2016

FOCUSED ON OUR STRATEGY

FINANCIAL AND CORPORATE RESPONSIBILITY REPORT

Walmart México y Centroamérica

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Message from the

CHAIRMAN OF THE BOARD

AT WALMART DE MÉXICO Y CENTROAMÉRICA WE CONTINUE CONTRIBUTING TOWARDS IMPROVING THE QUALITY OF LIFE FOR THE FAMILIES IN THE SIX COUNTRIES WHERE WE OPERATE.

This last year was one of positive results, which were possible thanks to the consistent growth in sales and in profits in all our countries, formats and divisions. We focused our resources on providing better shopping solutions for our customers while making progress towards our goal of doubling the size of the company in 10 years. We work on being more efficient in our operation, we invest in reinforcing our current business, and we establish the foundations for the future, all with the purpose of offering Every Day Low Prices.

Mexico posted sound sales performance in all the different formats, each one achieving comp growth above ANTAD Self-service and Clubs, and Total ANTAD. Whereas in Central America we continue operating with increasing profitability, growing our sales in all countries of the region, achieving improved management of our margin levels, and exercising disciplined control over expenses.

WE FOCUS ON
offering better shopping options for
OUR CUSTOMERS

Our consolidated revenues reached 532.4 billion pesos, which represents 11.9% growth over the previous year. Net income for our Company amounted to 33.4 billion pesos, some 26.4% more than 2015; we also achieved record cash generation, which came to 51.3 billion pesos. Results such as these, together with our constant financial discipline, are what allow us to consistently earn the confidence of our shareholders and pay that confidence back through dividends, which for 2016 totaled 29.0 billion pesos.

Due to the rate at which our customers evolve, this year we invested 14.3 billion pesos in the expansion of our existing formats and in the development of new platforms that allow us to meet their shopping needs in the medium and long terms, thus positioning ourselves for the future. This year we opened 92 new units, increasing our installed capacity by 1.9%, and we also took our value proposition to 19 new cities. What is more, mid-year we announced the sale of Suburbia, our apparel stores. This transaction is subject to approval by the corresponding authorities and, once concluded, will allow us to pay total attention to our core business and meet the objectives set for 2024.

we have been **INCLUDED IN THE** FTSE4GoodEmerging Index

An essential component of our operation are our almost 229,000 associates and therefore we consistently push to provide them with a work atmosphere of inclusion and challenges, where they can find professional development opportunities that allow them to be part of the growth of the Company with ever greater responsibilities.

We have a positive and sustainable impact on the region where we operate, benefiting our stakeholders and always generating value for our customers and communities by caring for the environment.

We are the leading retail company in the use of renewable energy and in labor equality in Mexico. We invest in the local economy and support small producers. As a form of recognition for our performance as a responsible corporate citizen, we were included in the recently launched FTSE4GoodEmerging Index. For the fifth consecutive year we are members of the Dow Jones Sustainability Index for Emerging Markets and the Mexican Stock Exchange Sustainable Index. By the same token, the Mexican Center for Philanthropy (Cemefi, per its acronym in Spanish) has granted us the seal of Socially Responsible Enterprise for the 16th year in a row.

We remain committed to full compliance with the highest ethical and legal standards, every day, so we can continue generating value and certainty to all our stakeholders.

The results obtained this year are a reflection of the efforts of our associates, the collaboration of our suppliers, and the confidence of our shareholders. Thanks to them we are able to operate with ever increasing efficiency so that Mexican and Central American families may save money and live better.

ENRIQUE OSTALÉ

CHAIRMAN OF THE BOARD OF DIRECTORS
WALMART DE MÉXICO Y CENTROAMÉRICA

Message from the PRESIDENT AND CEO

IN WALMART DE MÉXICO Y CENTROAMÉRICA WE WORK WITH COMMITMENT AND DEDICATION IN FAVOR OF OUR CUSTOMERS.

In 2016 we continued growing consistently and profitably, supported by the sound performance in all our self-service formats and membership warehouse clubs throughout the entire region. The correct execution of our strategy, in addition to the effort and collaboration of our associates and suppliers, allowed us to accomplish results that serve as motivation to maintain our sights on the future of our business.

We have a sound value proposition regarding our formats, assortment, and prices, in turn driving us to continue optimizing the multichannel shopping experience that we offer our customers. Because of this we are able to respond to their current shopping needs, both in our physical stores and through digital media. In Mexico we expanded the concept of Centers of Excellence to our self-service stores because of the success obtained with this program in our Sam's Club units, where we worked on improving the shopping experience through enhanced assortment, better prices and operating execution in keeping with the buying habits of our members. In Central America we continue being consistent in our execution, focusing on key divisions for our customers and widening our price gap regarding our competitors, thereby gaining greater market share in the region.

WE HAVE PUT
an extensive modernization plan
INTO EFFECT FOR OUR STORES

With the aim of further building the future of our operation and serving our customers increasingly better, this year we put into effect a comprehensive plan to modernize our store base, broadened the scope of our value proposition with the opening of new units and invested in newer and more efficient platforms for logistics and technology.

Our consolidated revenues are an example of the sound results obtained by each of our business formats in each of the countries where we operate. In Mexico, total revenues increased 9.1%, amounting to 433.0 billion pesos, whereas our EBITDA totaled 42.1 billion pesos, some 13.9% higher than 2015. On the other hand, Central America posted 99.4 billion pesos in total revenues, a 25.6% increase, some 8.2% without currency effects; similarly, the 8.1 billion pesos achieved in EBITDA represents 42.8% growth over figures for last year, some 23.0% without exchange rate fluctuations.

we increased the income

FOR OVER 15,000

small low-income farmers

These achievements have been possible thanks to the dedication and commitment of our 228,854 associates, whose efforts translate to an enhanced shopping experience for our customers. Throughout 2016, over 27,000 associates were promoted and 2.6 million hours of training took place, which serves as an incentive and the driving force for the professional development of our talent, in a company with increasingly higher safety standards for our customers and associates alike.

To follow our strategy successfully, we rely on the collaboration of our over 22,000 strategic partners, with whom we work day after day to provide more and better solutions to our customers so they can save money and live better.

Our social commitment is reflected in the specific actions undertaken to benefit our community and the environment. Currently, about 72% of our self-service stores and membership warehouse clubs in Mexico are supplied with renewable energy, enabling us to contribute to a revolving economy through the efficient use of materials; we also foster a supply chain that is resistant to environmental and social variables, thus building a sustainable business. We are the only retail company in the country that has received the Mexican Standard for Labor Equality and Non-Discrimination, granted by the Secretary of Labor and Social Welfare, the National Institute of Women (Inmujeres, per its acronym in Spanish), and the Council for the Prevention and Elimination of Discrimination (Conapred, per its acronym in Spanish). This year we were instrumental in increasing the income for over 15,000 small farmers with low income –an average of 26%- by setting aside resources to improve their productivity and become a channel for selling their products in Mexico.

I appreciate our associates for the magnificent work they have done; moreover, I also wish to thank our strategic partners for their support; our shareholders for their confidence; and all our customers for their loyalty. The sum of all our efforts allows us to remain steady in our commitment of helping to improve the quality of life for families in Mexico and Central America.

GUILHERME LOUREIRO

PRESIDENT AND CEO
WALMART DE MÉXICO Y CENTROAMÉRICA

our
OBJECTIVE

double
OUR SALES
IN TEN YEARS

grow
OUR EARNINGS
FASTER THAN SALES

adapt
THE WAY WE WORK TO BECOME
MORE EFFICIENT

our CUSTOMER

IN 2016 WE IMPROVED OUR CUSTOMERS' SHOPPING EXPERIENCE, ENABLING THEM TO BUY THE PRODUCTS OF THEIR CHOICE IN AN EASIER AND MORE COMFORTABLE WAY. WE STRENGTHENED THE TOOLS THAT ALLOW US TO BETTER UNDERSTAND THEIR SHOPPING HABITS AND BUYING NEEDS; WE ENHANCED OUR VALUE OFFERING IN KEY AREAS; WE BROADENED OUR AVAILABILITY OF OUR BRANDS; AND WE EXTENDED OUR FINANCIAL SERVICES PORTFOLIO, THUS GIVING THEM THE FREEDOM TO SHOP IN OUR STORES -EITHER PHYSICAL OR DIGITAL- SO THE EXPERIENCE CAN BE QUICKER, SIMPLER AND SAFER.

WE EXTENDED

OUR IN-STORE AND ONLINE PRODUCT CATALOG

WE BEGAN

ROLLING OUT THE CONCEPT OF CENTERS OF EXCELLENCE TO OUR SELF-SERVICE UNITS

WE REINFORCED

OUR VALUE OFFERING IN KEY AREAS

multichannel EXPERIENCE

WE RENOVATED
OUR INTERNET SITES

WE REINFORCED
OUR PRICE PROGRAMS IN BODEGA AURRERA

OUR MARKET SHARE
IN CENTRAL AMERICA HAS GROWN

Our customers' buying needs evolve constantly and therefore we have worked to provide a value proposition in each of our business formats that is aimed at meeting their expectations regarding price, assortment, and quality, with an ever wider range of availability in our stores and/or online portals.

AT SUPERCENTER OUR EFFORTS ARE CENTERED ON HAVING THE BEST AND MOST COMPLETE ASSORTMENT IN THE MAJORITY OF OUR CATEGORIES, THEREBY DRIVING OUR VALUE PROPOSITION IN PERISHABLES, GENERAL MERCHANDISE, AND OUR BRANDS.

This year we increased the coverage we have for the home delivery of grocery products throughout Mexico, doubling the number of deliveries made. Our portal -walmart.com.mx- underwent changes that make it easier for our customers to access Grocery and General Merchandise products. Our in-store eCommerce kiosks have also evolved, with modules now found on the sales floor so as to better serve our customers and make them more comfortable to use. Moreover, we have begun offering free wireless internet service in some stores as a supplementary way of providing the opportunity to explore additional buying options within our internet portal. Signage in our stores has been adjusted to better communicate our extended online catalog, giving our customers the choice of using the channel of their preference for their shopping needs.

Superama now has a reinforced offering for Perishables. An example of this is the Experts in Fresh program, through which we provide training for our associates so they can be even more informed regarding this division and provide better service to our customers. We launched two new campaigns, Grill Masters and NFL, focused on relevant shopping occasions. The results have been quite favorable. We have underscored our commitment to customer service with our field associates through the Clean, Fast, Friendly and Safe campaign, whose goal is to enhance the shopping experience. Betting on our online offerings, we have focused on renewing our mobile app, making it more dynamic and user-friendly. In parallel, we initiated our Click & Pick service. With this, our customers can buy their products through different digital channels, with the option of picking up their orders directly at the store.

This year Sam's Club celebrated its XXV anniversary. We continue to offer greater differentiation in all the divisions of the business, with greater emphasis placed on Perishables. We work hand-in-hand with our strategic partners to have new items, packaging fit for a membership warehouse club, imported products, quality brands, and exclusive items, all with the purpose of adding value to each membership. This past year was the beginning of our item segmentation and regionalization strategy, which focuses on providing the best variety according to the income level and geographic location of our members.

Similar to that implemented in Supercenter, this year we began offering wireless internet in some clubs so our members can consult the extended product catalog offered online at sams.com.mx. Having achieved the highest growth rate of the last five years regarding our customer base is a reflection of all these efforts, driven by the highest membership renewal rate ever.

True to our value proposition for Bodega Aurrera, we strengthened our price programs: *Morralla,* Anniversary, and Bodega Prices. We have also worked on initiatives to improve our offering of Perishables, together with raising operation standards in our stores through our Centers of Excellence program. On the other hand, we relaunched our communication strategy and our iconic figure of *Mamá Lucha* through a digital platform in social media, focused on increasing the interaction of the brand with our customers.

Our formats in Central America posted solid performance, translating into increased sales and greater market share in all divisions throughout the region. We conduct on-going monitoring of our key divisions so as to continue offering the best prices and assortment. The Global Promo program was launched in 2016, thus allowing us to sell products from different categories combined with lower prices, which in turn generated a favorable response from our customers, especially regarding our supermarket formats. We also improved the product catalog in our discount stores, resulting in a more competitive value offering and increased traffic from the target demographic segment.

centers of

EXCELLENCE

OUR ORDERLINESS
AND CLEANLINESS IN STORES HAS UNDERGONE IMPROVEMENT

WE STRENGTHENED
OUR OFFERING IN PERISHABLES

OUR CUSTOMERS
RATE US IN SPEED AND SERVICE

Based on the positive results achieved by Sam's Club during previous years, during this past year we decided to expand the Centers of Excellence program to our self-service formats. Through this initiative we established higher service and operation standards in our stores, with the goal of exceeding our customers' expectations and adapting quicker and easier to their needs.

SPECIAL ATTENTION WAS PAID TO IMPROVING THE NEATNESS AND CLEANLINESS OF OUR STORES, AS WELL AS REINFORCING THE VALUE OFFERING IN PERISHABLES.

The adjacencies of our categories also underwent changes in keeping with the shopping habits of our customers, making it easier and simpler for them to find everything they need.

A key element in our Centers of Excellence is the Customer and Member Experience Index, a tool enabling us to have much better information on their shopping experience. Through a questionnaire, they have the possibility of grading the speed and friendliness in the service provided by our associates, in addition to scoring our stores' cleanliness and safety. The data gathered allows us to better understand their shopping needs and, in response, decide on the right actions that meet their expectations.

PERISHABLES

WE REDESIGNED
OUR PRODUCE DISPLAYS
IN BODEGA AURRERA

WE ADDED
MORE AND NEWER ORGANIC PRODUCTS
IN SUPERCENTER

WE LAUNCHED
THE EXPERTS IN FRESH
PROGRAM IN SUPERAMA

This year we established resources and efforts meant to drive our value proposition in the Perishables division, making improvements in freshness, assortment, price, and presentation with the purpose of generating customer loyalty and enhancing their shopping experience.

WE PUT EFFICIENCY INITIATIVES INTO PLACE IN OUR MEAT PLANT, WHICH IN TURN RESULTED IN PRODUCT QUALITY AND SUPPLY IMPROVEMENTS IN OUR SELF-SERVICE UNITS AND CLUBS THROUGHOUT THE CENTRAL REGION OF MEXICO.

Among the changes conducted in Bodega Aurrera are the redesign of product displays for Produce and the launching of a new range of Bakery products, all with favorable results.

A the same time, the catalog for Supercenter was adapted with the addition of new categories that meet the current needs of our customers, such as organic and healthy products.

Our program Experts in Fresh was launched for the first time with Superama, whereby the Department Managers for Perishables attend sensory training courses to hone their abilities as experts for their division; in this manner they are better equipped to assist our customers throughout the shopping process.

general

MERCHANDISE

MORE UNITS

NOW OFFER
SHIP FROM STORE SERVICE

THERE ARE

MORE HOME SECURITY ITEMS AVAILABLE
IN SUPERCENTER

WE LAUNCHED

THE NFL AND GRILL MASTERS
CAMPAIGNS IN SUPERAMA

We continuously work to consistently offer our customers a wide and competitive assortment of General Merchandise, in line with their needs and current preferences. Throughout 2016 we made considerable progress within the Electronics and Seasonal items divisions, ensuring that our products are always found, at the best possible prices and in all available channels.

WE CURRENTLY HAVE OVER 150 SUPERCENTERS THAT OFFER DELIVERY SERVICE FOR GENERAL MERCHANDISE, THROUGH WHICH THE CUSTOMERS CAN PICK UP PRODUCTS PURCHASED AT WALMART.COM.MX.

We have equipped more units with the Ship from Store service, through which we send products direct from our units in Mexico, thereby reducing delivery times, shipment costs and storage needs. In keeping with our value proposition, this year we added new categories to our catalog, including home security items such as wireless cameras and movement sensors.

Superama continues improving what we offer in Seasonal merchandise, bringing the hottest licenses of the moment. The campaign we launched –Grill Masters- offers solutions and promotes products such as different beef cuts, sausages and hot dogs, and grills for customers seeking an optimum barbecue experience. We also launched the NFL campaign this year, starting with a display of exclusive products at the start of the season and ending on Superbowl Sunday, with an event devoted to our customers in which the game is broadcast and special products and recipes available in Superama are offered.

our

BRANDS

COVERAGE
AND IN-STORE PROMOTION HAS INCREASED

WE ENFORCE
STRICT QUALITY PROCESSES AND CONTROLS

PERFORMANCE
IS MONITORED THROUGH MARKET RESEARCH AND SENSORY PANELS

As part of our mission of helping our customers save money and live better, in 2016 we offered a greater assortment of Our Brands, thus providing access to additional options at low prices without sacrificing quality, available both in our self-service stores and our clubs.

THIS YEAR WE CONCENTRATED OUR EFFORTS ON EXTENDING OUR COVERAGE AND PROMOTING OUR BRANDS, GIVING THEM GREATER PRESENCE WITHIN OUR PRODUCT CATALOGS TO POSITION THEM IN THE MINDS OF OUR CUSTOMERS AS A SHOPPING ALTERNATIVE WITH QUALITY AND LOW PRICES ASSURED.

Our Brands undergo strict quality processes and controls with the highest of standards in all development and maintenance phases. All the products on our shelves go through quality monitoring programs with analysis performed by third-party laboratories, market research, and sensory panels with consumers, so as to offer products that satisfy our customers.

financial SERVICES

OUR CREDIT
PROGRAMS HAVE BEEN RELAUNCHED FOR SAM'S CLUB

REMITTANCE PAYMENTS
NOW AVAILABLE IN SUPERCENTER

WE DOUBLED
THE NUMBER OF SERVICES THAT CAN NOW BE PAID IN OUR STORES

This year our customers were able to increase their shopping capacity in our stores through new credit solutions and service payments developed with the purpose of becoming the preferred destination for buying what they need.

CREDIBODEGA WAS LAUNCHED IN BODEGA AURRERA, THEREBY PROVIDING ACCESS TO ELECTRONIC GOODS OR HOUSEHOLD APPLIANCES TO INCREASINGLY MORE MEXICAN FAMILIES IN A SIMPLER MANNER AND WITH COMPETITIVE FINANCING.

On the other hand, thanks to our commercial alliances we have been able to relaunch our credit programs to our Sam's Club members, offering them exclusive benefits and plans in keeping with their type of membership.

In parallel, by the end of the year we were able to operate remittance payments from Supercenter units in the United States to their counterparts in Mexico, offering important advantages to our customers. These include the convenience of operating schedules, location, security, and full availability of funds. In addition, we duplicated the number of services that can now be paid in our stores, thus improving the shopping experience during each visit to our units.

satisfaction and

PROTECTION

G4-PR5

WE OPERATE

A MULTICHANNEL CONTACT CENTER FOR OUR CUSTOMERS

WE RESPONDED

TO 100% OF ALL CLAIMS RECEIVED AT OUR CALL CENTER

WE GUARANTEE

THE SECURITY OF ALL CUSTOMER DATA

Our social media have played a strategic role, as it allows us to hear and respond directly to our customers and members. We have therefore been able to greatly increase the level of interaction, building relationships based on reinforced loyalty and commitment.

OUR CUSTOMERS EXPECT A PLEASANT SHOPPING EXPERIENCE WITH THE BEST POSSIBLE RANGE OF PRODUCTS, AT THE BEST POSSIBLE PRICES, AND IN A CONVENIENT LOCATION. CONSEQUENTLY, THIS YEAR WE IMPLEMENTED THE CUSTOMER EXPERIENCE INDEX (IEC, PER ITS ACRONYM IN SPANISH) IN EACH OF OUR FORMATS AND THE MEMBER EXPERIENCE INDEX IN OUR CLUBS (IES, PER ITS ACRONYM IN SPANISH).

We monitored their shopping experiences in all our units, which included verifying their satisfaction with our assortments, freshness, product availability, prices, cleanliness, service provided by our associates, among other factors. These scores help us to improve our decision-making processes in our Centers of Excellence, ensuring optimum operation in keeping with customer needs; in 2017, we will establish objectives that are included in the performance evaluations of our store managers.

In addition, we have included the multichannel Contact Center on our Corporate website, available 24/7, and which consists of the Telephone Service Centers (CAT, Per ITS Acronym in spanish) that are tailor-made for each business format. They include the option of scheduled calls according to the time selected by the customer, email contact, and online chats. Moreover, our eCommerce sites have a 01 800 number, email, and chat possibilities to serve orders made.

In 2016, through the CATs we served more than 600,000 calls per month, responding to 100% of claims made and of which 66% were handled within a maximum period of 48 hours. In Central America, we served over 310,000 calls from customers

Our respect for the privacy of our customers' data is a top priority. We have policies and procedures to ensure that all personal data, regardless of how and when received, is managed with the utmost sensitivity, security, and in keeping with all applicable laws, regulations and standards. With this in mind, we have areas devoted to Consumer Protection and Privacy, which report to the Vice President of Ethics and Compliance. Said areas are in charge of writing and implementing said policies and procedures. Likewise, every area of the Company has a Privacy Ambassador in charge of defining the necessary action plans. As a consequence, we received no claims on privacy violation matters and/or the improper release of customer data in 2016. **G4-PR5, PR8**

our
OPERATION

MULTICHANNEL PLATFORM | LOGISTICS | TECHNOLOGICAL INFRASTRUCTURE

THE FAVORABLE RESULTS ACHIEVED THIS YEAR ARE THE PRODUCT OF OPERATIONAL IMPROVEMENTS THROUGHOUT OUR ENTIRE VALUE CHAIN, SUPPORTED BY A TECHNOLOGICAL INFRASTRUCTURE THAT IS INCREASINGLY SOUNDER AND WHICH HELPS US TO GENERATE SAVINGS AND ESTABLISH CLOSER TIES WITH OUR CUSTOMERS AND THEIR SHOPPING NEEDS.

