

Walmart de México y Centroamérica Reports Results for the Third Quarter 2018

FREE TRANSLATION, NOT TO THE LETTER

Mexico City, October 18, 2018

Financial Results

Today **Wal-Mart de México, S.A.B. de C.V. (BMV: WALMEX)** reported financial results for the third quarter of 2018. Total revenues increased **7.9%**. EBITDA for the quarter amounted to **\$14.9 billion pesos**, which represented **10.1%** of total revenues, a growth of **11.6%** over last year's levels.

Main figures are:

Results July – September	2018		2017		Growth
	Million \$	%	Million \$	%	%
Net Sales	146,635		135,654		8.1
Other Income	1,133		1,244		(8.9)
Total Revenues	147,768	100.0	136,898	100.0	7.9
Cost of Sales	113,355	76.7	105,130	76.8	7.8
Gross Profit	34,413	23.3	31,768	23.2	8.3
General Expenses	22,619	15.3	21,002	15.3	7.7
Income before Other Income - Net	11,794	8.0	10,766	7.9	9.5
Other Income (Expenses) - Net	17	0.0	(296)	(0.2)	105.7
Operating Income	11,811	8.0	10,470	7.6	12.8
Financial Expenses - Net	(366)	(0.2)	(102)	(0.1)	257.5
Taxes	2,763	1.9	2,365	1.7	16.9
Net income from Continuing Op.	8,682	5.9	8,003	5.8	8.5
Discontinued Operations	-	-	674	0.5	(100.0)
Net Income	8,682	5.9	8,677	6.3	0.1
EBITDA	14,903	10.1	13,356	9.8	11.6
EPS (in pesos)	0.497		0.497		0.1

EPS= Earnings per share / Not audited

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Results January – September	2018		2017		Growth
	Million \$	%	Million \$	%	%
Net Sales	436,064		402,028		8.5
Other Income	3,425		3,182		7.6
Total Revenues	439,489	100.0	405,210	100.0	8.5
Cost of Sales	338,357	77.0	312,123	77.0	8.4
Gross Profit	101,132	23.0	93,087	23.0	8.6
General Expenses	67,654	15.4	62,888	15.5	7.6
Income before Other Income - Net	33,478	7.6	30,199	7.5	10.9
Other Income – Net	94	0.0	(176)	(0.0)	153.6
Operating Income	33,572	7.6	30,023	7.4	11.8
Financial Income (Expenses) - Net	(204)	(0.0)	(426)	(0.1)	(52.1)
Taxes	8,377	1.9	7,786	1.9	7.6
Net income from Continuing Op.	24,991	5.7	21,811	5.4	14.6
Discontinued Operations	-	-	7,475	1.8	(100.0)
Net Income	24,991	5.7	29,286	7.2	(14.7)
EBITDA	42,783	9.7	38,599	9.5	10.8
EPS (in pesos)	1.431		1.677		14.7

EPS= Earnings per share / Not audited

Openings Q3 2018

Mexico: 15 units

- 12 Bodegas Aurrerá
 - o 3 Mi Bodegas
 - o 9 Bodegas Aurrerá Express
- 2 Walmarts
- 1 Superama

Central America: 10 units

- 6 Discount Stores
- 2 Bodegas
- 2 Walmarts

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Installed Capacity

Sales Area (September 30 th , 2018)				
Format	Mexico		Central America	
	Sq.mt.	Sq.ft.	Sq.mt.	Sq.ft.
Bodegas and Discount Stores	2,758,415	29,691,579	447,788	4,819,990
Walmarts	2,092,565	22,524,371	163,153	1,756,179
Sam's Clubs	1,161,860	12,506,261		
Supermarkets	152,093	1,637,129	129,945	1,398,731
Pharmacies	2,665	28,686		
Total	6,167,598	66,388,026	740,886	7,947,900

Other Events

In July, **Walmart de México y Centroamérica** was recognized in the first position of the "Inclusive business" ranking, published by *Expansion* magazine. This result was due to the Company's vision by integrating vulnerable groups in its growth strategies in the short and medium term, emphasizing Diversity and Inclusion policies and practices in Talent hiring.

