

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

FREE TRANSLATION, NOT TO THE LETTER

Mexico City, February 13, 2019

Financial Results

Today **Wal-Mart de México, S.A.B. de C.V. (BMV: WALMEX)** reported financial results for the fourth quarter of 2018. Total revenues increased **5.5%**. EBITDA for the quarter amounted to **\$19.0 billion pesos**, which represented **10.7%** of total revenues, a growth of **12.3%** over last year's levels.

Main figures are:

Results October – December	2018		2017		Growth
	Million \$	%	Million \$	%	%
Net Sales	176,123		166,987		5.5
Other Income	1,299		1,174		10.6
Total Revenues	177,422	100.0	168,161	100.0	5.5
Cost of Sales	136,968	77.2	130,175	77.4	5.2
Gross Profit	40,454	22.8	37,986	22.6	6.5
General Expenses	24,943	14.1	24,034	14.3	3.8
Income before Other Income - Net	15,511	8.7	13,952	8.3	11.2
Other Income (Expenses) - Net	107	0.1	(138)	(0.1)	177.6
Operating Income	15,618	8.8	13,814	8.2	13.1
Financial Income (Expenses) - Net	(126)	(0.1)	(121)	(0.1)	3.8
Taxes	3,730	2.1	3,114	1.9	19.8
Net income from Continuing Op.	11,762	6.6	10,579	6.3	11.2
Discontinued Operations	-	-	-	-	-
Net Income	11,762	6.6	10,579	6.3	11.2
EBITDA	18,964	10.7	16,883	10.0	12.3
EPS (in pesos)	0.674		0.606		11.2

EPS= Earnings per share

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Results January – December	2018		2017		Growth
	Million \$	%	Million \$	%	%
Net Sales	612,186		569,015		7.6
Other Income	4,724		4,356		8.4
Total Revenues	616,910	100.0	573,371	100.0	7.6
Cost of Sales	475,324	77.0	442,299	77.1	7.5
Gross Profit	141,586	23.0	131,072	22.9	8.0
General Expenses	92,597	15.0	86,921	15.2	6.5
Income before Other Income - Net	48,989	7.9	44,151	7.7	11.0
Other Income (Expenses) – Net	201	0.0	(313)	(0.1)	164.1
Operating Income	49,190	8.0	43,838	7.6	12.2
Financial Income (Expenses) - Net	(330)	(0.1)	(548)	(0.1)	(39.7)
Taxes	12,107	2.0	10,900	1.9	11.1
Net income from Continuing Op.	36,753	6.0	32,390	5.6	13.5
Discontinued Operations	-	-	7,475	1.3	(100.0)
Net Income	36,756	6.0	39,865	7.0	(7.8)
EBITDA	61,747	10.0	55,482	9.7	11.3
EPS (in pesos)	2.105		2.283		(7.8)
EPS= Earnings per share					

Openings Q4 2018

Mexico: 45 units

- 44 Bodegas Aurrerá
 - 10 Bodegas Aurrerá
 - 9 Mi Bodegas
 - 25 Bodegas Aurrerá Express
- 1 Walmarts

Central America: 12 units

- 6 Discount Stores
- 4 Bodegas
- 2 Supermarkets

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Installed Capacity

Sales Area (December 31, 2018)				
Format	Mexico		Central America	
	Sq.mt.	Sq.ft.	Sq.mt.	Sq.ft.
Bodegas and Discount Stores	2,797,467	30,111,935	455,981	4,908,179
Walmarts	2,090,757	22,504,908	163,153	1,756,179
Sam's Clubs	1,161,934	12,507,058		
Supermarkets	148,116	1,594,321	132,827	1,429,753
Total	6,198,274	66,718,222	751,961	8,094,111

Other Events

In October, **Walmart de México y Centroamérica** was included in the "500 companies against corruption" ranking, of the *Expansión* Magazine, in collaboration with Civil Associations *Transparencia Mexicana* and *Mexicanos contra la Corrupción y la Impunidad*, due to its corporate integrity and anticorruption policies.

Walmart de México y Centroamérica was granted in October, the National Logistics Award "Galardón Tameme", for the third consecutive year, for its project "Flota de Última Milla Omnicanal" (Omni channel last mile fleet), in the enterprise category. This recognition is granted by the Economy and the Communications and Transport Ministries.

In November, **Walmart de México y Centroamérica** ranked 11 in the Forbes' Green Companies list, which recognizes companies' internal efforts to reduce their environmental impact and improve their environmental care practices, both in their internal operations and as a commitment with their surroundings throughout 2016 and 2017.

Conference Call

Walmart de México y Centroamérica will hold a webcast today at 3:30 PM (CT), regarding fourth 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 4778 - 0375
- For Spanish: Access code 4778 - 0374

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

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Company Description

WALMEX is a Retail Sector company whose shares are traded in the Mexican Stock Exchange since 1977. As of **December 31, 2018**, it operated **3,249** units, broken down as follows:

2,438 Mexico	811 Central America
1,910 Bodegas Aurrerá: 520 Bodegas 365 Mi Bodegas 1,025 Bodegas Express	540 Discount Stores 97 Supermarkets 31 Walmarts 143 Bodegas
274 Walmarts 163 Sam's Clubs 91 Superamas	

Ticker Symbols

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

Contact us

Investor Relations	Corporate Communication
Pilar de la Garza Fernández del Valle (52-55) 5283-0289 pilar.de@walmart.com	Gabriela Buenrostro Ortega (52-55) 5283-0237 gabriela.buenrostro@walmart.com

