

Message

from the Chairman of the Board of Directors and CEO

At Walmart de México y Centroamérica we reinforce our commitment with the vision of improving the quality of life of families in the region. This year's results were driven by solid performance in the Self-service both of Mexico and of Central America, as well as by the disciplined control placed over expenses. On the other hand, the soft sales at Sam's Club were our main challenge. We know there is still room for improvement and therefore we will continue working with our competitive advantages to make our operation evolve and in that way fulfill the long-term vision of benefiting all our customers.



We are a sound company, with a continuous history of profitable growth; despite challenges faced in recent years, our results have broken records. These achievements are a reflection of the benefits of the evolution our Company has undergone in terms of structure and ways of working. We have applied strategies aimed at centering all our activities on meeting our customers' needs, simplifying the business, being more productive, and establishing the foundations for future growth, all of which relies on the talent of our associates and our commercial strategy of Every Day Low Prices.

Total income for the Company amounted to \$441.0 billion pesos, representing 4.1% more than last year. EBITDA totaled \$42.9 billion pesos, which is 6.3% higher than 2013 and 9.7% regarding total income. Net income for the year came to \$30.4 billion pesos, an improvement of 34.0% over that posted the previous year, this number includes one-time benefits, such as income from the sale of the restaurant division. General expenses as a percentage of sales remained almost the same as 2013, a reflection of our disciplined control in this area.

Our Company has a sound financial structure that translates to a solid balance sheet and the constant generation of cash, allowing us to compensate the confidence of our shareholders in the way of dividend payments and the repurchase of own shares. In 2014, a record amount of \$27.9 billion pesos was decreed for these concepts, of which \$23.9 billion pesos were paid in dividends at a rate of \$1.38 pesos per share, from which \$0.13 pesos per share are still to be paid in 2015, and \$4.0 billion pesos for the repurchase of over 120 million shares of Walmex stock.

We paid a historical amount in the form of dividends and repurchase of shares

Our operations in Mexico –representing 85.9% of the Company- posted \$378.8 billion pesos in total income, some 3.4% higher than 2013, and an EBITDA total of \$38.5 billion pesos, equivalent to 10.2% of total income. The Self-service division stood out among the rest as a driver of company results, with 2.0% comp store growth, surpassing overall growth for the industry by 2.4 percentage points.

As a reflection of the successful execution of strategies defined for Central America, excellent results were achieved in growing revenue, maintaining margins, reducing expenses, and considerable growth in profits. Total income amounted to \$62.2 billion pesos, 7.3% growth on a constant currency basis, leveraged expenses that grew only 2.1%, and EBITDA posted at \$4.3 billion pesos, an increase of 24.5% over figures for last year.

During the year we invested \$12.7 billion pesos to expand and modernize our stores. We opened 132 new units –some 2.9 million additional square feet of sales floor- representing a 3.9% increase in installed capacity, and presence in 33 more cities.

Our investments not only focus on offering our value proposition to more customers, but also generating increasingly efficient processes to improve results for our shareholders. In 2014, according to a strategy designed to simplify the business, we completed the transaction of selling our restaurant division and announced the commercial agreement and sale of the Banco Walmart, thus allowing us to concentrate on the retail business and reinforce the value proposition for our customers.

Ours is a company with a long-term vision and we consistently make investments aimed at responding to the needs of over 2 billion customers that we serve each year. We continue to grow with a sound mix; we grew with our large formats that focus on offering price, assortment, quality and service in each unit; we also grew with small formats that are performing with outstanding results as compared to the rest of the industry, thanks to the value proposition of price and convenience.

We recognize the potential in the region for eCommerce and therefore are investing in the development and positioning of our online business for long-term success. In July, our website, walmart.com.mx celebrated its first anniversary. In addition, we set up over 150 kiosks in our units, offering our customers the alternative of being able to shop online outside the home, and jointly drive sales for this new channel. *AMIPCI 2014*, the recognition awarded by the Mexican Internet Association to walmart.com.mx, for being the best eCommerce site in Mexico, is a reflection of these efforts.

Generating value for our associates, suppliers, shareholders and communities, and reducing the environmental impact of our operation are part of our commitment. Therefore we continue working each day on elevating standards for Corporate Social Responsibility.

The Self-service division stood out, surpassing the industry by 2.4 percentage points

**Our website,
walmart.com.mx
celebrated its first
anniversary**

Thanks to our performance and commitment to continued improvement, management capacity and strength in social, environmental and corporate governance matters, in 2014 the Company was included in the *Dow Jones Sustainability Emerging Markets Index* for the third consecutive year, in addition to being incorporated into the *Sustainability Index of the Mexican Stock Exchange*, and we received recognition from the Mexican Center for Philanthropy as a Socially Responsible Company for the 14th consecutive year.

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The involvement of more than 133 thousand associates in volunteer activities, our initiatives in the field of energy efficiency in our units that reduced energy use by 42 million kWh this year, 12,434 small production companies who increased their income thanks to a capacity development program and selling their goods in our stores, thus creating social businesses with the goal of reducing poverty are a testimony of our commitment to social responsibility. Moreover, our *Zero Waste* initiative made great strides towards its final goal for 2025 –with 74% accomplishment in Mexico and 58% in Central America– regarding its definitive objective. Another outstanding feature for our Company is its ability to react quickly in the face of natural disasters, of reestablishing operations and assisting victims, as was the case this year in Mexico during Hurricane Odile, among others.

All of these results are a reflection of the admirable efforts of over 228 thousand associates. We continue investing in the growth and development of our associates through 3.1 million man-hours of training and 25,200 promotions for our people, thus enabling our associates to continue with their career path and rise up through the levels of the organization.

Another key element for our commercial success is the support received from our suppliers. By the close of 2014, we had over 26,600 strategic partners with whom we work, so that together we can reinforce the value chain and generate savings for our customers. The complete operation of our Company remains aligned with the highest of ethical and legal standards, and the aim to continue generating value and certainty for our different stakeholder groups.

Dear shareholders, I appreciate the trust you have in the Board of Directors. To my Directors and members of the executive team, I wish to express my deepest gratitude for your dedication. To our associates and suppliers, my sincerest admiration for your work and commitment. With the support all of you give, we are better poised to respond to the expectations of our customers and to contribute to improving the quality of life for their families in Mexico and Central America.



Enrique Ostalé

Chairman of the Board of Directors
and CEO Walmart de México y Centroamérica