ON-SHELF

AVAILABILITY OF OUR PRODUCTS HAS INCREASED

WE RECEIVED

THE NATIONAL LOGISTICS AWARD

WE WIDENED

OUR INTERNAL COMMUNICATIONS NETWORK

multichannel

PLATFORM

WE HAVE
IMPROVED INVENTORY LEVELS AND ACCOUNTS PAYABLE

WE CONTINUOUSLY
WORK ON HAVING A MORE ROBUST GROWTH EXPANSION PLAN

+4.7%
UNITS SOLD PER LABOR HOUR IN SELF-SERVICE IN MEXICO

To maintain a constant growth rate in sales and profits, it is crucial to invest continuously in productivity initiatives that reinforce our multichannel platform, which in turn encompasses operating units, openings, and online portals.

BY THE CLOSE OF 2016, OUR VALUE OFFERING IS NOW PRESENT IN 608 CITIES, TOTALING 3,022 OPERATING UNITS THROUGHOUT MEXICO AND CENTRAL AMERICA. THIS YEAR THE FOCUS WAS ON IMPROVING PRODUCTIVITY IN OUR SELF-SERVICE STORES IN MEXICO. WE INCREASED ON-SHELF AVAILABILITY OF OUR PRODUCTS AND REDUCED SHRINK LEVELS IN DEPARTMENTS SUCH AS PRODUCE, MEAT, AND BAKERY.

In addition, we also expanded our workload management initiative to all areas of the store, with the purpose of having the right number of associates for the different demand levels. In Mexico and Central America we optimized our working capital through improved inventory levels and accounts payable, leveraged by our commercial strategy. Regarding the future of our business, we worked to have a more robust opening plan, which translates to stores operating with more advanced technology, with greater efficiency, and with greater safety for our customers.

Comp store sales grew 8.0% in Mexico and 4.9% in Central America, with the latter figure excluding currency fluctuations. To reinforce our store base, be more firmly positioned, and continue honoring our commitment with our customers, we conducted the most comprehensive remodeling program in the last few years. In the subject of Units Sold per Labor Hour, said productivity index for Mexico grew 4.7% over that reported for 2015 in our self-service formats.

In addition to our traditional sales channels, we made improvements to our digital platforms: walmart.com.mx, superama.com.mx and sams.com.mx so that the shopping experience in each format is in keeping with the specific needs of their customers/members.

we are a
MULTICHANNEL
company

+2.1
BILLION CUSTOMERS

6 COUNTRIES

3,022
OPERATING UNITS

608
CITIES

24
DISTRIBUTION CENTERS

13 MEXICO
11 CENTRAL AMERICA

92
OPENINGS

58 MEXICO
34 CENTRAL AMERICA

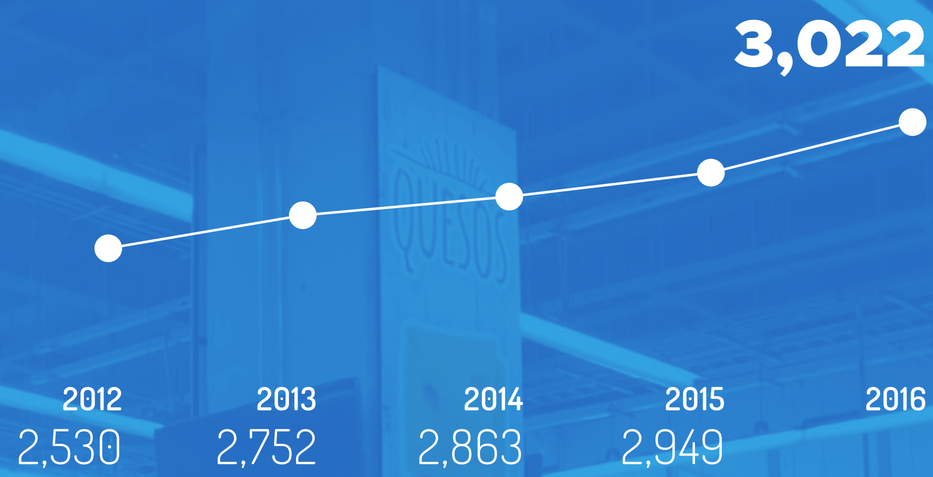
2,291 UNITS IN MEXICO

490	Bodega Aurrera units
331	Mi Bodega units
942	Bodega Aurrera Express units
262	Walmart units
160	Sam's Clubs
96	Superama units
10	Medimart Pharmacies

731 UNITS IN CENTRAL AMERICA

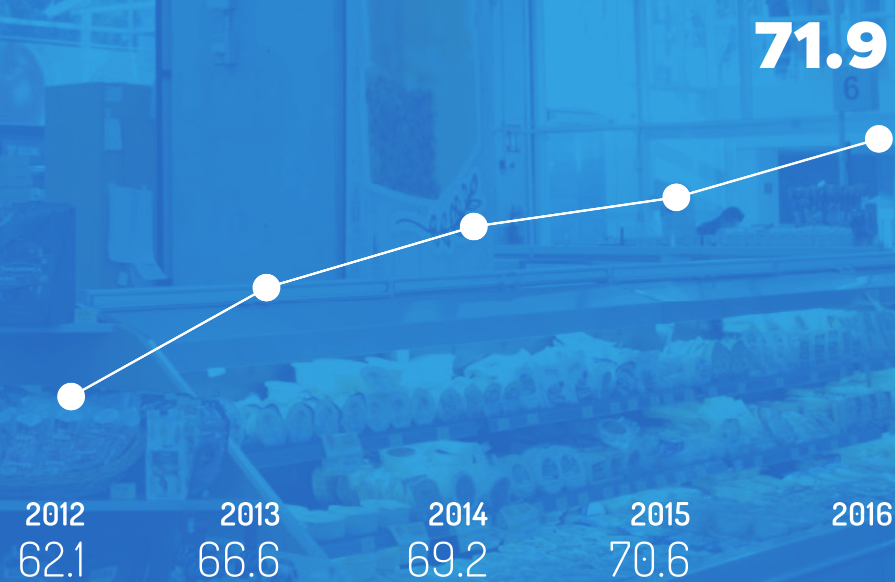
495	Discount Stores
92	Supermarkets
27	Walmarts
117	Bodegas

TOTAL UNITS



TOTAL SALES FLOOR

(MILLION SQUARE FEET)



LOGISTICS

+9%
CASES MOVED PER LABOR HOUR IN DISTRIBUTION CENTERS

-5%
EMPTY TRIPS MADE

+20%
KILOMETERS TRAVELED

We work on having an ever more efficient distribution network that facilitates product supply to our stores, reduces expenses, and allows us to better serve an increasing number of customers faster and satisfy their shopping preferences.

SIGNIFICANT ACHIEVEMENTS WERE MADE IN THE OPERATION OF OUR 24 DISTRIBUTION CENTERS IN MEXICO AND CENTRAL AMERICA, WITH A 9% INCREASE IN CASES PER LABOR HOUR, AND 17% IN THE VOLUME OF CASES HANDLED.

Over 262 million of kilometers were covered in trips made throughout 2016, almost 20% more than the previous year. Worthy of mention is the National Logistics Award we were given in recognition for our reverse logistics system, helping to reduce the number of trips made empty by 5%, which is equivalent to a savings of almost 40 million of kilometers and 26 million of liters of fuel.

technological
INFRASTRUCTURE

OUR ASSOCIATES HAVE RECEIVED TRAINING IN NEW TOOLS FOR BUSINESS ANALYSIS

WE HAVE INVESTED IN NEW AND BETTER COLLABORATION TECHNOLOGIES FOR OUR HOME OFFICES

WE MODERNIZED OPERATIONS SUPPORT APPLICATIONS FOR OUR DISTRIBUTION CENTERS

The digital transformation of our Company helps to drive the present and the future of our business, with technological tools that make processes simpler and improve how much we know our customers.

OVER 20% OF THE COMPUTER EQUIPMENT IN OUR STORES HAS BEEN REPLACED, THUS REDUCING FAILURES IN CATEGORIES WITH UPDATED DEVICES, ALSO IMPROVING THE PRODUCTIVITY OF OUR ASSOCIATES. LIKEWISE, WE HAVE INCREASED THE SPEED OF OUR INTERNAL TELECOMMUNICATIONS NETWORK, MAKING COORDINATION IN ALL LEVELS OF OUR OPERATION EASIER.

As part of our operations in the Home Offices, we continue training our Merchandising teams through the help of new tools that allow them to have greater information on our customers, continuously monitoring their buying habits and preferences. Equally important, we continue investing in the deployment of new collaboration technologies, such as videoconferencing capabilities, virtual phones, and instant messaging, so as to simplify communication among our associates and make decision-making processes more agile.

In the matter of Logisitics, we increased our merchandise storage capacity through more modern applications that support operating processes, and by establishing temporary facilities that serve as support for our distribution network during peak demand.

our

RESULTS

KEY PERFORMANCE INDICATORS | FINANCIAL HIGHLIGHTS | INCOME STATEMENT AND BALANCE SHEET | 10 YEAR SUMMARY

THE CONSISTENT GROWTH OF SALES AND PROFITS IN ALL OUR COUNTRIES, BUSINESS FORMATS, AND DIVISIONS MADE 2016 A YEAR OF POSITIVE RESULTS FOR OUR COMPANY. THIS ALLOWS US TO CONTINUE INVESTING IN BUYING SOLUTIONS THAT ARE IN LINE WITH THE NEEDS OF OUR CUSTOMERS, DEVELOPING OPERATIONAL ENHANCEMENTS, SETTING ASIDE RESOURCES TO BUILD THE FUTURE OF OUR BUSINESS, AND COMPENSATING THE CONFIDENCE OF OUR SHAREHOLDERS THROUGH THE PAYMENT OF DIVIDENDS.

+11.9%
TOTAL INCOME

+17.7%
EBITDA

+20.2%
OPERATING INCOME

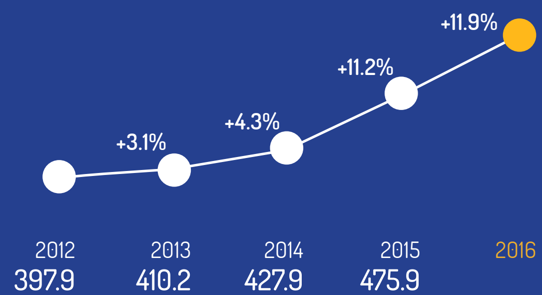
key performance
INDICATORS

G4-EC1

TOTAL REVENUES

532.4

MXN BILLION

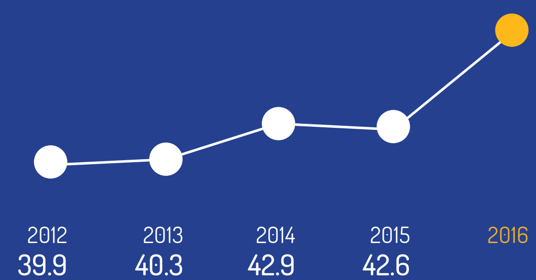


Excludes Suburbia, Banco Walmart and Vips

EBITDA

50.1

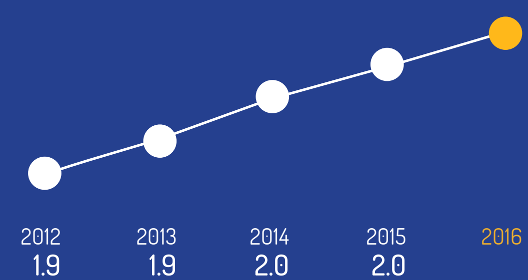
MXN BILLION



CUSTOMERS SERVED

2.1

BILLION

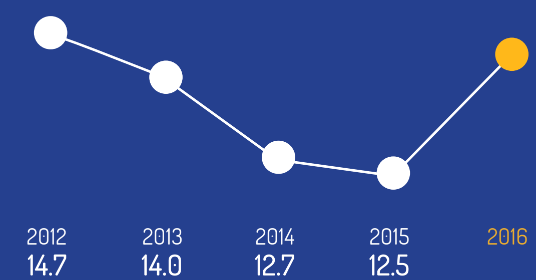


Excludes Suburbia, Banco Walmart and Vips

INVESTMENT IN FIXED ASSETS

14.3

MXN BILLION



Excludes Suburbia in 2016

G4-17

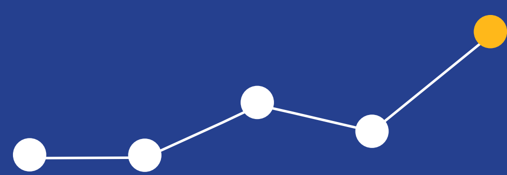
key performance INDICATORS

G4-EC1

OPERATING INCOME

39.5

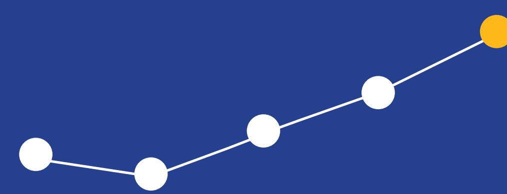
MXN BILLION



CASH GENERATION

51.3

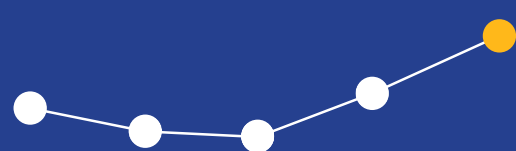
MXN BILLION



SALES PER SQUARE FEET

7.5

MXN THOUSAND

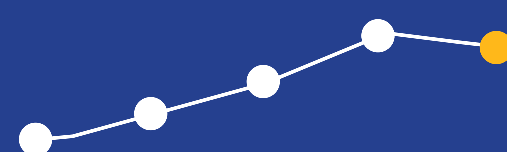


Excludes Suburbia and Vips

DIVIDENDS PAID

29.0

MXN BILLION



PESOS PER SHARE $ 0.55 $ 0.92 $ 1.38 $ 1.84 $ 1.68

G4-17

financial HIGHLIGHTS

MXN Billion

433.0	**42.1**	**99.4**	**8.1**
TOTAL REVENUES MEXICO	EBITDA MEXICO	TOTAL REVENUES CENTRAL AMERICA	EBITDA CENTRAL AMERICA
+ 9.1%	+ 13.9%	+ 8.2%*	+ 23.0%*

* On a constant currency basis

AT A CONSOLIDATED LEVEL

At the consolidated level, our total revenues amounted to 532.4 billion pesos, representing an 11.9% increase over the previous year and a reflection of the sound sales performance in all our self-service and membership warehouse club units throughout the six countries where we are present.

Our profit margins grew 50 basis points, from 21.6% in 2015 to 22.1% in 2016, as a percentage of revenues. These results are driven by operating efficiencies and are affected positively by a reclassification of certain supplier rebates for promotional activities, which in the past were reflected through expense reductions and the reclassification of factoring benefits.

Our expenses represented 14.6% of total revenues, a product of the operating efficiency that allows us to invest in the improvement of our current business and be better equipped to face the future, maintaining the same level of expenses as a percentage of revenues as that reported in 2015.

As a result of the previous points, our operating income totaled 39.5 billion pesos, a 20.2% increase over the previous year and which represents an expansion of 50 basis points as a percentage of revenues.

By the same token, our EBITDA amounted to 50.1 billion pesos, equaling an increase of 17.7% compared to 2015, some 9.4% as a percentage of revenues and 50 basis points higher than the levels reported last year.

The amount set aside for investments in fixed assets was 14.3 billion pesos, focusing primarily on remodeling and maintaining our store base, the opening of new units, and developing our logistics and technological capabilities.

The installed capacity of our Company increased by 1.9%, as a result of opening 92 new units, which in turn contributed an additional 1,497,258 square feet of sales floor and 1.8 percentage points to our consolidated sales growth.

We paid out 29.0 billion pesos in dividends for 2016, representing a total of 1.68 pesos per share, as follows: 0.14 pesos per share corresponds to the remaining ordinary dividend decreed in 2015 and paid this year; 0.56 pesos per share as ordinary dividend decreed this year, of which 0.14 pesos per share shall be paid in 2017; and 1.12 pesos per share as extraordinary dividend decreed and paid in 2016.

Our balance closed the year with 28.0 billion pesos in cash, a variation of 12.8% as compared to the close of 2015. This is the reflection of sound sales performance and expense management, allowing us to continue investing in the future growth of our business and paying dividends to our shareholders.

MEXICO

Total revenues for Mexico rose to 433.0 billion pesos, a 9.1% increase over the results for the previous year thanks to consistent sales growth in all our self-service formats and our membership warehouse club.

Our gross margin was 21.7% as a percentage of revenues, and an expansion of 40 basis points over 2015. This is a consequence of operating efficiencies and the accounting reclassification previously mentioned.

Our expenses underwent a reduction of 10 basis points as a percentage of revenues, resulting from initiatives focused on making our operation more efficient, offsetting all the investments made in our business, as stated before.

Operating income levels had considerable growth: 50 basis points as a percentage of revenues, 16.1% compared to 2015. This was possible due to sound sales growth and proper management of margins and expenses.

Therefore, EBITDA for Mexico came to 42.1 billion pesos, an increase of 13.9% over 2015, and 40 basis points higher, as a percentage of revenues.

Installed capacity in Mexico grew 1.6%, supported by the opening of 58 new units and 1,093,031 square feet in additional sales floor, thus contributing 1.2 percentage points to consolidated sales growth for the Company.

CENTRAL AMERICA

Total revenues for the region of Central America represented 19% of the consolidated revenues of 99.4 billion pesos, posting an increase of 25.6%, that is, 8.2% without exchange rate fluctuations, a product of favorable sales.

Our gross margin resulted in an expansion of 70 basis points as a percentage of revenues, which resulted from operating efficiencies and the reclassification described previously.

Expenses for the region were maintained at the same levels for the previous year, which was 17.7% as a percentage of sales. Therefore we keep working to improve expense control.

Operating income for this region continues displaying consistent growth. This year, it amounted to 5.8 billion pesos, an increase of 50.9%, or 30% on a constant currency basis.

The 42.8% growth in EBITDA represents 23% without exchange rate fluctuations, amounting to a total of 8.1 billion pesos for the region, a reflection of sound sales growth and good margin and expense management.

Installed capacity in Central America grew 4.3%, as a result of the opening of 34 new units and 404,228 square feet in additional sales floor, thus contributing 0.6 percentage points to consolidated sales growth.

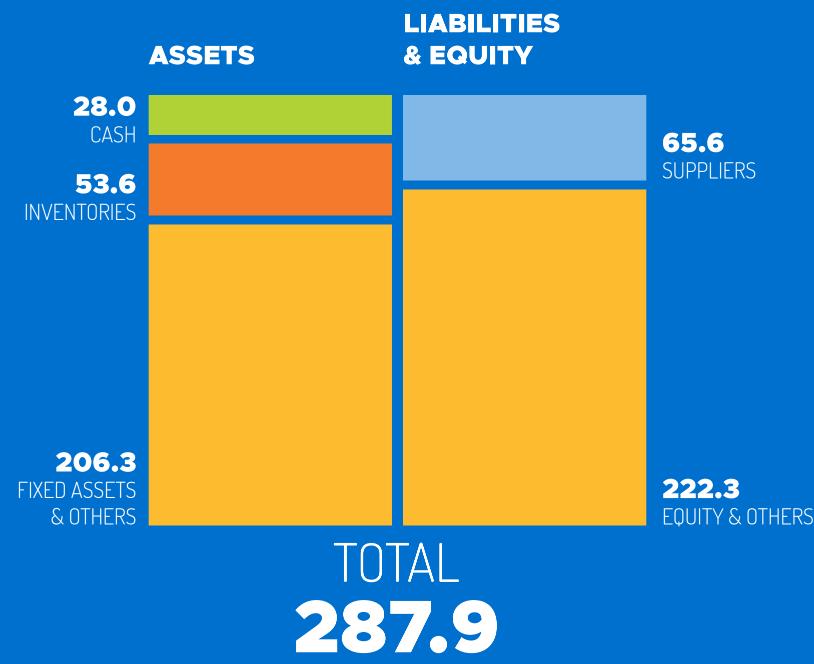
We are a Company with a long-term horizon in investment, supported by on-going cash generation and our compliance with financial guidelines. This in turn provides access to resources that allow us to adjust our operating store base, expand our presence with new units, develop our logistics and technological platforms, compensate our shareholders with dividend payments, and comply with the corresponding tax obligations. In 2016, our cash generation reached record levels of 51.3 billion pesos.