Also in July, *Mundo Ejecutivo* magazine published its ranking "The top 500 most important companies in Latin America", where **Walmart de México y Centroamérica** ranked eighth. This publication measured the total income of companies during 2017.

In July, *Expansion* magazine published its ranking "The top 500 most important companies in Latin America", where **Walmart de México y Centroamérica** ranked in the 10 position. This publication measured the total income of companies during 2017.

In August **Walmart de México y Centroamérica** was recognized by "*Monitor Empresarial de Reputación Corporativa (MERCOR)*" as "The Company with the best corporate reputation" in the retail sector, and ranked eighth in the list "Top 100 companies with the best corporate reputation in Mexico". This recognition is the result of a global evaluation, which integrates perception and assessment from 15 different information resources together with reputational merits, endorsed by KPMG.

Walmart de México y Centroamérica was included in the August ranking of the "*América Economía Magazine*", "Top 500 most Important Companies in Latin America". Our Company ranked seventh in the list, as a result of its net sales in dollars by the end of 2017.

During September, our Operation in **Honduras** was recognized for the eleventh consecutive year, with the Socially Responsible Company Seal, granted by the Social Responsibility Honduran Foundation (Fundahrse). This prize is awarded to recognize corporations that year after year, make great efforts to boost programs and projects, benefitting those communities where they operate.

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Conference Call

Walmart de México y Centroamérica will hold a webcast today at 3:30 PM (CT), regarding third quarter 2018 results. Access to the webcast is through the investor relations website www.walmex.mx. You can join the audio only 15 minutes before the conference begins by dialing International: 1 (866) 779-0965 or in Mexico 52 (55) 6722-5257

- For English: Access code 4735 - 3248
- For Spanish: Access code 4735 - 3250

The presentation and the transcript will be available both in English and in Spanish at our website.

Company Description

WALMEX is a Retail Sector company whose shares are traded in the Mexican Stock Exchange since 1977. As of **September 30th, 2018**, it operated **3,205** units, broken down as follows:

2,406 Mexico	799 Central America
1,866 Bodegas Aurrerá:	534 Discount Stores
510 Bodegas	95 Supermarkets
356 Mi Bodegas	31 Walmarts
1,000 Bodegas Express	139 Bodegas
273 Walmarts	
163 Sam's Clubs	
94 Superamas	
10 Medimart Pharmacies	

Ticker Symbols

Mexican Stock Exchange:	Bloomberg:	Reuters:	ADR's sponsored program:
Walmex	WalmexV MM WMMVY US	WalmexV.Mx WMMVY.Pk	WMMVY

Websites

Investor Relations: www.walmex.mx

Corporate: www.walmartmexico.com

From the different formats:

www.walmart.com.mx

www.sams.com.mx

www.superama.com.mx

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Appendix 1: Quarterly Income Statement

(millions of pesos)

(NOT AUDITED)