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Appendix 1: Quarterly Income Statement

(millions of pesos)

(NOT AUDITED)

	I Quarter					II Quarter					III Quarter					IV Quarter				
	2018		2017		% de Growth	2018		2017		% de Growth	2018		2017		% de Growth	2018		2017		% de Growth
	\$	% Sales	\$	% Sales		\$	% Sales	\$	% Sales		\$	% Vtas.	\$	% Sales		\$	% Sales			
Net Sales	143,953		131,639		9.4	145,476		134,735		8.0	146,635		135,654		8.1	176,123		166,987		5.5
Other Revenues	1,101		937		17.6	1,190		1,001		19.0	1,133		1,244		(8.9)	1,299		1,174		10.6
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	177,422	100.0	168,161	100.0	5.5
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	136,968	77.2	130,175	77.4	5.2
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	40,454	22.8	37,986	22.6	6.5
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	24,943	14.1	24,034	14.3	3.8
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	15,511	8.7	13,952	8.3	11.2
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	107	0.1	(138)	(0.1)	177.6
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	15,618	8.8	13,814	8.2	13.1
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	(126)	(0.1)	(121)	(0.1)	3.8
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	15,492	8.7	13,693	8.1	13.1
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	3,730	2.1	3,114	1.9	19.8
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	11,762	6.6	10,579	6.3	11.2
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	11,762	6.6	10,579	6.3	11.2
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	18,964	10.7	16,883	10.0	12.3
Earnings per share (in pesos)	0.478		0.408		17.1	0.456		0.772		(40.9)	0.497		0.497		0.1	0.674		0.606		11.2

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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

	December 31, 2018	December 31, 2017
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 38,829,598	\$ 35,596,117
Accounts receivable, net	12,035,029	10,834,460
Inventories	63,344,265	59,463,255
Advanced payments and others	1,405,924	982,374
Total current assets	115,614,816	35,596,117
Non-current assets:		
Property and equipment, net	126,643,278	122,252,752
Financial leases, net	12,724,731	12,709,974
Investment properties, net	4,853,970	5,118,707
Intangible assets, net	36,997,739	39,368,028
Deferred tax assets	7,467,622	6,882,422
Other non-current assets	2,226,677	2,047,575
Total assets	\$ 306,528,833	\$ 295,255,664
 <u>Liabilities and equity</u>		
Current liabilities:		
Accounts payable	\$ 85,327,000	\$ 80,099,063
Other accounts payable	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	20,019,308	19,815,114
Deferred tax liabilities	5,786,932	6,087,187
Employee benefits	1,643,027	1,991,863
Total liabilities	141,614,759	135,721,711
Equity :		
Capital stock	45,468,428	45,468,428
Retained earnings	104,638,687	96,413,711
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

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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 December 31	
	2018	2017
Net sales	\$ 612,186,302	\$ 569,014,876
Other revenues	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	(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	2,329,577	1,385,836
Financial expenses	(2,659,629)	(1,933,375)
Income before income taxes	48,859,736	43,290,000
Income taxes	(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	—	7,474,618
Consolidated net income	\$ 36,752,613	\$ 39,864,955
Other comprehensive income items:		
<i>Items that do not reclassify to profit and loss of the year:</i>		
Actuarial results on employee benefits, net of income taxes	\$ 39,412	\$ (260,303)
<i>Items that may be reclassified subsequently to profit and loss:</i>		
Cumulative translation adjustment	(4,132,164)	(4,103,030)
Other comprehensive (loss) income	(4,092,752)	(4,363,333)
Comprehensive income	\$ 32,659,861	\$ 35,501,622
Basic earnings per share from continuing operations (in pesos)	\$ 2.105	\$ 1.855
Basic earnings per share (in pesos)	\$ 2.105	\$ 2.283

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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	
	December 31	
	2018	2017
<u>Operating activities</u>		
Income before taxes on profits	\$ 48,859,736	\$ 43,290,000
<u>Items related to investing activities:</u>		
Depreciation and amortization	12,557,588	11,644,876
Loss from disposal of property, equipment and impairment	101,230	245,619
Stock option compensation expense	307,379	250,513
Interest earned	(1,268,122)	(1,030,317)
<u>Items related to financing activities:</u>		
Interest paid under finance leases	1,553,237	1,436,653
Discontinued operations	—	371,824
Cash flow from results of operations	<u>62,111,048</u>	<u>56,209,168</u>
<u>Variances in:</u>		
Accounts receivable	(641,255)	(1,604,457)
Inventories	(4,476,889)	(6,468,291)
Advanced payments 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	<u>47,534,770</u>	<u>49,135,365</u>
<u>Investing activities</u>		
Definite useful life non-current 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	<u>(15,468,034)</u>	<u>3,887,158</u>
<u>Financing activities</u>		
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	<u>(27,139,310)</u>	<u>(44,381,126)</u>
Effect of changes in the value of cash	<u>(1,693,945)</u>	<u>(1,020,816)</u>
Net increase in cash and cash equivalents	3,233,481	7,620,581
Cash and cash equivalents at beginning of year	<u>35,596,117</u>	<u>27,975,536</u>
Cash and cash equivalents at end of year	<u>38,829,598</u>	<u>\$ 35,596,117</u>

Non cash transactions:

Capital Leases	\$ 1,205,197	\$ 1,200,618
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