Moreover, the soundness of our Company's financial situation is reflected in a debt-free balance sheet and negative working capital because we continuously work to optimize inventory levels and accounts payable.

income statement & BALANCE SHEET

AS OF DECEMBER 31, 2016 (MXN BILLION)

CONSOLIDATED	2016	%	2015	%	% Inc
TOTAL REVENUES	**532.4**	100	475.9	100	11.9
GROSS MARGIN	**117.5**	22.1	102.6	21.6	14.5
GENERAL EXPENSES	**77.8**	14.6	69.5	14.6	11.9
OPERATING INCOME	**39.5**	7.4	32.8	6.9	20.2
EBITDA	**50.1**	9.4	42.6	8.9	17.7



FINANCIAL SUMMARY

MILLION PESOS

	*IFRS									**MFRS				
	2016[8]	2015[7]	2015[6]	2014[4]	2013[4]	2013[1]	2012[1]	2012	2011	2011	2010	2009	2008	2007
Mexico GDP (Growth,%)	2.3	2.5	2.5	2.1	1.1	1.1	3.9	3.9	3.9	3.9	5.5	(6.1)	1.5	3.3
Mexico Annual Inflation (%)	3.4	2.1	2.1	4.1	4.0	4.0	3.6	3.6	3.8	3.8	4.4	3.6	6.5	3.8
Peso Devaluation (%)	19.2	18.0	18.0	13.0	1.4	1.4	(7.9)	(7.9)	12.9	12.9	(5.6)	(4.5)	25.5	0.8
Average Exchange Rate	18.7	15.9	15.9	13.3	12.8	12.8	13.1	13.1	12.5	12.5	12.6	13.4	11.2	10.9
Year-end Exchange Rate	20.7	17.4	17.4	14.7	13.0	13.0	12.9	12.9	14.0	14.0	12.4	13.1	13.7	10.9
Mexico Average Interest Rate (28 Day Cetes,%)	4.2	3.0	3.0	3.0	3.8	3.8	4.2	4.2	4.2	4.2	4.4	5.4	7.7	7.2
RESULTS														
NET SALES	528,571	472,460	485,864	437,659	420,577	420,577	407,843	413,792	375,280	379,021	334,511	269,397	244,029	219,714
% of growth total units	12	11	11	4	3	3	NA	10	12	13	24	10	11	13
% of growth comp units	10	9	9	1	(1)	(1)	4	4	4	4	3	3	5	6
OTHER INCOME	3,813	3,451	3,503	3,329	3,246	4,584	4,217	4,259	3,570	1,885	1,346	1,054	888	787
% of growth	11	NA	5	3	NA	9	NA	19	NA	40	28	19	13	11
TOTAL REVENUES	532,384	475,911	489,367	440,988	423,823	425,161	412,060	418,051	378,850	380,906	335,857	270,451	244,917	220,501
% of growth	12	NA	11	4	NA	3	NA	10	NA	13	24	10	11	13
GROSS PROFIT	117,484	102,603	107,380	97,619	92,948	93,624	90,228	94,597	85,109	83,698	74,059	58,600	53,284	47,751
% of profit margin	22.1	21.6	21.9	22.1	21.9	22.0	21.9	22.6	22.5	22.0	22.1	21.7	21.8	21.7
GENERAL EXPENSES	77,834	69,548	72,235	64,010	61,318	62,102	58,541	61,926	55,574	53,619	47,015	36,332	33,533	29,428
% of total revenues	14.6	14.6	14.8	14.5	14.5	14.6	14.2	14.8	14.7	14.1	14.0	13.4	13.7	13.3
OPERATING INCOME	39,455	32,828	34,969	34,716	31,636	31,532	31,422	32,399	29,591	30,079	27,044	22,268	19,751	18,323
% of total revenues	7.4	6.9	7.1	7.9	7.5	7.4	7.6	7.7	7.8	7.9	8.1	8.2	8.1	8.3
% of growth	20	NA	1	10	NA	0	NA	9	NA	11	21	13	8	16
EBITDA	50,149	42,592	44,993	42,854	40,305	40,222	39,860	41,166	37,188	37,415	33,294	26,915	23,887	21,973
% of total revenues	9.4	8.9	9.2	9.7	9.5	9.5	9.7	9.8	9.8	9.8	9.9	10.0	9.8	10.0
FINANCIAL INCOME (EXPENSES), NET	(323)	89	55	(154)	(16)	(15)	401	399	189	191	460	662	474	1,468
INCOME BEFORE INCOME TAX	39,132	32,917	35,024	34,562	31,620	31,517	31,823	32,798	29,780	30,198	27,630	23,018	19,857	19,536
INCOME TAX	10,623	9,473	10,087	9,521	9,632	9,517	9,237	9,529	7,695	7,939	8,066	6,212	5,184	5,574
DISCONTINUED OPERATIONS	4,842	2,935	1,442	5,394	725	713	683	-	-	-	-	-	-	-
CONSOLIDATED NET INCOME ATTRIBUTABLE TO THE PARENT	33,352	26,376	26,376	30,426	22,717	22,717	23,275	23,275	22,080	22,254	19,550	16,806	14,673	13,962
% of growth	26.5	(13.3)	(13.3)	33.9	(2.4)	(2.4)	5.4	5.4	NA	13.8	16.3	14.5	5.1	14.7
FINANCIAL POSITION														
CASH	27,976	24,791	24,791	28,048	21,129	21,129	28,163	28,163	25,166	25,166	24,661	19,483	11,350	8,984
INVENTORIES	53,665	49,749	49,749	47,175	43,795	43,795	39,092	39,092	39,336	40,163	29,023	22,507	22,794	20,865
OTHER ASSETS	30,519	15,831	15,831	19,475	19,510	19,510	12,909	12,909	13,579	13,249	9,056	6,256	5,034	5,373
FIXED ASSETS	136,349	130,222	130,222	125,996	121,083	121,083	117,377	117,377	111,372	116,680	102,300	84,893	79,286	71,522
GOODWILL	39,421	33,057	33,057	28,020	24,745	24,745	24,745	24,745	29,768	29,768	29,768	-	-	-
TOTAL ASSETS	287,930	253,650	253,650	248,714	230,262	230,262	222,286	222,286	219,221	225,026	194,808	133,139	118,464	106,744
SUPPLIERS	65,558	56,396	56,396	52,710	47,609	47,609	44,770	44,770	50,854	50,854	38,000	30,378	27,005	25,381
OTHER LIABILITIES	55,346	45,433	45,433	45,758	39,702	39,702	37,679	37,679	39,184	40,894	33,948	19,613	17,183	15,179
EQUITY	167,026	151,795	151,795	150,223	142,931	142,931	139,701	139,701	128,867	132,962	122,531	83,148	74,276	66,184
NON-CONTROLLING INTEREST	-	26	26	23	20	20	136	136	316	316	329	-	-	-
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTEREST	287,930	253,650	253,650	248,714	230,262	230,262	222,286	222,286	219,221	225,026	194,808	133,139	118,464	106,744

G4-17

	*IFRS									**MFRS				
	2016[8]	2015[7]	2015[6]	2014[4]	2013[4]	2013[1]	2012[1]	2012	2011	2011	2010	2009	2008	2007
NUMBER OF UNITS MEXICO														
Bodega Aurrera	1,763	1,719	1,719	1,660	1,589	1,589	1,423	1,423	1,204	1,204	899	684	442	313
Walmart	262	256	256	251	243	243	227	227	213	213	192	169	153	136
Sam's Club	160	160	160	159	156	156	142	142	124	124	108	98	91	83
Superama	96	95	95	93	92	92	90	90	88	88	75	69	67	64
Suburbia	-	117	117	116	109	109	100	100	94	94	90	86	84	76
Medimart Pharmacies	10	10	10	10	10	10	6	-	-	-	-	-	-	-
Vips Restaurants	-	-	-	-	-	-	365	365	364	364	366	360	360	348
TOTAL	2,291	2,357	2,357	2,289	2,199	2,199	2,353	2,347	2,087	2,087	1,730	1,466	1,197	1,020
NUMBER OF UNITS CENTRAL AMERICA														
Discount Stores	495	484	484	477	466	466	459	459	453	453	401	377	-	-
Supermakets	92	99	99	96	100	100	97	97	96	96	94	92	-	-
Bodegas	117	102	102	94	75	75	67	67	54	54	36	32	-	-
Walmarts	27	24	24	22	20	20	17	17	17	17	16	16	-	-
Clubs	-	-	-	1	1	1	2	2	2	2	2	2	-	-
TOTAL	731	709	709	690	662	662	642	642	622	622	549	519	-	-
BANCO WALMART														
Bank branches	-	-	-	-	201	201	263	263	263	263	263	190	38	16
OTHER INFORMATION AT THE END OF THE YEAR														
Number of Associates	228,854 [9]	231,996	231,996	228,063 [5]	224,901 [5]	226,289 [3]	248,246	248,246	238,128	238,128	219,767	176,463	170,014	157,432
Share Price [2] (pesos)	37.05	43.49	43.49	31.72	34.26	34.26	42.33	42.33	38.23	38.23	35.44	29.35	18.50	18.85
Number of Outstanding Shares [2] (millons)	17,461	17,461	17,461	17,507	17,627	17,627	17,722	17,722	17,747	17,747	17,848	16,752	16,870	16,946
Market Value	646,930	759,379	759,379	555,322	603,901	603,901	750,172	750,172	678,471	678,471	632,533	491,671	312,095	319,347
Earnings per Share [2] (pesos)	1.910	1.508	1.508	1.732	1.284	1.284	1.312	1.312	1.240	1.250	1.105	0.999	0.866	0.817
Payment of Dividends	28,972	31,562	31,562	21,643	16,056	16,056	9,612	9,612	9,659	9,659	5,743	5,040	4,902	4,313
Number of Shares Repurchased [2] (millions)	-	47	47	123	96	96	27	27	103	103	112	117	152	288
Investment in Shares Repurchasing Operations	-	1,825	1,825	3,996	3,328	3,328	1,088	1,088	3,455	3,455	3,472	2,509	2,869	6,065

1 Vips is presented under Discontinued Operations.
2 Adjusted according to split conducted in April 2010.
3 Vips' associates not included.
4 Banco Walmart's & Vips' results are presented in Discontinued Operations.
5 Banco Walmart's associates not included.
6 Results from Banco Walmart and its sale presented in Discontinued Operations.
7 Suburbia's & Banco Walmart sale's results are presented in Discontinued Operations.
8 Suburbia's results are presented in Discontinued Operations.
9 Suburbia's associates not included.

* IFRS = Financial information under International Financial Reporting Standards.
** MFRS = Financial information under Mexican Financial Reporting Standardsa.

ACQUISITIONS OF PROPERTY AND EQUIPMENT	14,335	12,526	12,526	12,691	13,987	13,987	14,660	14,660	18,352	18,352	13,130	9,735	11,316	11,097

G4-17, G4-22

our ASSOCIATES

TALENT DEVELOPMENT | WORK-LIFE BALANCE | DIVERSITY AND INCLUSION | LABOR STANDARDS | HEALTH AND SAFETY

OUR FOCUS IS TO ATTRACT, DEVELOP AND RETAIN TALENT, CREATING WORK TEAMS COMMITTED TO OUR CUSTOMERS AND TO STRENGTHENING DIVERSE AND INCLUSIVE WORK AREAS AND OUR CULTURE.

228,854
ASSOCIATES

110.2
MILLION PESOS INVESTED IN TRAINING **G4-LA9**

33%
OF OUR MANAGEMENT TEAM ARE WOMEN

talent

DEVELOPMENT

G4-LA10

27,012
PROMOTIONS

2.6
MILLION LABOR HOURS IN TRAINING

545
TOP TALENT ASSOCIATES

Train, evaluate and provide feedback to our associates is the basis of our growth, therefore we have an individual development plan for each one.

IN MEXICO WE CREATE HIGH-PERFORMANCE TEAMS –KNOWN AS MERCHANDISING CELLS- WHICH INCLUDE ASSOCIATES FROM MERCHANDISING, REPLENISHMENT, MODULARS, AND PLANNING AIMED AT STRENGTHENING THE COMMUNICATION AMONG THE DIFFERENT AREAS AND IMPROVING THE SHOPPING EXPERIENCE FOR OUR CUSTOMERS. THIS PROJECT IS A NEW WAY OF WORKING AND ENABLES US TO BETTER UNDERSTAND AND SERVE THE CHANGING NEEDS OF OUR CUSTOMERS.

Master's Degree Students is a program that supports the integration of Mexican students by inviting them to lead a project during the summer; upon concluding their education, the outstanding ones are hired as executives in different areas of the company. In 2016, five of the seven who participated in the summer program joined the Company.

Top Talent executives receive assistance with scholarships to initiate or conclude their Master's or BA degrees, special certificate courses, or English language proficiency classes, investing more than 11 million pesos.

In Central America, the Top Management and Management Development Program is conducted in alliance with the Central American Institute for Business Management, which helps the 50 participating associates develop leadership skills.

The Program for Individual or Group Mentoring and Mentoring Circles seeks to promote accelerated development for selected executives through the guidance of an associate having a minimum of one higher level. During 2016, more than 700 new assignments for individual mentoring were made.

The Certificate Course for district managers has the goal of developing assistant directors in operations so they can strengthen management and leadership skills. In 2016, more than 80 executives in Mexico received training.

Our Leadership Program is aimed at efforts and actions that assist in the personal development of top management, based on the identification of strengths and opportunities, reinforcing the awareness of each executive regarding the role he/she plays in transforming the organizational culture and in achieving strategic alignment. Our Leadership Program began with all our vice presidents.

OPERATIONS ACADEMY

The Center of Learning for Central America was opened this year in Guatemala. The Centers of Learning for Costa Rica and Guatemala resulted in 104 graduating assistant store managers.

There are 66 programs designed to supplement the career paths of self-service and Sam's Club associates, from hourlies to assistant directors.

The Development, Attract and Retain Program for Bodega Aurrera was implemented for hourly and dept. manager associates, we trained more than 17,200 associates; so they may have the tools and knowledge needed to perform basic duties in their new role as department managers, and to improve decision-making abilities and impact key business indicators.

For the third consecutive year, we implemented the DOE Program (Delivering Operational Excellence), version 2.0. The purpose of this program is to train store and district managers in Central America in subjects related to operating excellence processes in dealings with customers and associates. Throughout the year, 762 associates received this training.

MERCHANDISING ACADEMY

Training more than 2,000 buyers to develop their leadership and negotiation abilities, merchandising skills, category management, and imports.

This contributed towards further strengthening teamwork within the new structures of merchandising cells through change management sessions.

All our associates receive performance and professional development evaluations. In 2016, we evaluated over 124,300 permanent associates who have been with the company for at least one year, which equals 88% of total headcount in Mexico, and 26% in Central America. **G4-LA11**

TRAINING BY LEVEL G4-LA9

LEVEL	LABOR HOURS	
	MEXICO	CAM
Senior management	1,126	4,859
Management	300,209	64,358
Department management	342,696	38,715
Hourly	1,352,408	281,142

work-life

BALANCE

G4-EC3

849
EDUCATION, SERVICES AND ENTERTAINMENT AGREEMENTS

7,754
QUALITY-OF-LIFE TRANSFERS

21,793
ASSOCIATES RECEIVED ATTENTION AT OUR MEDICAL OR NUTRITION SERVICES DEPARTMENT

We are committed to the well-being of our associates and therefore we look to innovate every day by implementing initiatives that help us to continue building a healthy, collaborative and flexible workplace.

IN MEXICO THE RENEWAL OF OUR OFFICES, THROUGH ECO: COLLABORATIVE WORKSPACES, WHICH HELP TO UNDERSCORE THE VISION OF THE COMPANY WE WANT TO BE: OPEN TO COLLABORATION AMONG AREAS AND TEAMWORK TO DRIVE PRODUCTIVITY.

We implemented a new means of free personal assistance -Integrated Assistance Program- wherein our associates and their families may receive advice in matters pertaining to psychological, financial and legal issues.

This year we also launched GoIntegro, an app that offers 849 special agreements that are available to our associates and their families, with money-saving benefits that further their quality of life.

The Flexible Work Week Program for staff associates consists of adjusted work hours from Monday to Thursday so that Friday afternoons are free. In addition we have made the dress code at work more flexible for all associates, to create an open, comfortable workspace that respects everyone.

Postnatal leave for staff mothers allows them to gradually integrate back to work during the first 7 months of their baby's life; regarding fathers, paternal leave fosters integration with the new member of the family by allowing these men to work a reduced schedule (6 hours) during the first month after birth of their child. Thanks to these initiatives, at December 31, 2016, 75% of associates who benefited from this new policy, returned to work after completing their maternal or paternal leave. **G4-LA3**

For the second consecutive year, Family Day celebration was held where, staff associates were invited to spend a special day with their family members, thus generating a greater sense of belonging. In Central America, this initiative was extended to include Distribution Centers and Agro-industrial Development Plants.

ASSOCIATE BENEFITS G4-LA2

	FULL TIME		PART-TIME/ SEASONAL	
	MEXICO	CAM	MEXICO	CAM
Vacations, management	▣	■		
Vacations, non-management	■	■	■	■
Days off (holidays)	▣	■	■	▣
Special permissions	□	▣	□	▣
Food subsidy		□	□	
Electronic coupon	□			
Discounts granted	□	□	□	□
Company car, management*	□	□		
Car allowance, management		□		
Medical check-up, management	□	□		
Life insurance	□	□		
Hospital insurance		□		
Major medical insurance	□	□		
Disability subsidy	□	□	■	□
Holiday celebration events	□	□	□	□
Seniority recognition	□	□		□
Maternal leave	▣	▣	■	■
Paternal leave	▣	□		■
Pension fund		■		

■ Required by law
□ Not required by law but the Company grants it
▣ Higher than required by law
* Divisional manager and higher

diversity and
INCLUSION

51%
OF OUR ASSOCIATES ARE WOMEN

49%
OF ALL PROMOTIONS WERE WOMEN

17,003
ASSOCIATES RECEIVED TRAINING
G4-HR2

We have received certification with Mexican Law on Labor Equality and Non-Discrimination by the Secretary of Labor and Social Welfare, the National Women's Institute (Inmujeres, per its acronym in Spanish), and the National Council for the Prevention of Discrimination (Conapred, per its acronym in Spanish). We are the only retail company that has achieved this certification.

THE COMPANY POLICY ON EQUALITY AND INCLUSION IS MEANT TO ENSURE EQUAL OPPORTUNITIES AND NON-DISCRIMINATION. AT 31 DECEMBER 2016, THE HEADCOUNT INCLUDES 645 ASSOCIATES WITH SOME TYPE OF DISABILITY.

Norma Mexicana en Igualdad Laboral y No Discriminación

In Mexico hiring criteria focuses on finding the best candidate for the position, regardless of whether the person is a local resident or not. By law, in Central America we give preference to local residents. The process consists of interviews, selection, psychometric testing, interviews by the business format committee, economic offering, document requests, onboarding, and the start of training.

In Mexico, 94% of top management are Mexican citizens; in Central America, 88% are Central Americans. Top management consists of assistant directors, directors, and vice presidents. **G4-EC6, LA12**

Wage differences are never based on gender, age, religion, sexual preference, or political ideology. We have a wage band; existing differences are based on the individual performance of each associate through annual evaluations, seniority, and competencies that are described in the Discrimination-Free and Harassment-Free Workplace Policy. **G4- LA13**

Programs designed for women, such as Reach High!, Women in Retail, and the Female Leadership Certificate Course are aimed at retaining the best talent, having associates empowered, committed to the business, with a sense of ownership so they can rise to executive positions.

OUR ASSOCIATES G4-LA1

	MEXICO			CENTRAL AMERICA		
	TOTAL	%W	%M	TOTAL	%W	%M
Associates	192,434	53	47	36,420	40	60
Management	2,622	32	68	404	39	61
Non-management	189,812	53	47	36,016	40	60
Permanent	188,483	53	47	34,546	40	60
Full-time	156,294	52	48	31,589	38	62
Part-time	32,189	58	42	2,957	56	44
Temporary	3,951	50	50	1,874	39	61
Full-time	3,127	47	53	1,320	29	71
Part-time	824	60	40	554	63	37

BY AGE RANGE						
New associates	57,691	48	52	11,365	33	67
=<25	29,195	40	60	5,327	27	73
26-30	10,121	49	51	2,997	34	66
31-35	5,981	57	43	1,562	39	61
36-40	4,371	64	36	786	48	52
>=41	8,023	63	37	693	45	55
Associate turnover	100,498	45	55	9,120	34	66
=<25	50,530	37	63	3,031	25	75
26-30	18,538	46	54	2,711	33	67
31-35	10,758	53	47	1,626	38	62
36-40	7,570	57	43	840	44	56
>=41	13,102	58	42	912	49	51

labor

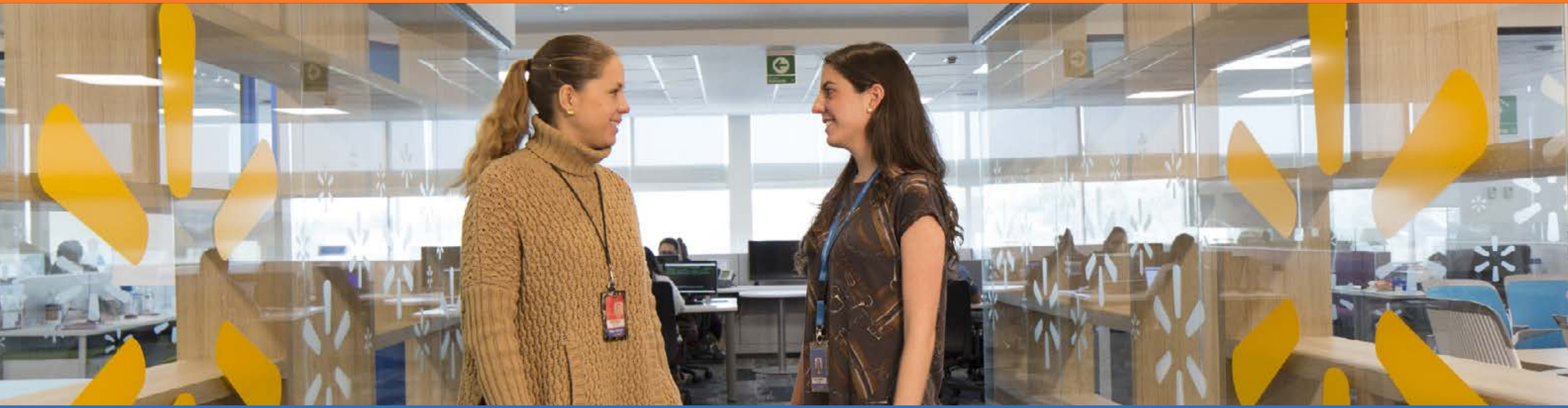
STANDARDS

WALMART
CULTURE

RESPECT
STRIVE FOR EXCELLENCE

INTEGRITY
SERVE OUR CUSTOMERS

We are committed in all countries where we operate, to fully comply with all laws and regulations governing labor standards.



