

Walmart de México y Centroamérica Reports Results for the Fourth Quarter 2017

FREE TRANSLATION, NOT TO THE LETTER

Mexico City, February 15th, 2018

Financial Results

Today **Wal-Mart de México, S.A.B. de C.V. (BMV: WALMEX)** reported financial results for the fourth quarter of 2017. Total revenues increased **6.8%**. EBITDA for the quarter amounted to **\$16.9 billion pesos**, which represented **10.0%** of total revenues, a growth of **9.1%** over last year's levels.

Main figures are:

Results October – December	2017		2016		Growth
	Million \$	%	Million \$	%	%
Net Sales	167,115		156,515		6.8
Other Income	1,070		982		8.9
Total Revenues	168,185	100.0	157,497	100.0	6.8
Cost of Sales	131,211	78.0	122,891	78.0	6.8
Gross Profit	36,974	22.0	34,606	22.0	6.8
General Expenses	23,033	13.7	21,801	13.8	5.7
Income before Other Expenses - Net	13,941	8.3	12,805	8.1	8.9
Other Expenses - Net	(127)	(0.1)	(157)	(0.1)	(19.4)
Operating Income	13,814	8.2	12,648	8.0	9.2
Financial Expenses - Net	(121)	(0.1)	(257)	(0.2)	(52.8)
Taxes	3,114	1.9	2,987	1.9	4.3
Net income from Continuing Op.	10,579	6.3	9,404	6.0	12.5
Discontinued Operations	-		992	0.6	(100.0)
Non-controlling interest	-		(4)	0.0	(100.0)
Net Income	10,579	6.3	10,400	6.6	1.7
EBITDA	16,883	10.0	15,476	9.8	9.1
EPS (in pesos)	0.606		0.596		1.7

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Results January – December	2017		2016		Growth
	Million \$	%	Million \$	%	%
Net Sales	569,367		528,571		7.7
Other Income	3,898		3,813		2.3
Total Revenues	573,265	100.0	532,384	100.0	7.7
Cost of Sales	445,570	77.7	414,900	77.9	7.4
Gross Profit	127,695	22.3	117,484	22.1	8.7
General Expenses	83,684	14.6	77,834	14.6	7.5
Income before Other Expenses - Net	44,011	7.7	39,650	7.4	11.0
Other Expenses - Net	(173)	(0.0)	(195)	(0.0)	(11.0)
Operating Income	43,838	7.6	39,455	7.4	11.1
Financial Expenses - Net	(548)	(0.1)	(323)	(0.1)	69.6
Taxes	10,900	1.9	10,623	2.0	2.6
Net income from Continuing Op.	32,390	5.7	28,509	5.4	13.6
Discontinued Operations	7,475	1.3	4,842	0.9	54.4
Non-controlling interest	-		(1)	0.0	(100.0)
Net Income	39,865	7.0	33,352	6.3	19.5
EBITDA	55,482	9.7	50,149	9.4	10.6
EPS Twelve months basis (in pesos)	2.283		1.910		19.5

Openings Q4 2017

México: 43 units

- 38 Bodegas Aurrerá
 - o 7 Bodegas Aurrerá
 - o 23 Bodegas Aurrerá Express
 - o 8 Mi Bodegas
- 4 Walmart
- 1 Sam's Club

Centroamérica: 15 units

- 8 Discount Stores
- 6 Bodegas
- 1 Walmart

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Installed Capacity

Sales Area (December 31 th , 2017)				
Format	Mexico		Central America	
	Sq.mt.	Sq.ft.	Sq.mt.	Sq.ft.
Bodegas and Discount Stores	2,731,508	29,401,947	434,395	4,675,828
Walmarts	2,073,701	22,321,318	154,495	1,662,984
Sam's Clubs	1,154,254	12,424,388		
Supermarkets	152,514	1,641,661	128,613	1,384,393
Pharmacies	2,665	28,686		
Total	6,114,641	65,818,000	717,503	7,723,205

Other Events

In October, the “Mundo Ejecutivo” magazine published the ranking of the “Top 25 CFOs in the country”, in which Olga González, CFO for **Walmart de México y Centroamérica**, was recognized. She stood out for the development and creation of the Commercial Finance and Operating Finance areas, thus improving business performance and becoming a strategic partner in the decision making process of the Company.