	I Quarter					II Quarter					III Quarter				
	2018		2017		% of Growth	2018		2017		% of Growth	2018		2017		% of Growth
	\$	% Sales	\$	% Sales		\$	% Sales	\$	% Sales		\$	% Sales			
Net Sales	143,953		131,639		9.4	145,476		134,735		8.0	146,635		135,654		8.1
Other Revenues	1,101		937		17.6	1,190		1,001		19.0	1,133		1,244		(8.9)
Total Revenues	145,054	100.0	132,576	100.0	9.4	146,666	100.0	135,736	100.0	8.1	147,768	100.0	136,898	100.0	7.9
Cost of Sales	111,841	77.1	102,190	77.1	9.4	113,160	77.2	104,802	77.2	8.0	113,355	76.7	105,130	76.8	7.8
Gross Profit	33,213	22.9	30,386	22.9	9.3	33,506	22.8	30,934	22.8	8.3	34,413	23.3	31,768	23.2	8.3
General Expenses	21,973	15.1	20,645	15.6	6.4	23,063	15.7	21,242	15.6	8.6	22,619	15.3	21,002	15.3	7.7
Income before other income (expenses) - Net	11,240	7.7	9,741	7.3	15.4	10,443	7.1	9,692	7.1	7.7	11,794	8.0	10,766	7.9	9.5
Other income (expenses) - Net	94	0.1	156	0.1	(39.6)	(16)	(0.0)	(35)	(0.0)	53.9	17	0.0	(296)	(0.2)	105.7
Operating Income	11,334	7.8	9,897	7.5	14.5	10,427	7.1	9,657	7.1	8.0	11,811	8.0	10,470	7.6	12.8
Financial (Expenses) Income - Net	(38)	(0.0)	(189)	(0.1)	(79.7)	200	0.1	(135)	(0.1)	247.7	(366)	(0.2)	(102)	(0.1)	257.5
Income before taxes on profits	11,296	7.8	9,708	7.3	16.4	10,627	7.2	9,522	7.0	11.6	11,445	7.7	10,368	7.6	10.4
Taxes on profits	2,947	2.0	2,647	2.0	11.4	2,667	1.8	2,775	2.0	(3.9)	2,763	1.9	2,365	1.7	16.9
Net income from continuing operations	8,349	5.8	7,061	5.3	18.2	7,960	5.4	6,747	5.0	18.0	8,682	5.9	8,003	5.8	8.5
Discontinued Operations	-		69	0.1	(100.0)	-		6,732	5.0	(100.0)	-		674	0.5	(100.0)
Consolidated Net Income	8,349	5.8	7,130	5.4	17.1	7,960	5.4	13,479	9.9	(40.9)	8,682	5.9	8,677	6.3	0.1
EBITDA	14,378	9.9	12,778	9.6	12.5	13,502	9.2	12,466	9.2	8.3	14,903	10.1	13,356	9.8	11.6
Earnings per share (in pesos)	0.478		0.408		17.1	0.456		0.772		(40.9)	0.497		0.497		0.1

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WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in thousands of Mexican pesos

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 33,061,176	\$ 35,596,117
Accounts receivable, net	9,304,149	10,834,460
Inventories	60,701,754	59,463,255
Prepaid expenses and other assets	<u>1,274,269</u>	<u>982,374</u>
Total current assets	104,341,348	106,876,206
Non-current assets:		
Property and equipment, net	122,174,686	122,252,752
Finance leases, net	12,800,960	12,709,974
Investment properties, net	4,913,317	5,118,707
Intangible assets, net	37,475,266	39,368,028
Deferred tax assets	8,322,151	6,882,422
Other non-current assets	<u>2,094,065</u>	<u>2,047,575</u>
Total assets	<u>\$ 292,121,793</u>	<u>\$ 295,255,664</u>
<u>Liabilities and equity</u>		
Short-term liabilities:		
Accounts payable	\$ 72,746,385	\$ 80,099,063
Other accounts payable	35,829,552	23,837,886
Income taxes	<u>1,248,325</u>	<u>3,890,598</u>
Total current liabilities	109,824,262	107,827,547
Long-term liabilities:		
Other long-term liabilities	20,137,888	19,815,114
Deferred tax liabilities	7,623,519	6,087,187
Employee benefits	<u>1,796,444</u>	<u>1,991,863</u>
Total liabilities	<u>139,382,113</u>	<u>135,721,711</u>
Equity:		
Capital stock	45,468,428	45,468,428
Retained earnings	92,879,856	96,413,711
Other comprehensive income items	15,700,114	20,011,198
Premium on sale of shares	3,967,529	3,559,058
Employee stock option plan fund	<u>(5,276,247)</u>	<u>(5,918,442)</u>
Total equity	<u>152,739,680</u>	<u>159,533,953</u>
Total liabilities and equity	<u>\$ 292,121,793</u>	<u>\$ 295,255,664</u>