THE COMPANY COMPLIES WITH, AND EXCEEDS, MINIMUM WAGE LEVELS SET FORTH BY LAW. DEPENDING ON THE GEOGRAPHICAL AREA, OUR GENERAL WAGE BAND IS 36% HIGHER THAN THE AVERAGE MINIMUM WAGE IN MEXICO. **G4-EC5**

To be a product or service supplier, it is indispensable to firmly establish the terms and conditions of the commercial relationship, including all obligations pertaining to full compliance with applicable legal provisions and with labor responsibilities. **G4-HR4, HR5, HR6**

We follow the pension plan in force, pursuant to the laws of each country. As an additional benefit, at the moment of retirement from the Company, three months of wages are paid, as per our Separation Policy. **G4-EC3**

In Mexico, 6,944 labor suits were filed in 2016 and during previous years; 5,969 were filed by associates and 975 by suppliers; in 2016, a total of 6,304 filed by associates and 784 by suppliers were settled. **G4-LA16**

labor
STANDARDS

CULTURE OF DIVERSITY
for labor and inclusion opportunities, thus helping associates to develop their full potential, cultivating a climate of confidence and respect for human dignity

HEALTH AND SAFETY
to protect our associates

OPEN AND CONFIDENTIAL
communication for claims on any violation to any of the points described in this section

HIGHER WAGES
than those established by law

NON DISCRIMINATION
of race, color, age, gender, sexual orientation, religion, disability, ethnic group, nationality, civil status, or for any other reason

FREEDOM
of association

ZERO TOLERANCE
for child and/or forced labor

health and SAFETY

390,417
TRAINING SESSIONS FOR ASSOCIATES

10%
OF OUR TOTAL HEADCOUNT PARTICIPATES IN SAFETY BRIGADES

ZERO
ACCIDENTS IS OUR GOAL

We work in favor of preventing any and all risks for our associates, customers/members, and suppliers. Our vision: to be the safest place to shop and work.

SAFETY IS OUR MAXIMUM PRIORITY, AND THEREFORE WE CONCENTRATE ON CREATING A RISK-FREE WORKPLACE AND ON OFFERING A SAFE PLACE FOR SHOPPING.

The Company has a Health and Safety Compliance Program, the purpose of which is to identify any and all legal provisions that must be followed in each market; develop the necessary policies and procedures; train our associates in these matters; and monitor our compliance levels. In addition, there is a Health and Safety Committee for Mexico, which meets to review and vote on safety initiatives that are meant to prevent accidents and fires that can harm our associates, customers, and suppliers.

Our associates receive digital and classroom training in different fields, such as Health and Safety, Civil Protection, and Emergency Brigades. **G4-LA5**

Constant audits of the different business units are conducted to detect opportunities and create action plans that will cover the needs found in our businesses. We also document best practices being followed in our different units, and we investigate the causes of accidents that take place so we can prevent any repetitions.

We place special attention on those associates whose job entails a higher risk of accidents or occupational health issues, such as store-level associates, butchers and meat department managers in our stores. **G4-LA7**

HEALTH & SAFETY INDICATORS G4-LA6

	2015	2016
Days of sick leave	151,066	168,350
Accidents due to occupational hazards	11,498	14,022
Associates resulting in disability	11,006	12,376
Fatalities	1	3

our SUPPLIERS

SUPPLIER DEVELOPMENT | RESPONSIBLE SOURCING | PRODUCT RESPONSIBILITY

WE ARE CONVINCED THAT BY PROMOTING DIVERSITY WITHIN THE SUPPLY CHAIN WE CAN GENERATE OPPORTUNITIES FOR OUR SUPPLIERS, MAKING THEIR PRODUCTS AVAILABLE EVERY DAY IN OUR STORES AND CLUBS. **G4-LA9**

22,597
SUPPLIERS

93%
OF MERCHANDISE IS PURCHASED IN MEXICO

93%
OF MERCHANDISE IS PURCHASED IN CENTRAL AMERICA

supplier DEVELOPMENT

G4-EC8, EC9

17,629
SMALL SUPPLIERS DEVELOPED

87%
ARE SME SUPPLIERS IN MEXICO

64%
OF OUR SUPPLIERS FOR CENTRAL AMERICA ARE FROM THE REGION

We offer development opportunities for local farmers and we help small companies grow. Access to any formal market requires installed capacity, capital, and compliance with specific requisites.

WE HAVE DIFFERENT SUPPLY CHAIN PROGRAMS THAT PROMOTE ECONOMIC MOBILITY.

Our development platforms are designed according to the nature of the suppliers, so as to equip them with the know-how and experience needed to become suppliers, to achieve permanence and sustainable growth with us, and to increase their capacity to grow into other markets.

EXPENSE PERCENTAGE REGARDING LOCAL SUPPLIERS G4-EC9

	SELF-SERVICE		SAM'S CLUB
OUR BRANDS	MEXICO	CAM	MEXICO
Products	1,971	1,728	292
Suppliers	387	232	115
% domestic/ regional suppliers	70	85	82
% sale domestic/ regional suppliers	94	95	59
% sales of Our Brands	5	10	12

	PRODUCE		MEAT		FISH & SEAFOOD		POULTRY
	MEXICO	CAM	MEXICO	CAM	MEXICO	CAM	CAM
Purchases from domestic/ regional suppliers	80	76	91	90	80	80	98
Purchases of domestic/ regional products	73	64	87	73	51	50	NA
Purchases directly from local growers	46	59	84	55	46	50	87

Women-Owned Businesses is a global initiative launched in 2011 whose purpose is to empower businesswomen, provide them greater access to markets, and give them the tools they need to grow their enterprises. In 2016, in Mexico we met our objective of doubling the number of purchases from 109 female entrepreneurs, 11 of which participated in a program with Endeavor Mexico; it included mentoring to strengthen financial, administrative, operating, and commercial skills.

Adopt an SME in Mexico and A Growing Hand in Central America are programs that seek to support businesses through our Merchandising and Supplier Development departments. The Programs are a form of temporary support so as to help small-sized businesses increase their productivity, competitiveness, sales, and product positioning in our self-service units. There are currently 115 suppliers participating in the 2nd generation of Adopt an SME, whose purpose is to help them grow their sales by 50% within 18 months.

Small Farm in Mexico, and Fertile Soil in Central America are social programs with business ties and whose purpose is to assist low-income farmers facing considerable difficulties, thus we help them develop diversified cropping techniques based on real market needs.

We assisted over 1,800 low-income growers this year by providing consultancy services on seed quality, soil use, crop yield and quality, efficient use of agro-chemicals, and crop rotation, as well as matters regarding logistics and other things needed to reinforce their transition from farmer to businessmen.

Each year we survey our large, medium, and small-sized suppliers in Mexico with a third-party questionnaire, thereby obtaining an annual indicator that ranks the self-service and Sam's Club divisions in the market. This survey helps us to identify key points for improving dialogue and commercial relationships, increasing efficiency, and achieving better execution in our units. **G4-PR5**

The Supplier Advisory Board has allowed us to extend the dialogue with our commercial partners, especially regarding the Consumer, Grocery, Perishables, and General Merchandise divisions. The Board encompasses 13 companies in Mexico and 67 in Central America; the primary goal is to foster the exchange of ideas and establish collaborative working models that help to increase the competitiveness of our suppliers, with the purpose of benefiting our customers.

responsible SOURCING

G4-EN32, EN33, LA14, LA15, HR1, HR4, HR5, HR6, HR9, HR10, HR11, SO9, SO10, SO11

100%
OF AGREEMENTS CONTAIN STANDARDS FOR SUPPLIERS

1,173
ENVIRONMENTAL, SOCIAL AND SAFETY AUDITS

OBJECTIVE
ENSURE
THAT SUPPLIERS HAVE RESPONSIBLE PRACTICES

We are committed to working with our suppliers so we can continue driving responsibility in our supply chain.

OUR RESPONSIBLE SOURCING PROGRAM ESTABLISHES EXPECTATIONS AND ACCOUNTABILITY, AND PROVIDES THE RESOURCES AND TRAINING FOR OUR ASSOCIATES AND SUPPLIERS.

SUPPLIER STANDARDS

By including in our supply chain the values of respect for the individual, the implication is social and environmental responsibility in the performance of our suppliers. We thereby challenge them to commit to the highest standards of responsibility, compliance with audits, and conducting comprehensive evaluations so we can meet the objective of responsible sourcing throughout the entire supply chain.

For this reason we have a manual -Supplier Standards- which outlines the minimum operating standards expected of our suppliers and their factories, as pertains to the ethical treatment of workers, occupational safety, environmental responsibility, and proper operating practices in the language of the employees, displayed in a visible spot within the workplace.

These standards are parallel to auditing standards used by us to measure the extent of compliance by suppliers of Our Brands. If any manufacturing establishment fails to comply with our labor, environmental or ethical standards, corrective measures must be performed to rectify said performance. Otherwise, said vendor shall no longer be allowed to supply us with merchandise.

In general, the Responsible Sourcing audits are not announced, and they are conducted by third parties. The frequency of the repetition of an audit is based on the seriousness of previous findings. Results are assigned a color-based score, as per the seriousness of the issues found. These scores are used to assist in decision-making processes. It is the responsibility of the supplier to work with the factories so as to correct issues outlined in audit findings.

supplier STANDARDS

COMPLIANCE WITH ALL national and international laws and regulations

Granting **TIME OFF** and work schedules that are **NOT EXCESSIVE**

Provide workers with a safe and healthy **WORK ENVIRONMENT**

NO TRANSACTIONS with associates that could constitute conflicts of interest

ZERO TOLERANCE for slavery, the employment of minors, and forced labor

SATISFACTORY WAGES paid to workers

Ensure their **FACILITIES AND PROCESSES** are in full compliance with environmental legislation

ZERO TOLERANCE for bribery, corruption and unethical practices

Respect **FREEDOM TO ASSEMBLE**

THE OFFERING OF GIFTS to associates is forbidden

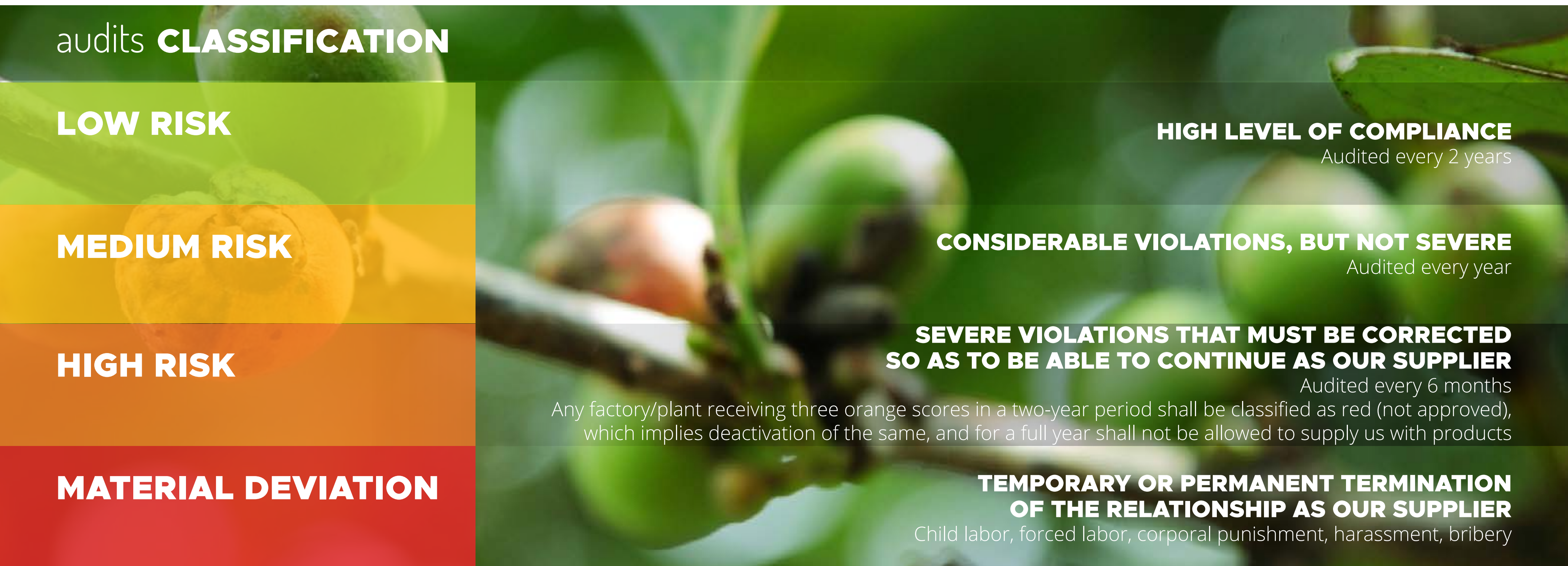
ACCURATE RECORDS kept on matters related to the Company

RISK MANAGEMENT WITHIN THE SUPPLY CHAIN

In early 2015, we began to evolve our Responsible Sourcing Program, so as to center it around areas presenting the greatest potential risks for society, safety, and environmental compliance.

We evaluate how the effectiveness and stability of the corresponding government, the rule of law, and corruption control affect the risk of non-compliance in supplier facilities of each country.

For risk management in the supply chain beyond our own audits, programs, and training, we have established alliances with other companies, governments, and NGOs to approach complex matters that no company can accomplish alone. We believe this collaborative approach will foster greater impact on our supply chain, making it even more effective.



audits **CLASSIFICATION**

LOW RISK	**HIGH LEVEL OF COMPLIANCE** Audited every 2 years
MEDIUM RISK	**CONSIDERABLE VIOLATIONS, BUT NOT SEVERE** Audited every year
HIGH RISK	**SEVERE VIOLATIONS THAT MUST BE CORRECTED SO AS TO BE ABLE TO CONTINUE AS OUR SUPPLIER** Audited every 6 months Any factory/plant receiving three orange scores in a two-year period shall be classified as red (not approved), which implies deactivation of the same, and for a full year shall not be allowed to supply us with products
MATERIAL DEVIATION	**TEMPORARY OR PERMANENT TERMINATION OF THE RELATIONSHIP AS OUR SUPPLIER** Child labor, forced labor, corporal punishment, harassment, bribery

audit

PROCESSES

COMPLIANCE

in enviromental, social and safety matters

1,668

Active in-bond factories throughout the region

We conducted

1,173 AUDITS

of outsourcing operations for 6,009 suppliers

G4-LA14, LA15, HR10, HR11

A DETAILED REVIEW

of documents, including licenses, permits, and records regarding work, employment, and payment practices.

VISUAL INSPECTION

of facilities

CONFIDENTIAL INTERVIEWS

with workers

product

RESPONSIBILITY

G4-PR1

100%
OF DCS AUDITED IN FOOD SAFETY IN CENTRAL AMERICA

175
UNITS HAVE H CERTIFICATION

1,762
LABELS FOR OUR BRANDS AUDITED PURSUANT TO NOM

Our mission is to offer our customers affordable prices and, at the same time, continuously raise the bar for quality and food safety.

OUR CUSTOMERS ARE INCREASINGLY INTERESTED IN KNOWING THE ORIGIN OF THE PRODUCTS BOUGHT, WHAT THEY CONTAIN, AND HOW THEY ARE PRODUCED.

We conduct rigorous reviews of our supply chain so as to generate and maintain the trust of our customers in the food we sell. In Mexico we have reinforced our Food Safety Program, including the Prevention of Food-Related Fraud, through outside analysis by laboratories accredited in:

- Identifying raw materials in meat and cooking products, with a total of 288 tests conducted.
- Verifying the integrity of Our Brands ingredients, such as honey, milk, olive oil, 100% natural juices, and coffee; with a total of 49 tests conducted.
- Validating certificates for products sold as organic, accrediting a total of 300 products.

A total of 96% in Mexico and 55% in Central America of Our Brands suppliers are certified in norms acknowledged by the GFSI -Global Food Safety Initiative- a worldwide accepted food safety management system. Some 175 businesses in Mexico currently have the H Certificate issued by the Secretary of Tourism to those establishments that accredit compliance with good practices in food preparation and serving hygiene.

OUR BRANDS SUPPLIERS EVALUATED IN MEXICO

	SHOES	JEWELRY AND ACCESSORIES	GENERAL MERCHANDISE	TEXTILES	FOOD	MEDICATIONS
# of suppliers	43	10	113	33	220	ND
# of audits	54	23	464	48	286	30
Not approved	39	2	62	12	0	0

AUDITS TO DISTRIBUTION CENTERS

	MEXICO
Produce	225,588
Shipments	171,152
Processed food	169,977
Textiles and shoes	5,888
Suppliers for imported textiles and shoes, in country of origin	5,060
Unnanounced store audits for Food Safety	26,262

HEALTH & WELL-BEING IN MEXICO

ASSOCIATES TRAINED	
Usage and dispensing of medicines training	4,475
Training hours	26,850
Online training	2,670
Training hours	2,614
Distance training	1,968
Training hours	2,943
STORE INTERNAL AUDITS	
Pharmacies	4,551
Vision Centers	297
DISTRIBUTION CENTERS	
Good Storage and Distribution Practices audits	8
Associates trained	1,810
Training hours	4,545
Product analysis of the quality parameters for Medimart by third parties authorized by Cofepris	416

HEALTH & SAFETY INCIDENTS G4-PR2

	MEXICO	CAM
Visits from health and consumer protection authorities	4,538	1,137
Fines or sanctions	364	NA
Warnings	24	NA
Recalls	56	20
Profeco complaints	1,919	NA

LABELING G4-PR3

Our customers need accurate information regarding the impact of products and services so as to make fundamental decisions regarding purchases and so product availability reflects their preferences. Providing information and proper labeling regarding impact is our responsibility.

Our Brands information in Mexico undergoes review and validation by Legal, Product Safety and Quality. During 2016, some 1,762 labels were analyzed, of which 656 were for medical products, and 1,106 for general merchandise, validating the following:

- The origin of product or service components.
- Content, especially pertaining to substances that can cause environmental or social impacts.
- Product or service safety instructions.
- Product elimination and environmental or social impact.

In Central America we provided continuity regarding monitoring, advice, and training in labeling requirements by product category and by country, including Our Brands. We created labeling guidelines for easy identification and use.

Commercial agreements executed with suppliers include the obligation of complying with regulations. Moreover, Food Safety and Product Safety randomly checks Our Brands in the distribution centers, to validate labeling information.

Regarding non-compliance with regulations governing marketing communication and advertising, in Mexico there were 176 issues stemming from the lack of information in advertising materials, which were rectified immediately. When necessary, evidence was filed with the Mexican Consumer Protection Agency -Profeco- in addition to paying a total of 22 fines concerning advertising in general. There were no cases reported in Central America. Compliance continuously trains key areas and sends communiques to stores to remind them of the comparative advertising guidelines, among others. **G4-PR7**

In 2016, we received no significant fines due to non-compliance with regulations governing the supply and use of products and services in the region. **G4-PR9**

Pursuant to requirements set forth by the OFAC -Office of Foreign Assets Control- in Central America we declare the marketing of any product originating from any of the countries included in the sanction lists. **G4-PR6**

LABELING INCIDENTS G4-PR4

	MEXICO	CAM
Total	68	150
Fines or sanctions	40	0
Warnings or non-compliance with voluntary codes	0	NA
Non-compliance processes by the authorities	68	5
Cases with Our Brands	7	NA

our COMMUNITY

G4-SO1

SMALL SUPPLIERS | VALUABLE NEIGHBOR | FOOD SECURITY | SUPPORT DURING NATURAL DISASTERS

OUR STRATEGY IS ALIGNED WITH OUR BUSINESS AND THE CAPACITY TO GENERATE VALUE FOR THE COMPANY THROUGH DIFFERENT COMMUNITY SUPPORT PROGRAMS. IN MEXICO, EVERY YEAR WE LAUNCH A CALL TO GRANT MONETARY DONATIONS. THIS YEAR WE FINANCED PROJECTS TO IMPROVE THE DEVELOPMENT OF SMALL FARMERS AND FOOD SECURITY.

869
MILLION PESOS CHANNELED

1.5
MILLION BENEFITED

196
NGOS SUPPORTED

small

SUPPLIERS

26%
AVERAGE INCREASE
IN INCOME IN MEXICO

17,629
SMALL SUPPLIERS
DEVELOPED

50
MILLION PESOS
IN SALES IN MEXICO

We financed long-term projects that help to build production capacities in the people assisted and to eradicate poverty, therefore we contribute with our know-how, people, and infrastructure, for their well-being.

THE ENHANCEMENT OF PRODUCTION CAPACITIES AND THE OPENING OF NEW COMMERCIAL CHANNELS REPRESENT A FUNDAMENTAL DRIVER FOR COMBATING POVERTY IN MEXICO AND IN CENTRAL AMERICA.

We develop the potential of small growers by offering training and the sales expertise we have acquired under different commercial conditions, thus facilitating learning experiences and the ensuing opportunities such as payment terms, logistics costs, and letters of intent for purchases. In this manner we seek to develop their potential for increased productivity, income, and the capacity to grow and create jobs for their communities.

With the Fertile Soil program in Central America, which consists of direct purchases, we have helped 355 small and medium-sized farmers throughout the year. We purchased 2.2 billion pesos from these farmers, representing 57% in produce and grains sold in our units. This program has helped to maintain our commitment to assist these suppliers, so we continue offering training for farmers in Good Agricultural Practices -GAP- to reduce environmental impacts and improve productivity.

With the help of Enactus Mexico, Endeavor Mexico, KPMG, and Todo Retail, the Walmart Foundation of Mexico was able to hold its first call for small farmers to enroll their manufactured products. Of the 477 products registered, 58 were selected; they underwent an evaluation process by a committee of merchants for Walmart Mexico and representatives from other companies. After a full day of presentations and the exchange of best practices with the participants, 30 were chosen. The support provided consists of an intense 13-month training course in business model development, brands and products, and mentoring so small farmers may maximize their commercial capacities and increase productivity rates, thereby driving the economy in their communities. The expected result of this learning experience is that these growers be better equipped to sell their merchandise in our stores. Those products accomplishing good sales volumes continue as suppliers.