In October, **Walmart de México y Centroamérica** ranked 14 in “The top 500 companies vis-à-vis corruption”, published by Magazine “Expansión”. This ranking measures the quality of public information on policies and practices in favor of corporate integrity, based on a first diagnosis on presence, quality, advertising and transparency used when publishing integrity policies.

In November, “Forbes Mexico” Magazine published the “30 environment-committed enterprises” ranking, which measures the efforts of Mexican Companies to decrease CO2 emissions to the atmosphere, as well as all the activities they carry out in favor of the environment. Due to its performance during 2016, **Walmart de México y Centroamérica** ranks 11, standing out for 63% increase versus last year in terms of investment in sustainable initiatives.

In December, **Walmart de México y Centroamérica** was granted the HRC Equidad MX certification by the HRC (Human Rights Campaign) Foundation, after this company followed policies and practices for the sake of diversity and inclusion of the LGBTQ community in the labor force. Also, this company participated in public activities to support the inclusion of the LGBTQ community, and worked hard on this issue through its DIAB (Diversity and Inclusion Advisory Board), which has promoted strategies, programs and initiatives to drive an inclusive environment in the company since 2012.

Marketing magazine *Informa BTL* published its Top Five VPs Transforming the BTL Industry ranking, which included **Walmart de México y Centroamérica's** Vice President for Marketing, Customer Insights and Business Intelligence Ivonne Montiel, after her comprehensive vision of the business, great leadership and incredible ownership in putting the final customer at the center of every company decision.

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Conference Call

Walmart de México y Centroamérica will hold a webcast today at 3:30 PM (CT), regarding third quarter 2017 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 (847) 585-4405

- For English: Access code 4632 - 9546
- For Spanish: Access code 4632 - 9550

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 **December 31, 2017**, it operated **3,134** units, broken down as follows:

2,356	Mexico	778	Central America
1,820	Bodegas Aurrerá:	522	Discount Stores
	503 Bodegas	94	Supermarkets
	343 Mi Bodegas	29	Walmarts
	974 Bodegas Express	133	Bodegas
270	Walmarts		
162	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.walmartmexicoycam.com.mx

From the different formats:

www.walmart.com.mx

www.sams.com.mx

www.superama.com.mx

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Appendix 1: Quarterly Income Statements (millions of pesos)