Not Audited

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WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in thousands of Mexican pesos

	Nine month period ended	
	September 30	
	2018	2017
Net sales	\$ 436,063,942	\$ 402,027,838
Other revenues	3,424,826	3,181,754
Total revenues	439,488,768	405,209,592
Cost of sales	(338,356,534)	(312,122,978)
Gross profit	101,132,234	93,086,614
General expenses	(67,654,366)	(62,887,485)
Income before other income and expenses	33,477,868	30,199,129
Other income	596,499	597,731
Other expenses	(502,298)	(773,472)
Operating income	33,572,069	30,023,388
Financial income	1,704,899	963,188
Financial expenses	(1,909,067)	(1,389,476)
Income before income taxes	33,367,901	29,597,100
Income taxes	(8,377,118)	(7,786,222)
Net Income from continuing operations	24,990,783	21,810,878
Net income from discontinued operations net of income taxes	-	7,474,618
Consolidated net income	<u>\$ 24,990,783</u>	<u>\$ 29,285,496</u>
Other comprehensive income items:		
<u>Items that may be reclassified subsequently to profit and loss:</u>		
Cumulative translation adjustment	<u>\$ (4,311,084)</u>	<u>\$ (9,039,973)</u>
	<u>\$ 20,679,699</u>	<u>\$ 20,245,523</u>
Basic earnings per share from continuing operations (in pesos)	<u>\$ 1.431</u>	<u>\$ 1.249</u>
Basic earnings per share (in pesos)	<u>\$ 1.431</u>	<u>\$ 1.677</u>

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WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Amounts in thousands of Mexican pesos

	Nine month period ended September 30,	
	2018	2017
<u>Operating activities</u>		
Income before taxes on profits	\$ 33,367,901	\$ 29,597,100
<u>Items related to investing activities:</u>		
Depreciation and amortization	9,211,236	8,575,984
Loss from disposal of property, equipment and impairment	110,054	152,592
Stock option compensation expense	232,935	203,637
Interest earned	(921,911)	(734,907)
<u>Items related to financing activities:</u>		
Interest payable under finance leases	1,155,478	1,078,267
Discontinued operations	-	371,824
Cash flow from results of operations	<u>43,155,693</u>	<u>39,244,497</u>
<u>Variances in:</u>		
Accounts receivable	2,271,694	773,533
Inventories	(2,126,702)	(5,343,518)
Prepaid expenses and other assets	(305,241)	60,997
Accounts payable	(6,276,653)	24,771
Other accounts payable	(1,448,886)	147,060
Taxes on profits paid	(12,142,267)	(9,181,572)
Employee benefits	(67,704)	178,637
Discontinued operations	-	(987,109)
Net cash flow from operating activities	<u>23,059,934</u>	<u>24,917,296</u>
<u>Investing activities</u>		
Long definite-lived assets	(10,764,622)	(10,687,881)
Interest collected	921,911	734,907
Proceeds from sale of property and equipment	162,104	140,428
Employee stock option plan fund	817,731	(416,179)
Discontinued operations	-	(35,945)
Cash flow from divestiture business	-	20,229,114
Net cash flows in investing activities	<u>(8,862,876)</u>	<u>9,964,444</u>
<u>Financing activities</u>		
Dividends paid	(14,512,755)	(33,607,071)
Payment of finance leases	(1,171,114)	(1,197,144)
Discontinued operations	-	(15,583)
Net cash flow used in financing activities	<u>(15,683,869)</u>	<u>(34,819,798)</u>
Effect of changes in the value of cash	(1,048,130)	(1,593,361)
Net decrease in cash and cash equivalents	(2,534,941)	(1,531,419)
Cash and cash equivalents at beginning of period	<u>35,596,117</u>	<u>27,975,536</u>
Cash and cash equivalents at end of period	<u>\$ 33,061,176</u>	<u>\$ 26,444,117</u>

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