The Sustainable Agriculture program in Mexico trained over 1,450 small farmers located in 10 states throughout the country, with purchases amounting to 43.9 million pesos and 223% growth over last year, thus increasing their income by an average of 20%. The program consists of comprehensive training in best farming and business practices.

valuable

NEIGHBOR

2,465
VOLUNTEER ACTIVITIES

113,411
VOLUNTARY PARTICIPATIONS

60%
OF OUR VICE PRESIDENTS PARTICIPATED AS VOLUNTEERS IN MEXICO

Through our Volunteerism Program, we contribute to improve the communities we serve by promoting good corporate citizenship, commitment, and fostering a sense of solidarity.

OUR ASSOCIATES NOT ONLY HELP TO PROVIDE AN ENHANCED SHOPPING EXPERIENCE FOR OUR CUSTOMERS, THEY ALSO OFFER THEIR TIME AS VOLUNTEERS TO MAKE THE COMPANY A VALUABLE NEIGHBOR.

In order to be a part of the communities where we operate, we conducted 2,465 volunteer activities with 113,411 participants, benefiting thousands of people in communities throughout Mexico and Central America. This year, each business format held tailor-made activities with the purpose of having each format support a specific cause.

With the experience of our top management, we have been able to create the Specialized Volunteerism Program, whereby our top executives share their expertise so as to develop small suppliers through personalized mentoring, and/or by helping to select projects to be financed. This year we had 18% participation by our top leaders in Mexico.

As motivation and recognition for the involvement of our volunteers, during our Company's annual meeting we recognize the top associate volunteer, the format, and distribution center of the year who are examples of service to the community and who are examples of our Walmart Culture.

food

SECURITY

29,905
TONS CHANNELED

894,671
BENEFICIARIES

70%
OF THE CHILDREN HELPED REACHED NORMAL NUTRITION LEVELS

We have assisted in the building of 1,438 backyard gardens, farms, ecological stoves, and rainwater catchment systems, promoting sustainable nutrition.

THE INCREASE IN AVAILABLE INCOME AND THE EMPOWERMENT OF WOMEN, CREATE A CAPACITY-BUILDING PLATFORM FOR PRODUCTION.

Under the heading of food, in Mexico some 4 million pesos were donated to Alimento para Todos, I.A.P., for the training of 62 organizations who hold food drives, covering subjects related to the proper receiving, selecting, classifying, storing, and delivering of food products. In addition, infrastructure needs for these organizations were evaluated so as to enhance optimum operation of their facilities.

As part of our innovation, this year we launched several campaigns in favor of Food Banks, such as the first edition of the "Walmart Run - Costa Rica" race. It entailed running 6 and 10 km, and a 2-km walk. The proceeds from enrolling in the races were set aside for programs that fight hunger. Another campaign was the "Sula Marathon - Honduras". Operations served as sponsor for this 4th edition race, consisting of 5k, 10k, and 21k runs in support of the Food Bank.

support during natural

DISASTERS

139
TONS CHANNELED

13,405
BENEFICIARIES IN MEXICO

278
ASSOCIATES BENEFITED

We provided humanitarian support and achieved proper and timely intervention for victims.

THE CENTER FOR OPERATION CONTINUITY SEEKS RISK PREVENTION FOR OUR ASSOCIATES AND CUSTOMERS ALIKE, GUARANTEEING CONTINUITY OF OPERATIONS IN CASES OF ACCIDENTS OR NATURAL DISASTERS.

We also have a Center for Emergency Assistance to assist and support associates and units who have been victims of some emergency situation. In 2016, we set aside 2.9 million pesos and assisted 278 associates. **G4-EC3**

In Mexico, throughout 2016 we assisted over 13,000 people affected by different natural disasters through the delivery of 31 tons of pantry baskets that included staple food products and basic items for affected communities; it was possible thanks to the revolving fund agreement for 5,000 baskets, by and between the Walmart Mexico Foundation and the Mexican Red Cross.

There were victims due to Hurricane Otto in Costa Rica, thus the Friendly Hands program was activated in our stores. Thanks to contributions from our customers, 108 tons of staple food products and basic need items to the National Commission on Emergencies and the Costa Rican Red Cross. We also made an in-kind donation of 1.6 million pesos to said Commission, emergency assistance agencies, the police department, and affected indigenous communities.

SUSTAINABILITY

OUR 10th ANNIVERSARY | WASTES | ENERGY | SUSTAINABLE SUPPLY CHAIN | NATURAL RESOURCES AND BIODIVERSITY

WE HAVE LEARNED THAT ENVIRONMENTAL SUSTAINABILITY IS A PATH PAVED WITH CHALLENGES THAT DEMANDS SUSTAINABLE COMMITMENT, FLEXIBILITY, AND ADAPTABILITY TO NEW CONDITIONS.

1,117
MILLION PESOS IN ENERGY EFFICIENCY INITIATIVES
G4-EN31

360
MILLION PESOS SAVED FROM SUSTAINABLE INITIATIVES

174
MILLION PESOS INVESTED FOR WASTE TREATMENT

our 10th

ANNIVERSARY

OBJECTIVES 2025:

GENERATE
ZERO WASTES

100%
ENERGY USE FROM RENEWABLE SOURCES

OFFER
OUR CUSTOMERS SUSTAINABLE PRODUCTS

Ten years ago we assumed the challenge of operating our business in a more sustainable fashion, seeking to minimize our environmental impact.

WITH SOUND RESULTS THAT HAVE GENERATED VALUE FOR THE BUSINESS AND FOR OUR CUSTOMERS, WE HAVE ALSO CORRECTED CERTAIN ASPECTS OF THE PATH AND DEFINED NEW APPROACHES THAT HELP US RISE TO THE NEW CHALLENGES OF A CHANGING ENVIRONMENT.

72% of our stores in Mexico are supplied with **RENEWABLE ENERGY**

OVER 73% OF WASTES generated are either **RECYCLED OR REUSED**

our carbon emissons have been **REDUCED BY 14%** in absolute terms

MORE THAN 2 MILLION TONS OF WASTE are no longer sent to sanitary landfills or disposal sites

the energy intensity by m^2 of construction **HAS DROPPED 11%** despite the doubling in size of the sales floor

THIS HAS PRODUCED an economic value of **ALMOST 3 BILLION PESOS**

our water use per m^2 of construction **HAS DROPPED 16%** despite having doubled sales floor footage

WASTES

OBJECTIVE 2025

GENERATE
ZERO WASTES

73%
PROGRESS
IN MEXICO

60%
PROGRESS
IN CENTRAL AMERICA

It is our aspiration to evolve to a circular economy, where materials may be reincorporated to a new economic cycle instead of being sent to a dump site or sanitary landfill.

REDUCING THE AMOUNT OF WASTE IN OUR OPERATION IS A PRIORITY. WE ARE FULLY AWARE THAT WASTE PRODUCTS ARE POORLY USED RESOURCES THAT INCREASE COSTS FOR OUR BUSINESS, OUR CUSTOMERS AND SOCIETY IN GENERAL. OUR WASTE MANAGEMENT PRIORITIZES THE REUSE, RECYCLING AND, WHERE POSSIBLE, DONATIONS.

In total, we generated 375,041 tons of wastes in Mexico, of which 138,216 tons are solid urban waste, 236,210 tons of specially handled waste, and 615 tons of hazardous waste. **G4-EN23, EN25**

We have continued with our collection program in stores and DCs, for recyclable materials. In 2016 we were able to collect and recycle 6% more than in 2015.

In 2016, we improved waste measurement, adding new waste streams to the inventory.

The reduction of food wastes is one of our top priorities. Over 13,000 tons less than last year was accomplished, representing some 27%, at comp stores, thanks to joint actions undertaken by different areas of the Company, reducing perishable product-shrink in Mexico. There has also been attention paid to products suitable for human consumption, making sure they are properly sent as donations to food banks and so they are not wasted either.

WASTE TREATMENT G4-EN23

TREATMENT	TON
Recycled	294,511
Sent to landfills	120,601
Reused*	6,391
Composted	6,358

*Excluding Central America

the strategy for
ORGANIC WASTES

1 **REDUCTION**
prevent further generation of organic wastes

2 **DONATIONS**
food products suitable for human consumption

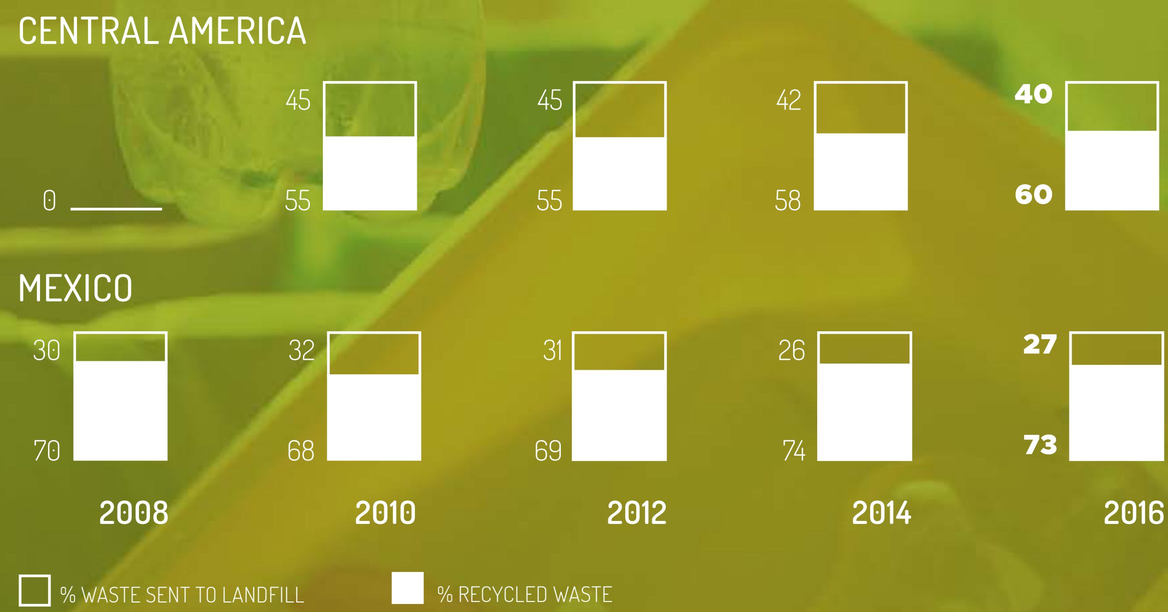
3 **CATTLE FEED**
provide surplus organics to be used as animal feed

4 **COMPOSTING**
produce compost with food waste not suitable for consumption

5 **SANITARY LANDFILL**
the last resource for disposing of organic wastes

INTENSITY OF WASTE GENERATION
(kg/m²)

WASTE MANAGEMENT



ENERGY

5 WIND FARMS
& 2 MINI-HYDROELECTRIC POWER PLANTS

86,326 GJ
IN TOTAL ENERGY SAVINGS
G4-EN6

1.1%
LESS ENERGY USED IN MEXICO

During 2016 we were supplied with 1,587 GWh of renewable energy, which represents 72% of our total energy use, thus achieving 53% accomplishment towards our goal of 3,000 GWh of renewable energy by 2025.

WE HAVE CONTINUED IMPLEMENTING ENERGY-EFFICIENCY INITIATIVES. WHEN COMPARED TO FIGURES FOR THE PREVIOUS YEAR, AT TOTAL STORES THE ENERGY INTENSITY IN 2016 AMOUNTED TO 227 KWH/M^2, REPRESENTING A REDUCTION OF 11%. G4-EN3

ENERGY-EFFICIENCY G4-EN6, EN7

We were able to reduce our energy consumption due to the Energy Efficiency Program, through the implementation of technological initiatives:

- Secondary measurement. Meters installed for electricity use in refrigeration, lighting, and air conditioning. This initiative obtained 4% savings.
- LED lighting in stores, with approximate savings of 12%.
- Doors installed where open refrigeration existed, achieving an estimated 12% savings.
- Optimization of monitoring levels and control system operation, saving approximately 15%.
- In Central America, a statistical model that correlates seven parameters to determine the ideal electricity use for each business unit. With this tool we were able to focus energy-reduction efforts in a limited number of stores (about 14% of total units) thereby reducing our footprint by 4% in those stores during the second half of the year.

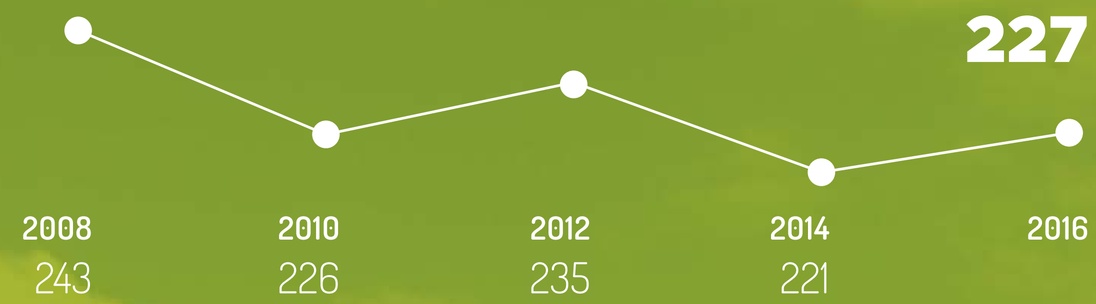
TOTAL NON-RENEWABLE ENERGY CONSUMPTION IN MEXICO G4-EN3

SOURCE	GJ
Electricity	3,329,619
LP Gas	1,327,567
Natural gas	747,804
Diesel	216,754

ENERGY INTENSITY

(kWh/m²)

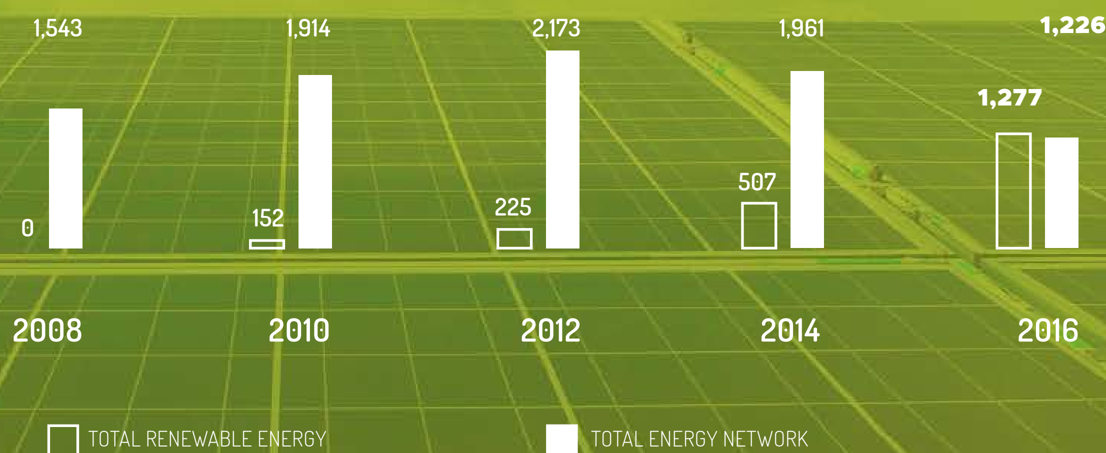
G4-EN5

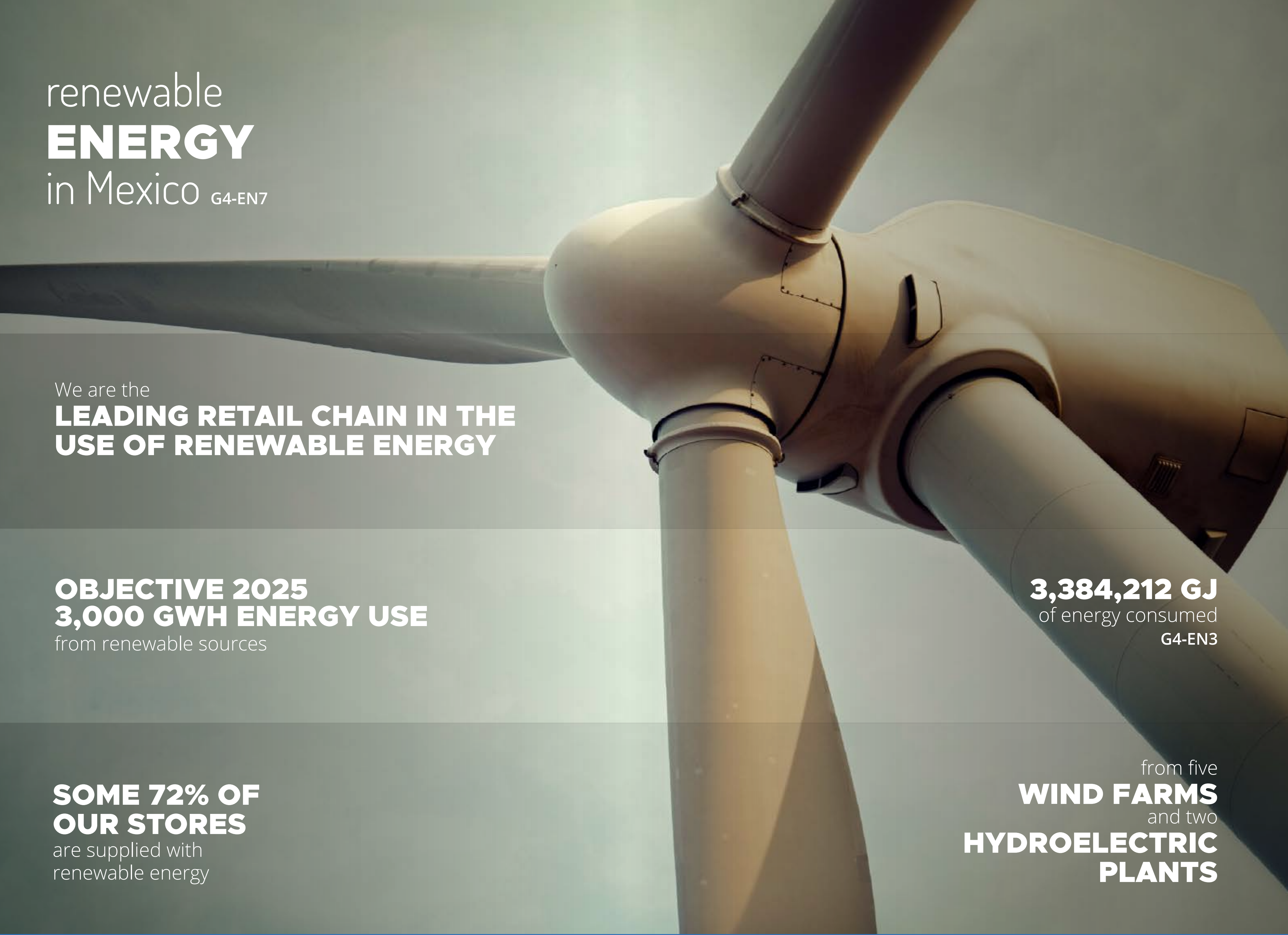


ENERGY USE

(GWh)

G4-EN3





renewable ENERGY in Mexico G4-EN7

We are the
LEADING RETAIL CHAIN IN THE USE OF RENEWABLE ENERGY

OBJECTIVE 2025
3,000 GWH ENERGY USE
from renewable sources

3,384,212 GJ
of energy consumed
G4-EN3

SOME 72% OF OUR STORES
are supplied with renewable energy

from five
WIND FARMS
and two
HYDROELECTRIC PLANTS

EMISSIONS

The emissions profile constitutes Scope 1 emissions, including the burning of fossil fuel such as diesel, LP gas, and natural gas; mobile combustion for automobiles pertaining to the Company; and the escape of refrigerating gas emissions. We also have Scope 2 emissions, such as the purchase of electricity; and Scope 3, which refers to mobile combustion from the subcontracted fleet used to distribute merchandise to the stores and back; air travel by associates for work-related reasons; emissions generated by our goods-for-sale suppliers due to the volume of business they have with us; and emissions stemming from waste generation and disposal.

For the third consecutive year, we reduced scope 1 & 2 emissions through the use of renewable energy and energy efficiency projects. **G4-EN19**

CARBON EMISSIONS SCOPE 3 IN MEXICO G4-EN21

	TONS OF CO_2EQ
Air travel	7,890
Merchandise, ground transportation	226,205

SIGNIFICANT ATMOSPHERIC EMISSIONS G4-EN21

	TON
NO_x	3,053.4
SO_x	440.2
PM particles	407.4
VOC	405.3
POC*	0.12
HAP*	0.02

* Excluding Central America

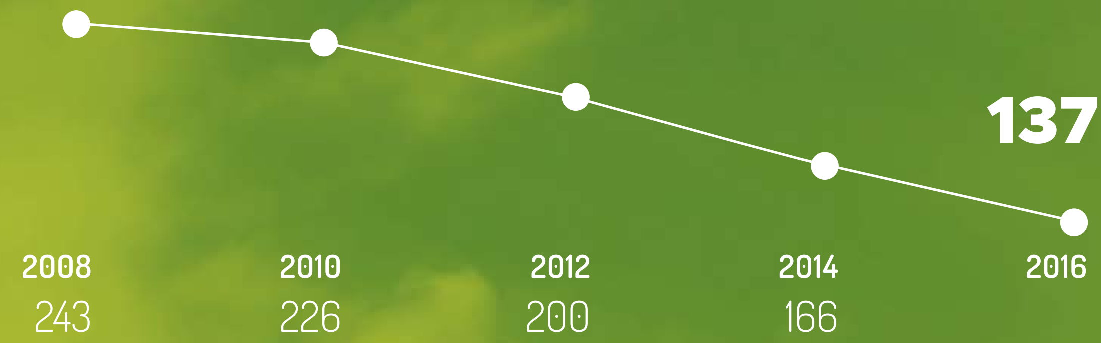
To estimate GHG emissions, the methodology established by WRI/WBCSD for the GHG Protocol is used. The data is obtained from acquired amounts of fuels, coolants, and electricity. Emissions are calculated by using published emission factors. Data on consumption corresponds to comparable units during comparable months. The emission factor stemming from the purchase of electricity corresponds to 2015, as information for 2016 has not been published at the time of producing this report.