	I Quarter					II Quarter					III Quarter					IV Quarter					Year to Date				
	2017		2016		% of Growth	2017		2016		% de Crec.	2017		2016		% de Crec.	2017		2016		2017		2016			
	\$	%	\$	%		\$	%	\$	%		\$	%	\$	%		\$	%	\$	%	\$	%	\$	%		
Net Sales	131,710		122,754		7.3	134,792		123,428		9.2	135,749		125,875		7.8	167,115		156,515		569,367		528,571			
Other Revenues	854		918		(6.9)	932		924		0.8	1,043		988		5.5	1,070		982		3,898		3,813			
Total Revenues	132,564	100.0	123,672	100.0	7.2	135,724	100.0	124,352	100.0	9.1	136,792	100.0	126,863	100.0	7.8	168,185	100.0	157,497	100.0	573,265	100.0	532,384	100.0		
Cost of Sales	102,824	77.6	96,495	78.0	6.6	105,688	77.9	97,166	78.1	8.8	105,846	77.4	98,348	77.5	7.6	131,211	78.0	122,891	78.0	445,570	77.7	414,900	77.9		
Gross Profit	29,740	22.4	27,177	22.0	9.4	30,036	22.1	27,186	21.9	10.5	30,946	22.6	28,515	22.5	8.5	36,974	22.0	34,606	22.0	127,695	22.3	117,484	22.1		
General Expenses	20,008	15.1	17,973	14.5	11.3	20,351	15.0	18,812	15.1	8.2	20,292	14.8	19,248	15.2	5.4	23,033	13.7	21,801	13.8	83,684	14.6	77,834	14.6		
Income before other income (expenses) - Net	9,732	7.3	9,204	7.4	5.7	9,685	7.1	8,374	6.7	15.7	10,654	7.8	9,267	7.3	15.0	13,941	8.3	12,805	8.1	44,011	7.7	39,650	7.4		
Other income (expenses) - Net	165	0.1	70	0.1	135.4	(28)	(0.0)	25	0.0	(210.4)	(184)	(0.1)	(133)	(0.1)	38.1	(127)	(0.1)	(157)	(0.1)	(173)	(0.0)	(195)	(0.0)		
Operating Income	9,897	7.5	9,274	7.5	6.7	9,657	7.1	8,399	6.8	15.0	10,470	7.7	9,134	7.2	14.6	13,814	8.2	12,648	8.0	43,838	7.6	39,455	7.4		
Financial (Expenses) Income - Net	(189)	(0.1)	4	0.0	(49.3) T	(135)	(0.1)	(239)	(0.2)	(43.4)	(102)	(0.1)	170	0.1	(160.4)	(121)	(0.1)	(257)	(0.2)	(548)	(0.1)	(323)	(0.1)		
Income before taxes on profits	9,708	7.3	9,278	7.5	4.6	9,522	7.0	8,160	6.6	16.7	10,368	7.6	9,304	7.3	11.4	13,693	8.1	12,391	7.9	43,290	7.6	39,132	7.4		
Taxes on profits	2,647	2.0	2,739	2.2	(3.4)	2,775	2.0	2,289	1.8	21.2	2,365	1.7	2,609	2.1	(9.3)	3,114	1.9	2,987	1.9	10,900	1.9	10,623	2.0		
Net income from continuing operations	7,061	5.3	6,539	5.3	8.0	6,747	5.0	5,871	4.7	14.9	8,003	5.9	6,695	5.3	19.5	10,579	6.3	9,404	6.0	32,390	5.7	28,509	5.4		
Discontinued Operations	69	0.1	180	0.1	(62.0)	6,732	5.0	315	0.3	20.4T	674	0.5	3,355	2.6	(79.9)	-	-	992	6.6	7,475	1.3	4,842	0.9		
Consolidated Net Income	7,130	5.4	6,719	5.4	6.1	13,479	9.9	6,186	5.0	117.9	8,677	6.3	10,050	7.9	(13.7)	10,579	6.3	10,396	6.6	39,865	7.0	33,351	6.3		
Non-controlling interest	-	-	1	0.0	(100.0)	-	-	1	0.0	(100.0)	-	-	1	0.0	(100.0)	-	-	(4)	0.0	-	-	(1)	0.0		
Net income attributable to Owners of the Parent	7,130	5.4	6,718	5.4	6.1	13,479	9.9	6,185	5.0	117.9	8,677	6.3	10,049	7.9	(13.7)	10,579	6.3	10,400	6.6	39,865	7.0	33,352	6.3		
EBITDA	12,778	9.6	11,872	9.6	7.6	12,466	9.2	11,008	8.9	13.2	13,356	9.8	11,792	9.3	13.3	16,883	10.0	15,476	9.8	55,482	9.7	50,149	9.4		
Earnings per share (in pesos)	0.408		0.385		6.0	0.772		0.354		118.1	0.497		0.575		(13.7)	0.606		0.596		2.283		1.910	19.5		

