MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

REGARDING OPERATION RESULTS AND FINANCIAL STANDING OF THE COMPANY

Highlights on fourth quarter 2015 (October – December) and full-year 2015:

Total sales:

During Q4 2015, total sales for Mexico grew 10.2%, and 7.0% for Central America in constant currency terms and on a consolidated basis, total sales grew 12.8%. Principal drivers of the increase included: macroeconomic tailwinds such as GDP, employment, and remittances; sustained operational excellence in Self-service, and the turnaround in Sam's Club.

2015 total sales grew by 11.0% on a headline basis, or 8.2% on a constant currency basis. Same store sales contributed with 6.0%; new store sales contributed with 2.0% and eCommerce contributed with 0.2%.

Same store sales:

Fourth quarter comp sales growth in Mexico of 8.6% was the strongest in over eight years. Central America also continued to deliver strong comps of 4.6% during the quarter on a constant currency basis.

During full year 2015, Mexico delivered a strong 6.4% comp, and Central America 4.7%, on a constant currency basis. And more importantly, we grew sustainably with quality-profitability, and across our portfolio of countries, formats, and categories.

Our self-service formats in Mexico delivered robust quarterly improvements over the course of the year, crowned by a remarkable 8.8% same store sales growth rate in Q4.

According to ANTAD, WALMEX dramatically outperformed the self-service market in comp sales growth—for both Q4 and full year 2015. First, for Q4, market same-store sales (excluding WALMEX) grew by 4.9%, while WALMEX Self-service grew by 8.8% -outperforming the market by 390 basis points. For the full year 2015, market same-store sales (excluding WALMEX) grew by 4.3%, while WALMEX Self-service grew by 6.6%- outperforming the market by 230 basis points.

All core formats individually outpaced ANTAD Self-service growth in 2015.

The Sam's Club turnaround continues to progress well. The format delivered comp sales of 5.8% for the full year, with a positive two-year-stack of 0.3%. Moreover, in Q4 Sam's delivered its strongest quarterly result of the year, with 7% same store sales growth.

We continue to make good progress in eCommerce, giving our customers the ability to shop in whichever way they want. In Q4, same store sales had a strong 40.9% growth, contributing with approximately 35 basis points to our comp performance in Mexico during the quarter.

For the full year, eCommerce sales grew 30.1%, representing 0.8% of total sales, and 0.2% contribution to sales growth.

Walmart Central America produced a solid 4.6% constant currency same-store sales growth for the fourth quarter, on top of a 5.5% growth the same period last year.

Growth on a two-year-stack basis improved quarter over quarter with a strong 10.1% in the fourth quarter.

All formats and all countries had positive same store sales growth.

4Q15 results

In 2015 we made some important reinvestments in the business while also absorbing one-timers.

In 4Q14 there were two one-timers that impacted our comparable numbers in Q415.

- We began incorporating freight cost as part of inventory valuation components. The total non-cash effect was 705 million pesos, driving gross margin up by 50 basis points.

- We also had a favorable non-cash effect of 1.1 billion pesos, increasing operating income by 90 basis points. This is an accounting adjustment related to the purchase of Central America.

Q415 profitability was impacted by several operating decisions and one-timers.

- First, gross margin was reduced by 40 bps to 22.1% as we decided to invest in prices in this season, to improve our competitive position and reduce inventories to healthier levels.

- Second, we invested another 50 bps of SG&A in various areas. We increased our investments in advertising. We were pleased to provide a higher bonus to a great number of our associates for having delivered a great year; we believe this increase will continue to drive associate commitment. Finally, we have made some organization adjustments.

To summarize, on a reported basis, our EBITDA margin was 190 bps down as a result of:

- 50 bps from prior year one-time freight capitalization

- 90 bps due to Q415 decisions to improve our competitiveness.

- Additionally, 50 bps related primarily to two one-time non-cash effects, which relate to impairment and store closures, as we continue to improve our portfolio, and a revised vacation accrual estimate.

2015 results

The impact on EBITDA margin for 2015 of the different one-offs we had in 2014 and in the Q415 can be summarized as follows:

EBITDA margin was down 50 basis points on a reported basis, from 9.7% to 9.2%.

On a comparable basis, the overall reduction was 30 basis points, reflecting our price and investment decisions.

Balance sheet

We exited 2015 with 24.8 billion pesos in cash and investments.

Our balance sheet remains strong with a favorable working capital position.

Full-year cash flow from operations was 50.5 billion pesos (includes net stock option outlays), a year-over-year increase of 6%, reflecting earnings quality, and strong working capital performance, especially in our management of inventories and accounts payable. If we exclude calendar effects on the payment of vouchers from the Mexico City government, cash flow from operations would have grown by 11.9%, in line with our overall growth in sales.

Capital expenditures for the year were 12.5 billion pesos, down 1.3% vs. 2014, and in line with our guidance.

During 2015, we returned 33.4 billion pesos to shareholders in the form of 31.6 billion pesos in dividends and 1.8 billion pesos in share repurchases. This represents a 7.7 billion pesos, or 30% increase over prior year.