This year there were 18,303 kg of chlorofluorocarbon-containing coolant that escaped to the atmosphere R-22. This factor increased by 15%, as compared to 2015. **G4-EN20**

INTENSITY OF GHG EMISSIONS

(tons CO_2eq / thousand m^2)

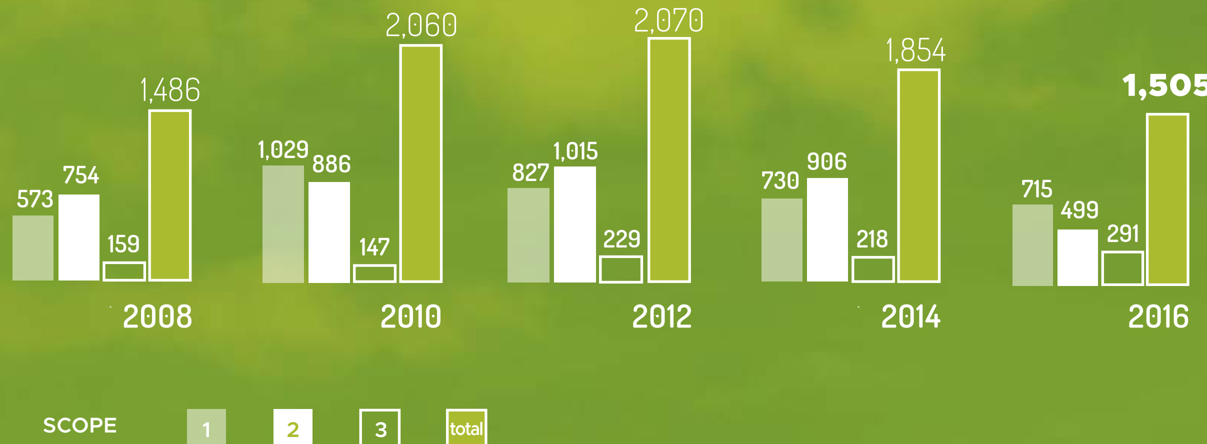
G4-EN18



CO_2EQ EMISSIONS SCOPE 1, 2 & 3

(thousand tons)

G4-EN15, EN16, EN17



SAVINGS FROM LOGISTICS PROJECTS AND INITIATIVES G4-EN30

MEXICO	TOTAL	BACKHAUL	REVERSE LOGISTICS
Kilometers no longer traveled	38,875,755	15,675,755	23,200,000
Liters saved	26,108,752	8,708,752	17,400,000
Reduction in commutes	251,748	106,748	145,000
Material sent for recycling (tons)	229,867	NA	229,867
Emissions saved (tons of CO_2eq)	56,894	22,941	33,953

CENTRAL AMERICA	TOTAL
Kilometers no longer traveled	1,978,920
Liters saved	618,413
Material sent for recycling (tons)	25,659
Emissions saved (tons of CO_2eq)	1,680

The risks stemming from climate change include:

- Increased energy costs.
- Greater impact and frequency of natural disasters affecting places where we have units, thus affecting operations.
- Disruptions in distribution routes due to natural disasters.
- Increased costs for raw materials and products due to limited availability of non-renewable resources, such as water and agricultural products.
- Changes in climate change legislation, which could impact the cost for raw materials and/ or overall operation.
- Taxes or regulatory limits for either direct carbon emissions or in the supply chain.

Our opportunities include:

- Renewable energy supplies which could offer long-term stability in energy costs.
- Economic incentives for reductions in GhG emissions.
- Reduced dependency on water supply from the network and increased use of recycled water.
- Optimized use of raw materials, especially in packaging.
- Increased logistics network efficiency with less trips needed.
- Reduced travel by associates through the use of teleconferencing.

G4-EC2

sustainable

SUPPLY CHAIN

1,662
PRODUCTS WITH LOW ENVIRONMENTAL IMPACT

A MEMBER
OF THE CDP SUPPLY CHAIN PROGRAM

THE CREATION
OF AN ALLIANCE FOR THE SUSTAINABILITY OF CENTRAL AMERICA

We concentrated on reducing the environmental impact of products we sell. Likewise, we consistently communicate to our customers different ways to care for the environment.

SUSTAINABLE FISH AND SEAFOOD

This was the first year that we implemented the policy on the buying process for fishery and aquacultural products, as published in 2015. Sustainable Fisheries Partnership, our partner for this project, offered the first training workshop for suppliers. Throughout this year, fishery operations and farms producing the products with which we are supplied were analyzed. Some 68% suppliers have reported the status of the certification of the species they supply us, of which 8% of the tons purchased are certified as sustainable.

SUSTAINABLE PRODUCTS

We currently have 1,662 products with reduced environmental impact during one or more of their life cycles. Most of them are biodegradable with 35%; followed by organic or hydroponic, some 30%; 22% for energy and water savers; and 11% for those with enhanced or recycled packages. **G4-EN27**

In Mexico, 81% of the cardboard used for product packaging, 5% of shrink wrap and 0.8% of clothes hangers are recycled. **G4-EN28**

CARBON EMISSIONS IN THE SUPPLY CHAIN

We are the only self-service company in Mexico that is a member of the supply chain Carbon Disclosure Project, through which we provide our suppliers with a report on their carbon emissions and subsequent analysis of risks and opportunities by sector. The emissions for 2015 were reported in 2016. Of the 315 suppliers asked to report their emissions, 154 answered the survey. A total of two million tons of $C0_2eq$ emissions were reported.

We promoted the creation of the Alliance for Central American sustainability, supported by 23 local and global suppliers, with the purpose of collaboration among all for Sustainability initiatives with the different companies, thus representing a tangible value recognized by our consumers. With the cooperation of agencies such as the Central American Institute for Business Management, and the Central American Leadership Initiative the group was able to define its governance and priority actions.

natural resources and

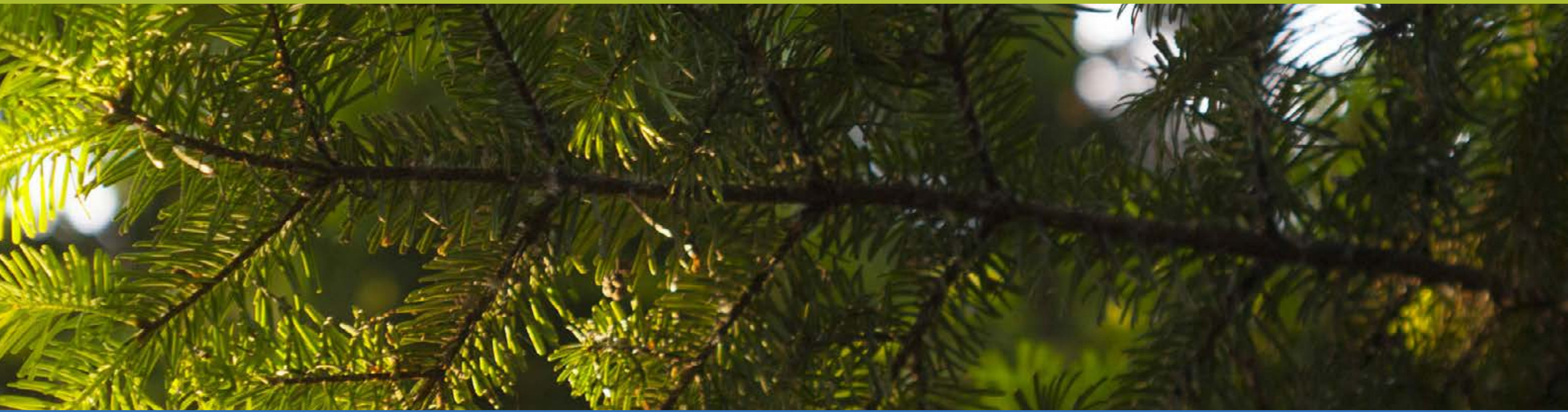
BIODIVERSITY

1,058
TREATMENT PLANTS

OBJECTIVE
USE
PALM OIL IN OUR BRANDS CERTIFIED AS SUSTAINABLE

170
PROTECTED TREES WERE REPLANTED

We aspire to natural resource conservation through the mitigation of environmental impact in forests, driving best farming practices.



WE FULLY UNDERSTAND THE NEED FOR COLLABORATION BY COMPANIES AND NGOS IN DEVELOPING INNOVATIVE PROGRAMS IN FAVOR OF SUSTAINABLE USES OF THE WORLD'S NATURAL RESOURCES. THEREFORE, IN 2016 WE WERE INVITED TO BE AMONG THE FOUNDING MEMBERS OF THE MEXICAN ALLIANCE FOR BUSINESS AND BIODIVERSITY.

WATER

Comprehensive plans have been developed to reduce the use of water, in addition to campaigns aimed at detecting and repairing leaks where water is used and distributed in our stores. We continue expanding our Program for Wastewater Treatment Plants; in 2016 we operated 1,058 plants. This permits the reuse of 1,701,676 m^3 of water in Mexico. **G4-EN10, EN22**

Risk analysis was conducted on water availability and quality in our country and for our operations, thus enabling us to identify possible impact mitigation measures in the business.

According to corresponding criteria, our regional consumption is not significant, thus water sources have not been negatively affected by water catchment. **G4-EN9**

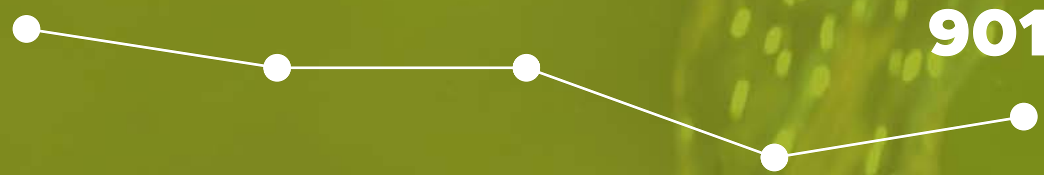
The efforts in Central America have focused on establishing controls and following up on expenses and use, thereby helping to attack excessive consumption problems, leaks, or spills that would have gone unnoticed due to lack of data.

TOTAL WATER CATCHMENT, ACCORDING TO THE SOURCE IN MEXICO G4-EN8

SOURCE	m^3
Municipal supply	6,472,140
Wells	18,173
Total consumption per m^2 (m^3/ m^2)	0.68

INTENSITY OF WATER CONSUMPTION

(l/ m²)



2008	2010	2012	2014	2016
1,048	948	1,000	840	**901**

WATER USE AND REUTILIZATION

(m³)

	2008	2010	2012	2014	2016
TOTAL CONSUMPTION	5,892,673	5,621,162	7,082,802	5,346,744	**6,490,313**
REUTILIZATION	1,297,567	1,110,632	1,470,000	1,756,375	**1,701,676**

SUSTAINABLE PALM OIL

We maintain our commitment to only use palm oil with sustainability certification in all Our Brands requiring such ingredient. Most of the products contain no palm oil in their production; only 8% of the suppliers report using sustainable oil, and 3% are currently undergoing certification. This inititiative helps to reduce the deforestation of tropical forests.

MATERIALS

Our operation employs a wide range of material resources. The following table lists the primary materials by weight. Of these, 13% come from renewable sources and the remainder from non-renewable ones. **G4-EN1**

In Mexico, 5% of total plastic material consumed, contains recycled material. The plastic bags for our customers' merchandise contain 22% post-industrial recycled material; bond paper used for printing documents and commercial flyers contains 24% post-consumption recycled material; and the sanitary paper used in all our facilities contains 60% post-consumption material. We use over 6,300 tons of recycled material in our operations. **G4-EN2**

PRIMARY MATERIALS USED

TOTAL MATERIALS CONSUMED	TON
Non-renewable	
Plastic (shrink-wrap, bags, and pallets)	75,563
LP Gas	22,699
Natural Gas*	20,946
Diesel	6,288
Chemicals	3,898
Renewable	
Other products derived from cellulose*	9,710
Bond paper (printing, brochures)	7,185
Sanitary paper	2,443
Wood*	308

* Excluding Central America

UNIT CONSTRUCTION AND OPERATION MANAGEMENT

We seek to mitigate negative impact on biodiversity stemming from the construction of new units and their subsequent operation. The policies, procedures and agreement clauses used with those involved in building stores and with developers allow us to protect biodiversity and to use natural resources in a sustainable fashion, from the moment a property is acquired to the design and building of the store by third parties. The following policies implemented are noteworthy:

- Before buying or selling any property, an environmental assessment must be conducted to learn if protected flora or fauna are present, or if there is soil or water contamination. This information will be used to determine the feasibility of the project and any mitigation and compensation measures required.
- Projects must be designed in keeping with the environmental regulations on green areas, permeable areas, use of renewable energy, and vegetation management.
- Environmental measures and compensations throughout the building process related to, among others, proper handling of waste, rescue of flora and fauna, emissions into the atmosphere, noise, and measures determined by the environmental authority.
- Third-party joint responsibility, including agreement clauses and bid guidelines for builders and suppliers to acquire authorized bank material, waste management in compliance with regulations in force, wastewater management, compliance with all responsibilities in these matters.

In 2016 we have two projects with protected species: the Bodega Aurrera Instituto Tecnológico unit, where 170 protected trees were replanted; and the Bodega Aurrera Xilitla unit where trees were replaced as required.

G4-EN11, EN12

corporate
GOVERNANCE

OUR COMPANY IS BUILT ON THE FOUNDATIONS OF INTEGRITY AND THE HIGHEST STANDARDS OF ETHICS, AND WE ALWAYS GUARANTEE STRICT ADHERENCE TO THE LEGISLATION IN FORCE IN ALL THE COUNTRIES WHERE WE OPERATE.

THE STRUCTURE AND RESPONSIBILITIES OF OUR BOARD OF DIRECTORS, OUR STATEMENT OF ETHICS AND ALL THE ACTIVITIES UNDERTAKEN BY THE COMPANY ARE IN COMPLIANCE WITH THE BEST CORPORATE GOVERNANCE PRACTICES.

BOARD OF DIRECTORS

The management of the Company is overseen by the Board of Directors.

Makeup and Frequency:

- The Board of Directors is comprised only by statutory members.
- Members are appointed each year by the General Ordinary Shareholders' Assembly.
- Independent directors should make up a minimum of 25% of the total amount; currently, 45% of all Directors are independent.
- Minority shareholders, whose shares represent a minimum of 10% of owners equity for the Company, have the right to choose a Director, who may only be removed when the other Board members are also removed. To date, 29.49% of Company shares are traded among the investor public.
- The participation of officers of the Company and its subsidiaries is limited, and only the CEO is a member of the Board.

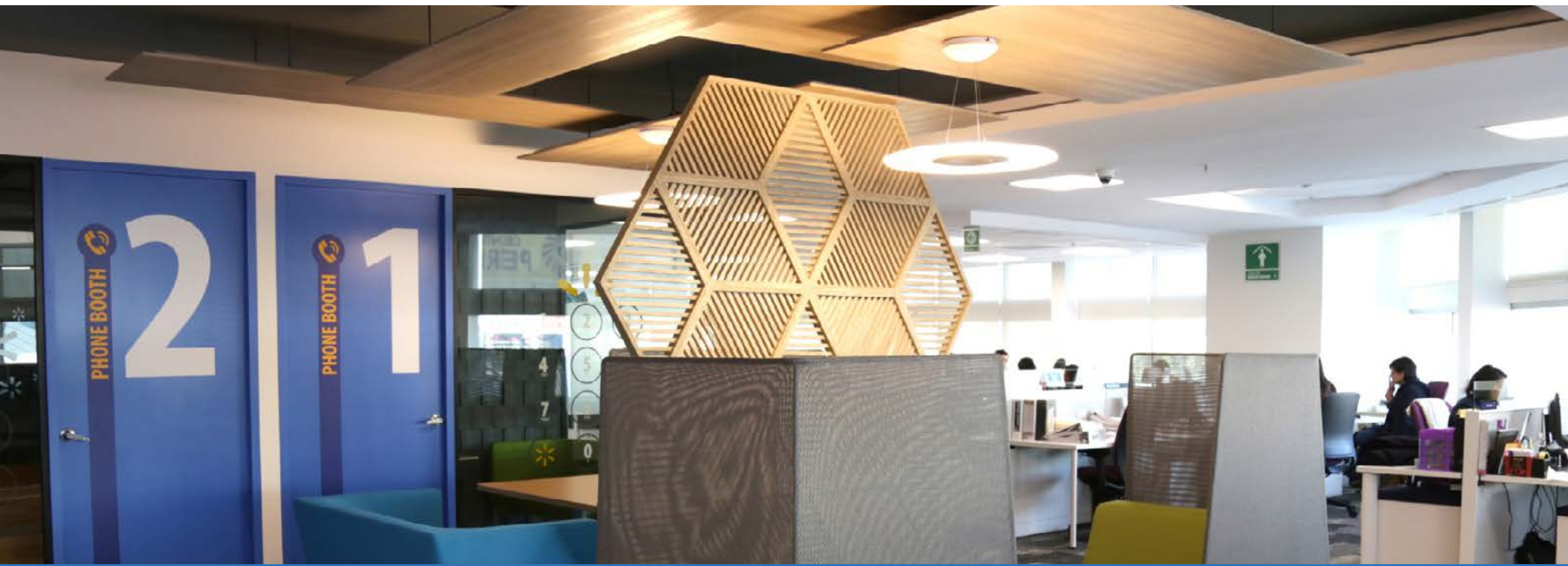
- The Board of Directors meets at least four times a year; during 2016 there were five sessions held.

Other practices:

- The Board evaluates the performance of each Director.
- Independent Directors are experienced in the core business of the Company.
- The Board has access to independent advisers.
- The Chairman of the Board is neither allowed to act as Secretary nor to preside over any Board committees.

Primary responsibilities:

- Choose the President and CEO of the Company.
- Act as adviser/consultant for top management of the Company.
- Work actively with Top Management to develop overall strategies for the Company and its subsidiaries.
- Oversee the management of the Company and its subsidiaries.
- Approve information policies and communication with shareholders and the market.
- Ensure that overall strategy is in line with the company's principles of Corporate Responsibility.



The Board of Directors obtains the support of two Committees for its duties; said committees must conduct in-depth analysis of subjects pertaining to its field of expertise and offer recommendations to the Board so it may study the information and make the right decision, creating value for our shareholders and stakeholders.

As of 2016, the Board of Directors includes 11 statutory Directors, four of whom are women.

Members of the Board of Directors, at December 31, 2016

	A MEMBER SINCE (YEAR)
CHAIRMAN	
Enrique Ostalé	2013
DIRECTORS	
Gisel Ruiz**	2016
Richard Mayfield	2015
Anne Myong	2016
Lori Flees	2016
Guilherme Loureiro	2016
Adolfo Cerezo*	2012
Rafael Matute*	1998
Roberto Newell*	2014
Blanca Treviño*	2006
Ernesto Cervera*	2014
SECRETARY FOR THE BOARD OF DIRECTORS	
Alberto Sepúlveda	
ASSISTANT SECRETARY FOR THE BOARD OF DIRECTORS	
Enrique Ponzanelli	

* Independent Director
** Provisional Director since Oct. 31, 2016.

AUDIT AND CORPORATE PRACTICES COMMITTEES

These committees have three statutory members and one alternate member, all of them independent.

Primary responsibilities:

- Selecting the independent auditor for the Company and establishing fees
- Ensuring the existence of a proper internal control scheme for the Company that meets any and all applicable accounting and legal provisions, and reviewing Company transactions with related parties.
- Reviewing the financial statements and ensuring they are a true and accurate reflection of the financial situation for the Company. They also have a set procedure for receiving, retaining, and responding to claims concerning accounting practices and controls, and any audit issues. Moreover, said committees have the necessary resources for, and are authorized to retain the services of counsel and/or any other outside adviser needed to perform their duties.
- Reducing the risk of conducting operations such that could affect Company worth or could result in the granting of favored conditions to any one group of shareholders.
- Approving policies for the use of properties pertaining to the net worth of the Company.
- Authorizing transactions with related parties, remuneration for the Chief Executive, and remuneration policies regarding relevant company officers.
- Serving as support for the Board of Directors in producing reports on accounting practices.
- Holding private meetings and receiving periodic reports from Internal Audit, Legal, Compliance, and Ethics.
- Calling Shareholders to meetings and ensuring that the order of business includes all points deemed necessary.

Primary requirements and practices:

- All members must be independent Directors, experts in finance.
- Independent auditors are forbidden from providing consultancy services to the Company.
- The partner from the independent auditing firm that renders the opinion on the financial statements must be rotated periodically.

AUDIT AND CORPORATE PRACTICES COMMITTEES

CHAIRMAN
Adolfo Cerezo

MEMBERS
Blanca Treviño
Roberto Newell
Ernesto Cervera

STATEMENT OF ETHICS

Our core values -integrity, respect for the individual, customer service, and the pursuit of excellence- set us aside from the rest and are the cornerstone of our culture. We categorically state that these values are absolutely non-negotiable, with no exceptions whatsoever. All associates are responsible for fully understanding and complying with our Statement of Ethics, which establishes the corporate guidelines for compliance with said values. **G4-HR9**

The Ethics Office in our Company reports to the Vice President for Ethics and Compliance, whose primary duty is to disseminate and promote a culture of ethical behavior, strict compliance with legal provisions that govern us, and for handling any and all ethics-related inquiries and cases received.

