN OF THE AUDIT AND CORPORATE PRACTICES COMMITTEES

Mexico City, Feb. 15, 2017