T= Times

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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>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 35,596,117	\$ 27,975,536
Accounts receivable, net	10,834,460	9,817,878
Inventories	59,463,255	53,665,239
Prepaid expenses and other assets	982,374	935,125
Total current assets	<u>106,876,206</u>	<u>92,393,778</u>
Assets held for sale	-	11,628,894
Non-current assets:		
Property and equipment, net	122,252,752	121,690,306
Finance leases, net	12,709,974	12,344,104
Investment properties, net	5,118,707	2,315,193
Intangible assets, net	39,368,028	41,339,532
Deferred tax assets	6,882,422	4,699,729
Other non-current assets	2,047,575	1,880,075
Total assets	<u>\$ 295,255,664</u>	<u>\$ 288,291,611</u>
<u>Liabilities and equity</u>		
Short-term liabilities:		
Accounts payable	\$ 80,099,063	\$ 65,918,998
Other accounts payable	23,837,886	21,224,627
Income taxes	3,890,598	3,222,964
Total current liabilities	<u>107,827,547</u>	<u>90,366,589</u>
Liabilities related to assets held for sale	-	3,951,542
Long-term liabilities:		
Other long-term liabilities	19,815,114	14,778,703
Deferred tax liabilities	6,087,187	10,483,437
Employee benefits	1,991,863	1,685,324
Total liabilities	<u>135,721,711</u>	<u>121,265,595</u>
Equity:		
Capital stock	45,468,428	45,468,428
Accumulated utilities	96,413,711	99,650,564
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	<u>159,533,953</u>	<u>167,026,016</u>
Total liabilities and equity	<u>\$ 295,255,664</u>	<u>\$ 288,291,611</u>

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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

	Year ended on December 31	
	2017	2016
Net sales	\$ 569,366,181	\$ 528,571,376
Other revenues	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	(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	1,385,836	1,321,139
Financial expenses	(1,933,375)	(1,644,004)
Income before taxes on profits	43,290,000	39,132,270
Taxes on profits	(10,899,663)	(10,622,996)
Net Income from continuing operations	32,390,337	28,509,274
Net income from discontinued operations	7,474,618	4,842,597
Consolidated net income	<u>\$ 39,864,955</u>	<u>\$ 33,351,871</u>
Other comprehensive income items:		
<u>Items that are not reclassified to the result of the year:</u>		
(Loss) actuarial profit for employee benefit net of income taxes	\$ (260,303)	\$ 222,015
<u>Items that can be subsequently reclassified to results:</u>		
Result from conversion of foreign currencies	(4,103,030)	10,324,721
	(4,363,333)	10,546,736
Comprehensive income	<u>\$ 35,501,622</u>	<u>\$ 43,898,607</u>
<u>Net income attributable to:</u>		
Owners of the parent	\$ 39,864,955	\$ 33,352,298
Non-controlling interests	-	(427)
	<u>\$ 39,864,955</u>	<u>\$ 33,351,871</u>
<u>Comprehensive income attributable to:</u>		
Owners of the parent	\$ 35,501,622	\$ 43,899,034
Non-controlling interests	-	(427)
	<u>\$ 35,501,622</u>	<u>\$ 43,898,607</u>
Basic earnings per share from continuing operations attributable to owners of the parent (in pesos)	<u>\$ 1.855</u>	<u>\$ 1.633</u>
Basic earnings per share attributable to owners of the parent (in pesos)	<u>\$ 2.283</u>	<u>\$ 1.910</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

	Year ended on December 31	
	2017	2016
<u>Operating activities</u>		
Income before taxes on profits	\$ 43,290,000	\$ 39,132,270
<u>Items related to investing activities:</u>		
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)
<u>Items related to financing activities:</u>		
Interest payable under finance leases	1,436,653	1,270,826
Discontinued operations	371,824	2,471,145
Cash flow from results of operations	<u>56,209,168</u>	<u>53,786,349</u>
<u>Variances in:</u>		
Accounts receivable	(1,604,457)	(1,253,330)
Inventories	(6,468,291)	(4,525,586)
Prepaid expenses and other assets	(436,377)	(1,163,455)
Accounts payable to suppliers	14,925,876	9,345,322
Other accounts payable	2,736,206	1,031,983
Taxes on profits 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	<u>49,135,365</u>	<u>47,107,948</u>
<u>Investing activities</u>		
Long definite-lived assets	(17,425,635)	(14,334,781)
Purchase of shares of non-controlling interests	-	(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
Cash flows from business disposal	20,229,114	-
Discontinued operations	(35,945)	(313,400)
Net cash flows in investing activities	<u>3,887,158</u>	<u>(13,800,894)</u>
<u>Financing activities</u>		
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	<u>(44,381,126)</u>	<u>(30,592,652)</u>
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	<u>27,975,536</u>	<u>24,790,838</u>
Cash and cash equivalents at end of year	<u>\$ 35,596,117</u>	<u>\$ 27,975,536</u>

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