We are committed to maintaining a work atmosphere that encourages our associates to voice any concerns regarding possible violations with our Statement of Ethics, and any repercussions against any associate who presents such concerns are strictly prohibited. There are internal communication mechanisms, such as the Open-Door Policy, which is a direct way of expressing any concerns to our leaders and our Global Ethics Hotline, available to any and all associates around the world, 24/7, and which is fully equipped to handle the majority of the local languages spoken. This hotline is operated by an independent organization that is not affiliated with our Company. **G4-HR6, SO11**

The ensuing disciplinary measures applied may vary from verbal coaching to dismissal, depending on the resolution adopted. Confidential investigations are conducted of any accusations made regarding ethics issues so as to determine if there has been a violation of any law, policy or the Statement of Ethics, and then periodically reported to the Audit Committee. **G4-HR3, HR7, HR12**

During the year we also gave Statement of Ethics courses to our operations and staff associates, covering 85% and 90%, respectively, which represents 94,373 hours of training in Mexico. **G4-HR2, HR7**

statement of **ETHICS**

alcohol & **DRUG-FREE WORKPLACE**

CONFLICTS of interest

proper use of **COMPANY ASSETS**

ANTI-CORRUPTION

DISCRIMINATION & harassment prevention

financial **INVESTMENTS**

fair trade & **FAIR DEALINGS**

PROTECTING personal & business information

ANTI-MONEY LAUNDERING policy

wages & **SCHEDULES**

GIFT & entertainment policy

financial **INTEGRITY**

RESTRICTED trade practices

environmental **RESPONSIBILITY**

COMPLIANCE

Integrity is of the utmost importance for us at Walmart de México y Centroamérica. Our continued success depends on all of us adopting the commitment to do what is right by our customers, our communities, and the well-being of our business.

Our Compliance Program is based on 14 Compliance areas, in which we work on six elements: leadership, standards & controls, training, communication, risk analysis, and monitoring & response. Our focus continues to be the increase in the maturity of the program in each of them. The Ethics and Compliance Vice Presidents, in Mexico and Central America report to the VPs for Latam Ethics and Compliance, and have a team of 310 associates who are experts in the 14 areas of the program. Continuous Improvement is the area in charge of monitoring key business units and providing training, conducting follow-up, and designing correction plans regarding compliance issues identified during their store visits.

The Compliance Responsibilities Matrix, Annual Electronic Certification, ongoing training for our associates, third-party intermediaries and commercial partners, as well as the incorporation of compliance indicators for top management –which impact their performance evaluations- are all fundamental mechanisms within the assurance process for said program. In 2016, Anticorruption trained some 38,800 associates, and over 1,200 suppliers.

We conducted the proper due diligence of those suppliers who interact with any government agency so as to identify if said suppliers and their primary officers have been directly or indirectly involved in any situation that could constitute a risk or negative impact for the Company. Said process should be renewed at least every other year. Once approved, the supplier then receives training on the Anticorruption Policy to ensure awareness and that the policy is followed throughout the duration of their commercial relationship with Walmart. **G4-SO3, SO4, SO9, SO10**

Regarding the subject of antitrust, we have trained over 1,618 staff associates so as to reinforce best practices. New hires and associates transferred to Merchandising have received training every two months. Merchandising Trainees have received training twice a year.

As a result of our efforts to always do the right thing and because of the processes, training, and controls that we have, we are very proud to be able to categorically state:

- We make no contributions to any political party whatsoever or to any related institution. **G4-SO6**
- We have neither incurred in antitrust practices nor acted against free enterprise. **G4-SO7**
- We have not received claims on privacy violation matters and/or the improper release of customer data. **G4-PR8**

our 14 Areas of
COMPLIANCE

1. ANTI-CORRUPTION
2. ANTITRUST
3. INTERNATIONAL trade
4. LICENSES and permits
5. ENVIRONMENT
6. ANTI-MONEY LAUNDERING
7. PRIVACY
8. consumer PROTECTION
9. responsible SOURCING
10. health and WELL-BEING
11. HEALTH and safety
12. food SAFETY
13. PRODUCT safety
14. WORK and employment

BOARD FOR THE WALMART DE MÉXICO FOUNDATION

The Board of Trustees has 10 members, of which four are independent Trustees, and they meet four times a year.

In 2016, the Walmart Mexico Foundation was evaluated by Filantrofilia, a not-for-profit civil association that grades institutional development and social impact trends. We obtained a score of 3.68 out of a possible 4, which corresponds to A+ as compared to international best practices. Said score is an evaluation of four general areas: governance and strategy, communication, management, and operation and programs. Of these results, the estimate for return on social investment means that for every peso that the Walmart Mexico Foundation invested in 2015, a total of 7.41 pesos in favor of the Company was generated in a single year.

Fundación Walmart México

CORPORATE RESPONSIBILITY COMMITTEE

In Mexico the Director for Corporate Responsibility reports directly to the VP for Corporate Affairs. In Central America, this area is overseen by the Director of Corporate Affairs, who reports to the VP & COO of Central America.

In keeping with our vision, strategic inclusion of Corporate Responsibility in our business dealings is considered absolutely necessary. Consequently, we have a Corporate Responsibility Committee whose duties include defining long-term strategy for the Company, adjusting business processes, and decision-making pertinent to each of the material subjects. During Committee sessions, special attention is paid to understanding the meaning of Corporate Responsibility for their specific work areas, and acting in accordance with the same.

The CEO presides over the Committee, whose members include the Vice Presidents for each of the areas of the Company. Their involvement is fundamental to strengthening Corporate Responsibility and to ensuring the commitment to always doing the right thing in social, environmental and governance issues. This Committee reports to the Board of Directors of the Company.

Primary responsibilities:

- Establishing a long-term vision and strategic priorities that are based on what is best for our customers, our business, and for society in general.
- Analyzing risks and internally identifying opportunities that arise so as to improve our performance.
- Supporting the consolidation of structural changes, and establishing action plans, indicators, policies, and procedures.
- Leading the Company towards national and international trends aimed at maintaining our leadership position.

INDEXES

MEMBER OF FTSE4GOODEMERGING INDEX
for the 1st year

MEMBER OF THE DOW JONES SUSTAINABILITY EMERGING MARKETS INDEX
for the 5th consecutive year

MEMBER OF THE SUSTAINABILITY INDEX FOR THE MEXICAN STOCK EXCHANGE
for the 5th consecutive year

RECOGNITIONS

CORPORATE SOCIAL RESPONSIBILITY

granted by Cemefi, for the 16th consecutive year

SOCIALLY RESPONSIBLE ENTERPRISE SEAL

for the 9th consecutive year, granted by the Honduran Foundation for Corporate Social Responsibility (FUNDAHRSE)

NATIONAL LOGISTICS AWARD 2016, TAMEME RECOGNITION

under the category of Companies, in collaboration with Unilever

MARKETING4ECOMMERCE AWARD GIVEN TO WALMART.COM.MX

2nd place as the best eCommerce in Mexico

RECOGNITIONS

Recognition for our work in
PROMOTING BLOOD DONATIONS
by the Blood Bank of Nicaragua

Recognition given to our
COMMITMENT TO CHILDREN WITH DISABILITIES
granted by the Nicaragua Telethon Foundation

ENTREPRENEURIAL SUCCESS AWARD 2016
1st place under the category of Socially Responsible Enterprise, granted by the Costa Rica Chamber of Commerce

Recognition in the
III EDITION OF THE 100 TOP COMPANIES IN THE MARKET IN CENTRAL AMERICA
granted by the magazine *Estrategia y Negocios* that recognizes the best performance in digital marketing

RANKINGS

EXPANSIÓN

3rd

place in
TOP 500
in Mexico

EXPANSIÓN

13th

place in
THE TOP INNOVATORS
of Latin America

40 AÑOS GRUPO MUNDO EJECUTIVO

5th

place for Pedro Farah, under
THE BEST CFOS OF THE YEAR

RANKINGS

FTI CONSULTING

10th
place in National Study of Factors of
IMPACT IN THE PERFORMANCE
of Companies in Mexico

Forbes MÉXICO

11th
place in Top 45 Companies with the
GREATEST ENVIRONMENTAL COMMITMENT

12th
place in
TOP 300 MOST INFLUENTIAL LEADERS IN MEXICO
under the heading of International Leaders, for our CEO, Guilherme Loureiro

MANAGEMENT COMMENTARY

MANAGEMENT COMMENTARY

We have delivered a solid quarter—not only in terms of sales, but also growing profits faster than sales.

We are committed to maintaining our operational discipline and to investing strategically in order to position our business for the future.

On August 10, the company announced that we had reached a definitive agreement for the sale of Suburbia to El Puerto de Liverpool, S.A.B. de C.V. The closing of this transaction is still subject to approval by the regulatory authorities.

The assets and liabilities related to the sale of Suburbia are presented as assets and liabilities held for sale in the Consolidated Statements of Financial Position and the results of Suburbia operations are presented as discontinued operations in the Consolidated Income Statements.

DISCLOSURE OF NATURE OF BUSINESS

Walmart de México y Centroamérica is a leading retail sector company in the region.

As of December 31, 2016, it operated 3,022 units, throughout 6 countries (Costa Rica, Guatemala, Honduras, El Salvador, México, and Nicaragua), including self-service stores, membership clubs, and pharmacies.

Walmart shares trade in the Mexican Stock Exchange since 1977; the ticker symbol is **WALMEX**.

DISCLOSURE OF MANAGEMENT'S OBJECTIVES AND ITS STRATEGIES FOR MEETING THOSE OBJECTIVES

The objective of the Company is to double total sales in 10 years and to grow earnings at a faster pace than sales by leveraging expenses.

Sales growth will come from:

- Same store sales
- Sales from new stores
- eCommerce

DISCLOSURE OF RESULTS OF OPERATIONS AND PROSPECTS

We are committed to driving topline sales and based on our 3-3-1 strategy, we exceeded our total sales growth objective of 7% during the fourth quarter and the full year 2016.

In the fourth quarter we delivered growth of 8.9% on a constant currency basis. Mexico grew 8.9% and Central America 9.0%.

For the full year 2016, total revenue grew 9.0% on a constant currency basis; Mexico grew 9.1% and Central America 8.2%.

Our performance was driven by continued same store sales growth momentum in both Mexico and Central America. Same store sales in Mexico grew 7.9% in Q4, and 8.0% in the full year 2016. In Central America same store sales grew 5.0% during Q4 and 4.9% in the full-year period.

Our two year stack growth for total revenue for the year was 17.6% in Mexico and 15.5% in Central America on a constant currency basis.

In terms of same store sales growth for the year, our two year stack was 14.6% in Mexico and 9.6% in Central America on a constant currency basis, which clearly demonstrates the progress we have made on our strategy.

We continue to see consistent and sustainable growth across all the countries in which we operate.

In 2016 Mexico delivered the highest same store sales growth with an 8.0% increase.

In Central America, Nicaragua was the country with the highest same store sales growth, while Costa Rica delivered a lower but solid growth, given its high penetration and market maturity.

We also drove healthy growth across regions in Mexico; the Northern region of the country had the highest same store sales growth, followed by the Central region; we also saw a great performance in the Metro and Southern regions.

Growth was also consistent across all our formats with Sam's showing the strongest performance.

In terms of merchandise divisions, all experienced strong growth. Apparel had the strongest performance followed by Food and Staples and General Merchandise, respectively. The only division still underperforming is Pharmacy, for which we already have plans in place to improve its performance.

Our sales benefitted from macroeconomic tailwinds, such as remittances that sustained a higher disposable income; however, our operational excellence, clear value proposition and committed associates are what set us apart from the competition.

The quality of our growth has allowed us to outperform ANTAD's self-service division for 8 consecutive quarters.

We have been consistently expanding the gap vs. ANTAD, from 40 basis points in 2014 to 330 basis points on 2016.

During the fourth quarter, we outperformed every ANTAD division. Mexico same store sales grew 7.9% in Q4, 240 basis points above the 5.5% growth of total ANTAD, 330 basis points above the 4.6% growth of ANTAD self-service, excluding Walmex, 190 basis points above the 6.0% growth of specialized stores and 180 basis points above the 6.1% growth of department stores.

Quality and consistency of our results give us an indication of its sustainability.

In 2016 all our formats individually surpassed ANTAD with Sam's delivering the highest same store sales growth, followed by Walmart.

During the full-year of 2016 Mexico same store sales grew 8.0%, 330 basis points above the 4.7% growth of ANTAD self-service excluding Walmex.

We also outpaced total ANTAD's 5.6% 2016 same store sales growth by 240 basis points. Total ANTAD comprises self-service, department and specialty stores.

In Central America, same store sales growth on a constant currency basis was positive in the four formats that we operate, with Bodega and Walmart delivering the highest increases.

We see that while same store sales remain the key growth driver in both Mexico and Central America, new stores and eCommerce are effectively contributing to our growth.

eCommerce still represents a small part of our overall business, but is growing faster than the market at 27%.

Importantly, sales from new stores contributed to 2.4% of total sales growth in Q4, and 1.8% to the full year results above our guidance.

In 2016, we not only exceeded our new store sales guidance but we have done so more profitably, our new stores plan attainment improved 300 bps form the average we had in past years.

During the quarter we opened 45 new stores, with 32 in Mexico and 13 in Central America.

During the full year we opened 92 new stores, 58 in Mexico and 34 in Central America.

Regarding eCommerce, we continue to add value to our business and to leverage our assets.

eCommerce delivered strong growth increasing sales by 36% in Q4 and 27% in the full year. During the fourth quarter eCommerce contributed with 0.4% of total sales growth, while in the full year eCommerce contribution to growth was 0.2%

MEXICO RESULTS:

- **4Q16:**

  In Mexico total revenues increased 8.9%

  Gross margin increased 30 bps year-on-year. It was positively affected by the reclassification of supplier rebates for promotional activities that were previously reflected as SG&A reduction. The impact of this effect is 12 bps.

  SG&A grew 6.9%, 200 bps below revenue growth.

  Other income grew significantly as in 4Q15 the amount related to non-cash store impairments was higher than in 4Q16.

  Operating income grew by 18.8%, exceeding our growth in revenue, while EBITDA growth was 17.2%. Adjusted for last year's one-timers, EBITDA would have grown 11.4%, still above total revenue growth.

- **2016**:

  Full year total revenue increased 9.1%, gross margin improved 40bps, and general expenses grew 8.5%, 60bps below revenue growth.

  EBITDA grew 13.9%, and considering 2015 one-timers it would have grown 12.1%, still above total revenue growth.

CENTRAL AMERICA RESULTS:

- **4Q16:**

  Total revenue grew 9.0%, gross margin expanded by 70 bps and general expenses grew 9.7%, at a constant currency basis.

  What particularly stands out is the 32.0% operating income growth and the 25.7% EBITDA growth at a constant currency basis.

- **2016:**

  In Central America, total revenue grew 8.2% on a constant currency basis and gross profit improved by 70 bps.

  Expenses grew 7.9%, slightly below revenue resulting in operating income growth growing above 3 times total revenue growth at 30.0% and EBITDA growing 23.0% on a constant currency basis.

CONSOLIDATED RESULTS

- **4Q16:**

  Strong total sales growth, share gain in all countries, leverage and income growth, contributed for a strong quarter, which capped a good year.

  Consolidated results for Walmex show 11.8% revenue growth, 40bps of gross margin improvement and 11.0% expenses growth resulting in operating income growth of 22.8% and an EBITDA growth of 21.0%, on a constant currency basis.

- **2016:**

  During 2016 we made strategic investments to better position our business in the future while still leveraging the base.

  Throughout the year we invested $14.3billion pesos in our business, 14.4% more than in 2015 and in line with our guidance.

  Our capital allocation is in line with our long-term strategy. We are becoming more productive in our remodels and new stores investments and thereby freeing capital to build strong foundations to become a more digitally enabled company.

  In addition, we also had relevant increases in operating expenditures related to remodeling, maintenance and portfolio management in addition to implementing staffing initiatives and changes to store compensation plans to make them more inclusive and “pay for performance”.

  Despite the above, we managed to leverage our base expenses so as to preserve the long term health of our business.

  Central America’s relevance in the portfolio increased as a function of FX variations but also due to their strong performance.

  As a percentage of total revenue, Central America’s participation increased from 16.6% to 18.7%.

  Central America’s expenses as a percentage of sales are higher than that in Mexico so their relative contribution to the consolidated results negatively impacted consolidated leverage.

More importantly, Central America contributed to 30% of Walmex consolidated operating income increase.

We believe that Central America's growth potential will continue to be an important element in Walmex's high quality revenue and earnings growth.

Walmex consolidated full year results were strong.

Revenue grew 11.9%, gross margin expanded 50bps and expenses grew in line with sales, mainly due to Central America´s higher penetration in the portfolio and higher contribution to expenses growth.

Operating income and EBITDA grew 20.2% and 17.7%, both faster than the revenue growth, at a constant currency.

As you may recall, during Q3, we stepped up our hedging efforts in this abnormally volatile currency environment, and increased our US Dollar position to cover the purchase of import merchandise for the holiday period. The resulting exchange rate gain on our Dollar position was $432 million pesos in financial income for the full year 2016.

The net income recorded in discontinued operations related to Suburbia reached $4.8 billion pesos.

Net income grew 26.5%.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

We delivered strong free cash flow and closed the year with $28.0 billion, $3.2 billion or 12.8% more than last year driven by the strong cash generation from our operations and our increase focus in working capital.

We invested $14.3 billion pesos in our business and our inventories increased 7.9%, below our total revenue growth.

Operating cash flow increased 14.9% vs. last year reaching $51.3 billion, which represents the highest operating cash flow growth in the past 6 years.

We had a strong working capital performance, we saw an improvement in accounts payable as we are increasing our focus on that area.

After investing $14.3 billion pesos in higher return projects, we still returned $29.0 billion pesos to our shareholders in the form of dividend.

BOARD OF DIRECTORS, WAL-MART DE MÉXICO S.A.B. DE C.V.
PRESENT

TO WHOM IT MAY CONCERN:

In compliance with Article 43 of the Securities Market Law (LMV) and the internal regulation for the Committees I oversee, with approval from the Board of Directors for Wal-Mart de México, S.A.B. de C.V. (which together with its subsidiaries hereinafter is the Company) we hereby inform you of the activities undertaken during the reporting period ending on Dec. 31, 2016.

Throughout the work conducted, in addition to that stipulated under the LMV, we have always abided by that contained under the Code of Best Corporate Practices, issued by the CEC (Coordinating Business Council); the Company Code of Ethics; the General Internal Regulation of the Mexican Stock Exchange; and the general provisions stemming from the LMV.

In compliance with our oversight process, the Audit and Corporate Practices Committees have conducted quarterly regular meetings to analyze the overall situation regarding matters of material importance in the fields of finance, accounting, legal, operations and ethics for the Company, and supplementing our participation in said meetings throughout the year with the office of the CEO, Legal, and Finance are the reports presented by the principal officers of the Company as requested by us, in addition to special meetings held to cover specific matters, as needed, such as the following:

I. CORPORATE PRACTICES:

a) We were kept informed by the management of the Company, with no observations made, on the following:

1. Evaluation processes for relevant officers and their authorized succession plans, which include but are not limited to Enrique Ostalé Cambiaso in his position of Executive President and Chief Executive Officer for the Company, appointing Guilherme Loureiro as his replacement as of Feb. 1, 2016.
2. The processes followed to determine integrated compensation for the CEO and the integrated compensation packages for the other relevant officers -mentioned under note 11, paragraph c) of the consolidated financial statements for Wal-Mart de México, S.A.B. de C.V. and Subsidiaries, at Dec. 31, 2016 (hereinafter the "financial statements for the Company").
3. The policies and procedures followed during the reporting year, with regards to operations with related parties and the corresponding investigation on transfer prices, the concepts of which are discussed under note 11 of the financial statements.
4. The operations related to the sale of the apparel store -Suburbia- and the Walmart bank, which is mentioned under note 1 paragraph b) sections I and II, respectively, of the financial statements.

b) During the 2016 period 2016, the Company management kept us informed of the progress made regarding the investigations on alleged corrupt practices that the Audit Committee for Wal-Mart Stores, Inc. ("Wal-Mart") has been conducting with the assistance of independent lawyers and other advisors and the measures that the Company has taken, reinforcing the internal organization;training Directors, executives and associates; and strengthening processes, thus becoming a leader in compliance worldwide, such as that explained in detail under note 13 paragraph b) of the Company financial statements. In addition, we continue believing that our cooperation with the aforementioned investigations is in the best interest of the Company and its shareholders, with no distinction whatsoever.

c) We attended different meetings to review the quarterly and annual financial statements for the Company and, at the time, we recommended publishing said financial information.

II. AUDIT:

a) We analyzed the status of the internal control system, and were informed in detail of the programs and development of internal and independent audit work done, as well of the primary aspects requiring improvement and follow up on the preventive and corrective measures implemented by Management. Therefore, it is our opinion that the effectiveness required for the Company to function with an appropriate level of control is being accomplished. .

b) We evaluated the performance of the independent auditors, who are responsible for issuing an opinion on the reasonability of the Company financial statements and their adherence to International Financial Information Standards. With regards to the same, we consider that the partners at Mancera, S.C. (a member of EY Global) comply with all necessary requirements regarding the professional quality and independence of intellectual and economic action, thus they were recommended as examiners and issuers of the report on the Company financial statements. On the other hand, the additional or complementary services that the aforementioned auditors rendered for the Company throughout 2016, did neither impair their independence nor were they substantial.

c) We attended different meetings to review the quarterly and annual financial statements for the Company and, at the time, we recommended publishing said financial information.

d) We were informed of the accounting policies that were approved and put into practice throughout 2016, and the amendments thereto.

e) Follow-up was given to any and all relevant observations made by the shareholders, directors, relevant officers, employees and any third party in general, regarding the accounting, internal controls, and subjects related to internal or independent audits.

f) Follow-up was also given to all agreements made by shareholders and members of the board of directors for the Company.

g) Information was provided on the progress made regarding investment plans and the impact on the results sent to the Mexican Stock Exchange, as a result of adjustments made to store-opening processes.

h) Information was provided on the legal contingencies to which the Company is exposed, and which are recognized in the financial statements as per the probability of ocurring, as well as the primary issues concerning systems security and the progress made within *eCommerce*.

i) Lastly, information was periodically presented on the situation faced by the Company regarding Ethics and Compliance and the measures adopted by the Company to reinforce these aspects..

Based on the work completed and the opinion issued by outside auditors, we feel that the accounting and information policies and criteria followed by the Company are suitable and sufficient and that they have been consistently applied; as a result, the information presented by the CEO is a reasonable reflection of the Company's financial situation and results.

Due to all the aforementioned, we recommend that the Board of Directors present the financial statements for Wal-Mart de México, S.A.B. de C.V. and subsidiaries for the period ending Dec. 31, 2016, to the General Annual Shareholders Assembly for their approval..

Sincerely,

ADOLFO CEREZO
CHAIRMAN OF THE AUDIT AND CORPORATE PRACTICES COMMITTEES
Mexico City, Feb. 15, 2017

REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF WAL-MART DE MÉXICO, S.A.B. DE C.V.

OPINION

We have audited the accompanying consolidated financial statements of Wal-Mart de México, S.A.B. de C.V. and subsidiaries (the Company), which comprise the consolidated statement of financial position at December 31, 2016, and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wal-Mart de México, S.A.B. de C.V. and subsidiaries at December 31, 2016 and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

BASIS FOR AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent from Wal-Mart de México, S.A.B. de C.V. within the meaning of the Code of Ethics for Accounting Professionals of the International Ethics Standards Board for Accountants (IESBA) and the ethical requirements applicable to our audit of the consolidated financial statements in Mexico established by the Code of Ethics of the Mexican Institute of Public Accountants (IMCP, Spanish acronym) and have fulfilled our other responsibilities under those relevant ethical requirements and the Code of Ethics of the IESBA.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matters, our description of how the matter was addressed in the audit is provided in this context.

We have complied with the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report, including those related to key audit matters. Accordingly, our audit included audit procedures designed to respond to assessed risks of material misstatement in the accompanying consolidated financial statements. The results of our audit procedures, including the procedures applied to address the key audit matters described below, are the basis for our audit opinion on the accompanying consolidated financial statements.

I. Supplier agreements

The Company receives various types of supplier discounts. We focused especially on this item due to these discounts comprise a significant component of the Company's cost of sales for the year ended December 31, 2016 and to the significant risk that the Company will recognize discounts to suppliers without evidence of a formal agreement between the Company and the supplier and / or delay or accelerate the time of recognition of such discounts.

For our audit we assessed the Company's internal control over supplier discounts for this process and as part of our procedures we sent confirmation requests directly to the suppliers of the agreements entered into for the discounts granted; Likewise, based on a random sample, we obtained copies of the agreements entered into and we observed that they were properly approved and recorded in the appropriate accounting period.

Finally, we applied analytical testing to these discounts consisting primarily of observing the monthly behavior of all supplier discounts compared to the amount of total purchases in order to assess the reasonableness of the reported amounts, and we also conducted a month-to-month comparison of the discounts that the Company obtained compared to the prior year. We analyzed any identified differences and evaluated such differences based on management explanations and related supporting documentation.

II. Impairment of property, equipment and work in progress

One area that we deemed a key audit matter is management's assessment of the indicators of impairment of the Company's assets subject to depreciation and amortization, which primarily consist of properties, leasehold improvements, furniture and equipment and computer equipment. This designation is due the complexity of the methodology established by International Accounting Standard (IAS) 36 Impairment of assets used to estimate the recoverable amount of the assets of each cash generating unit (CGU).

Note 3k. to the accompanying consolidated financial statements provide further information on the accounting policies and criteria followed by the Company to assess impairment of property and equipment at December 31, 2016.

We evaluated the criteria followed by the Company to identify its cash generating units (CGUs), considering where applicable, whether there were any indicators of impairment. We reviewed the analysis and other evidence supporting the criteria applied by the Company to identify and group its CGUs and the potential indicators of impairment affecting the consolidated financial statements at the December 31, 2016. We evaluated the appropriateness of the discount rate used to calculate of these assets. We also evaluated the objectiveness and competence of the Company's specialists that performed this work. We involve our specialists for the application of audit procedures on the calculation of impairment loss of non-financial assets.

III. Sale of the clothing store division (Suburbia)

As described in Notes 1b. and 8a. to the accompanying consolidated financial statements, on August 10, 2016, the Company reached an agreement with third party for the latter to acquire the 100% of the partnerships interest of the Company Suburbia from **WALMEX**. This transaction required the Company to recognize its clothing store business segment as a discontinued operation and to classify the related assets and liabilities as held for sale. We focused on this disposal because this was a significant transaction for the Company in 2016 and because it required special attention during our audit owing to the complex accounting treatment of the transaction.

We compared the sale price agreed with the buyer (consider as fair value) to their carrying values of the net assets. We also examined the purchase/sale agreement and verified that the business is presented as discontinued operations in the income statement and as assets held for sale in the balance sheet, in accordance with the respective accounting requirements.

OTHER INFORMATION

The other information comprises the financial information and non-financial (other than the financial statements and our audit report) included in the annual report presented to the National Banking and Securities Commission (CNBV Spanish acronym) and in the annual report to the shareholders of the Company for the year ended December 31, 2016. Management is responsible for the other information. We expect the annual report for 2016 to be provided to us by Management after the date of this audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read and consider the other information that we described above when we will obtain it and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and/or our knowledge obtained in the audit. Otherwise, we will consider that there is a materially misstated in the other information for some other reason.

If we concluded that the other information contained in the annual report to CNBV, and/or annual report to shareholders of Company contained a material misstatement of this other information, we are required to report that fact to those charged with governance and such fact will be describing in our declaration about the annual report required by the CNBV.

RESPONSIBILITIES OF MANAGEMENT AND OF THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is who signs this report.

The report of independent auditors and the accompanying consolidated financial statements and footnotes have been translated from the original Spanish version to English for convenience purposes only.

Mancera, S.C.
A Member Practice of
Ernst & Young Global Limited

David Sitt Cofradía

Mexico City, February 15, 2017.

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Notes 1 and 3)

Amounts in thousands of Mexican pesos

		December 31, 2016		December 31, 2015
Assets				
Current assets:				
Cash and cash equivalents (Note 5)	Ps.	27,975,536	Ps.	24,790,838
Accounts receivable, net (Note 6)		9,817,878		9,758,720
Inventories (Note 7)		53,665,239		49,748,874
Prepaid expenses and others		935,125		550,253
Assets held for sale (Note 8)		11,628,894		-
Total current assets		104,022,672		84,848,685
Non-current assets:				
Property and equipment, net (Note 9)		136,349,603		130,222,356
Intangible assets (Note 10)		41,339,532		34,456,219
Deferred tax assets (Note 15)		4,699,729		3,461,109
Other non-current assets		1,518,766		661,750
Total assets	Ps.	287,930,302	Ps.	253,650,119
Liabilities and equity				
Current liabilities:				
Accounts payable to suppliers (Note 11)	Ps.	65,557,689	Ps.	56,395,523
Other accounts payable (Note 12)		17,455,165		16,682,373
Taxes payable		6,992,426		4,231,457
Liabilities relating to assets held for sale (Note 8)		3,951,542		-
Total current liabilities		93,956,822		77,309,353
Long-term liabilities:				
Other long-term liabilities (Note 14)		14,778,703		13,104,120
Deferred tax liabilities (Note 15)		10,483,437		9,786,893
Employee benefits (Note 16)		1,685,324		1,629,103
Total liabilities		120,904,286		101,829,469
Equity (Note 17):				
Capital stock		45,468,428		45,468,428
Legal reserve		9,104,745		9,104,745
Retained earnings		90,545,819		86,188,284
Other comprehensive income items		24,374,531		13,827,795
Premium on sale of shares		3,108,097		2,830,646
Employee stock option plan fund		(5,575,604)		(5,625,092)
Equity attributable to owners of the parent		167,026,016		151,794,806
Non-controlling interests		-		25,844
Total equity		167,026,016		151,820,650
Total liabilities and equity	Ps.	287,930,302	Ps.	253,650,119

The accompanying notes are an integral part of these financial statements.

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Notes 1 and 3)
Amounts in thousands of Mexican pesos

	Year ended December 31			
		2016		2015
Net sales	Ps.	528,571,376	Ps.	472,459,832
Other revenues (Note 18)		3,812,707		3,450,729
Total revenues		532,384,083		475,910,561
Cost of sales		(414,900,193)		(373,307,853)
Gross profit		117,483,890		102,602,708
General expenses (Note 19)		(77,833,627)		(69,547,364)
Income before other income and expenses		39,650,263		33,055,344
Other income		578,707		755,984
Other expenses		(773,835)		(983,206)
Operating income		39,455,135		32,828,122
Financial income (Note 20)		1,321,139		1,319,326
Financial expenses (Note 20)		(1,644,004)		(1,230,594)
Income before taxes on profits		39,132,270		32,916,854
Taxes on profits (Note 15)		(10,622,996)		(9,472,686)
Net Income from continuing operations		28,509,274		23,444,168
Net income from discontinued operations (Note 8)		4,842,597		2,934,920
Consolidated net income	Ps.	33,351,871	Ps.	26,379,088
Other comprehensive income items:				
Items that do not reclassify to profit and loss of the year:				
Actuarial gain (loss) on employee benefits	Ps.	222,015	Ps.	(12,724)
Items that may be reclassified subsequently to profit and loss:				
Cumulative translation adjustment		10,324,721		8,358,537
		10,546,736		8,345,813
Comprehensive income	Ps.	43,898,607	Ps.	34,724,901
Net income attributable to:				
Owners of the parent	Ps.	33,352,298	Ps.	26,375,779
Non-controlling interests		(427)		3,309
	Ps.	33,351,871	Ps.	26,379,088
Comprehensive income attributable to:				
Owners of the parent	Ps.	43,899,034	Ps.	34,721,592
Non-controlling interests		(427)		3,309
	Ps.	43,898,607	Ps.	34,724,901
Basic earnings per share from continuing operations attributable to owners of the parent (in pesos)	Ps.	1.633	Ps.	1.341
Basic earnings per share attributable to owners of the parent (in pesos)	Ps.	1.910	Ps.	1.508

The accompanying notes are an integral part of these financial statements.

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Notes 1, 3 and 17)
Amounts in thousands of Mexican pesos

	Capital stock	Legal reserve	Retained earningss	Other comprehensive income items	Premium on sale of shares	Employee stock option plan fund	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at December 31, 2014	Ps. 45,523,723	Ps. 8,085,178	Ps. 94,265,950	Ps. 5,481,982	Ps. 2,464,001	Ps. (5,598,259)	Ps. 150,222,575	Ps. 23,245	Ps. 150,245,820
Movements in employee stock option plan fund					366,645	(26,833)	339,812		339,812
Increase in legal reserve		1,019,567	(1,019,567)				-		-
Repurchase of shares	(123,116)		(1,701,956)				(1,825,072)		(1,825,072)
Dividends declared			(31,731,812)				(31,731,812)		(31,731,812)
Shares issued for the payment of the contingent liability	67,821						67,821		67,821
Purchase of shares of non-controlling interests			(110)				(110)	(710)	(820)
Comprehensive income			26,375,779	8,345,813			34,721,592	3,309	34,724,901
Balance at December 31, 2015	45,468,428	9,104,745	86,188,284	13,827,795	2,830,646	(5,625,092)	151,794,806	25,844	151,820,650
Movements in employee stock option plan fund					277,451	49,488	326,939		326,939
Dividends declared			(28,973,896)				(28,973,896)		(28,973,896)
Purchase of shares of non-controlling interests			(20,867)				(20,867)	(25,417)	(46,284)
Comprehensive income			33,352,298	10,546,736			43,899,034	(427)	43,898,607
Balance at December 31, 2016	Ps. 45,468,428	Ps. 9,104,745	Ps. 90,545,819	Ps. 24,374,531	Ps. 3,108,097	Ps. (5,575,604)	Ps. 167,026,016	Ps. -	Ps. 167,026,016

The accompanying notes are an integral part of these financial statements.

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Notes 1 and 3)

Amounts in thousands of Mexican pesos

	Year ended December 31			
		2016		2015
Operating activities				
Income before taxes on profits	Ps.	39,132,270	Ps.	32,916,854
Items related to investing activities:				
Depreciation and amortization		10,693,735		10,024,729
Loss from disposal of property, equipment and impairment		507,575		740,888
Stock option compensation expense		270,416		298,498
Interest earned		(559,618)		(503,892)
Items related to financing activities:				
Interest payable under finance leases		1,270,826		1,244,536
Discontinued operations		2,471,145		2,107,182
Cash flow from results of operations		53,786,349		46,828,795
Variances in:				
Accounts receivable		(1,253,330)		(898,674)
Inventories		(4,525,586)		(1,380,955)
Prepaid expenses and other assets		(1,163,455)		303,826
Accounts payable to suppliers		9,345,322		2,388,568
Other accounts payable		1,031,983		3,153,345
Taxes on profits paid		(7,068,985)		(11,605,744)
Employee benefits		(109,872)		114,510
Discontinued operations		(3,150,974)		-
Net cash flow from operating activities		46,891,452		38,903,671
Investing activities				
Purchase of property, equipment and software		(14,334,781)		(12,526,265)
Purchase of shares of non-controlling interests		(44,737)		(157)
Interest collected		559,618		503,892
Proceeds from sale of property and equipment		275,883		226,448
Employee stock option plan fund		56,523		41,314
Discontinued operations		(313,400)		-
Business disposal		-		3,726,761
Net cash flow used in investing activities		(13,800,894)		(8,028,007)
Financing activities				
Dividends paid		(28,972,332)		(31,562,146)
Repurchase of shares		-		(1,825,072)
Payment of finance leases		(1,550,479)		(1,624,105)
Discontinued operations		(69,841)		-
Net cash flow used in financing activities		(30,592,652)		(35,011,323)
Effect of changes in the value of cash		686,792		878,649
Net increase (decrease) in cash and cash equivalents		3,184,698		(3,257,010)
Cash and cash equivalents at beginning of year		24,790,838		28,047,848
Cash and cash equivalents at end of year	Ps.	27,975,536	Ps.	24,790,838

The accompanying notes are an integral part of these financial statements.

WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2016 AND 2015

Amounts in thousands of Mexican pesos, except where otherwise indicated

1.- DESCRIPTION OF THE BUSINESS AND RELEVANT EVENTS:

a. Description of the business

Wal-Mart de México, S.A.B. de C.V. (**WALMEX** or "the Company") is a Mexican company incorporated under the laws of Mexico and listed on the Mexican Stock Exchange, whose headquarters are located at Nextengo #78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City, Mexico. The principal shareholder of **WALMEX** is Wal-Mart Stores, Inc., a U.S. corporation, through Intersalt, S. de R.L. de C.V., a Mexican company with a 70.51% shares ownership.

WALMEX holds 99.9% equity interest in the following groups of companies in Mexico and Central America:

Group	Line of business
Nueva Walmart	Operation of 1,763 (1,719 in 2015) Bodega Aurrerá discount stores, 262 (256 in 2015) Walmart hypermarkets 96 (95 in 2015) Superama supermarkets, 160 Sam's Club membership self-service wholesale stores, and 10 Medimart pharmacies in both years.
Suburbia	Operation of 122 (117 in 2015) Suburbia stores specializing in apparel and accessories for the entire family.
Import companies	Import goods for sale.
Real estate	Property developments and management of real estate companies.
Service companies	Rendering of professional services to Group companies and not-for-profit services to the community at large, and shareholding.
Walmart Central America	Operation of 495 (484 in 2015) discount stores (Despensa Familiar and Palí), 92 (99 in 2015) supermarkets (Paiz, La Despensa de Don Juan, La Unión and Más x Menos), 117 (102 in 2015) Bodegas, Maxi Bodega and Maxi Palí), 27 (24 in 2015) Walmart hypermarkets. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

b. Relevant events

I. Sale of Suburbia stores (Note 8a)

On August 10, 2016, the Company announced that it had reached a final agreement with El Puerto de Liverpool, S.A.B. de C.V. (Liverpool) for Liverpool to acquire the clothing store division Suburbia from **WALMEX**. Completion of the sale is subject to approval by the relevant authorities and other regulatory approvals that are customary for this type of transaction.

II. Sale of the Walmart Bank (Note 8b)

On June 23, 2015, after receiving the approval from the competent authorities, **WALMEX** sold 100% of the Walmart Bank shares to Inbursa for an amount of Ps. 3,612 million pesos in cash, equivalent to 1.7 times its equity. In addition, certain **WALMEX**'s assets were sold to Inbursa for Ps. 115 million pesos. **WALMEX** announced a commercial alliance with Inbursa for the last to offer certain financial services to Walmart's customers.

2.- NEW ACCOUNTING PRONOUNCEMENTS

The standards that are issued, but not yet effective, up to the issue date of the accompanying consolidated financial statements and that are applicable to the Company are discussed below.

- IAS 1, *Presentation of Financial Statements*. This disclosure initiative clarifies the standard related to materiality requirements that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated, that entities have flexibility as to the order in which they present the notes to financial statements. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of comprehensive income.

- IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. This amendment is applied prospectively.

- IFRS 9, *Financial Instruments*. In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments that replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required but providing comparative information is not compulsory. Early application of previous versions of IFRS 9 is permitted if the date of initial application is before February 1, 2015. The Company is currently determining the potential impact of the adoption of this new standard on its consolidated financial statements.

- IFRS 15, *Revenue from Contracts with Customers*. On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new revenue standard will supersede all current revenue recognition requirements. It applies to revenue earned from a contract with a customer and it establishes a five-step model for the recognition and measurement of gains and losses on the sale of some non-financial assets, such as sales of property and plant and equipment. The new revenue recognition standard requires the Company to make more estimates and use more judgment than under the previous standard. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

- IFRS 16, *Leases.* In January 2016, the IASB issued IFRS 16, *Leases,* which replaces IAS 17, *Leases,* and the interpretation issued by the International Financial Reporting Interpretation Committee, IFRIC 4, *Determining whether an Arrangement contains a Lease*.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company is currently determining the impact of the adoption of IFRS 15 and IFRS 16 on its consolidated financial statements.

The following new standards will be effective for annual periods beginning on or after January 1, 2017. Management is evaluating the impact that the adoption of these standards will have on the Company's financial statements.

- IFRS 2, *Share-based Payment*. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. This amendment clarifies the requirements for the classification and measurement of share-based payments.

- IAS 7, *Statement of Cash Flows*. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

-IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply this amendment retrospectively.

- IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*. These amendments clarify the acceptable methods of depreciation and amortization, and are effective as of January 1, 2016. Prospective adoption is permitted.

- IAS 19, *Employee Benefits*. The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

3.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the significant accounting policies used in the preparation of the consolidated financial statements is described below. These policies have been applied consistently with those applied in the year ended December 31, 2015.

a. Basis of preparation

The accompanying consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the IASB, as well as all the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), including those issued by the former Standing Interpretations Committee (SIC).

The consolidated statements of comprehensive income were prepared on a functional basis, which allows for the disclosure of cost of sales separately from other costs, operating and administrative expenses, in conformity with IAS 1, *Presentation of Financial Statements*. The consolidated statement of comprehensive income also includes a separate operating income line to provide a better understanding of the Company's business performance.

Before the financial statements of the Company's foreign subsidiaries are consolidated, they are prepared under IFRS and translated to Mexican pesos using the average exchange rate for the consolidated statement of comprehensive income and the year-end exchange rate for the consolidated statement of financial position, in conformity with IAS 21, T*he Effects of Changes in Foreign Exchange Rates*.

The cumulative translation adjustment is the effect of translating the financial statements of the Company's foreign subsidiaries into Mexican pesos. This effect is recognized in equity.

The Company prepares it statement of cash flows using the indirect method in accordance with IAS 7, *Statements of Cash Flows*.

The preparation of consolidated financial statements in accordance with IFRS requires the use of accounting estimates in certain areas, such as in the calculation of the allowance for doubtful accounts.

WALMEX has sufficient resources to continue operating as a going concern and accordingly, the accompanying consolidated financial statements have been prepared on a going-concern basis and on a historical-cost basis. The Mexican peso is the Company's functional and reporting currency, due to mainly activity of the Company is in Mexico.

b. Consolidation

The accompanying consolidated financial statements include the Financial Statements of **WALMEX** and those of its subsidiaries in which has control in Mexico and abroad, which are grouped as described in Note 1 paragraph a, and they are prepared for the same accounting period.

Subsidiaries are consolidated from the date on which control is transferred to **WALMEX**, and are no longer consolidated from the date that control is lost. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of sale, as appropriate.

All related party balances and transactions have been eliminated in the consolidation, in conformity with IFRS 10, *Consolidated Financial Statements*.

Non-controlling interests represent the portion of equity interest in the net assets of a subsidiary not attributable to the controlling company. Non-controlling interests is presented as a separate component of equity.

c. Financial assets and liabilities and fair value measurement

The Company determines the classification of its financial assets and liabilities at its initial recognition in conformity with IFRS 9, *Financial Instruments,* as described below:

I. Financial assets. These assets are classified in one of the following categories, as required: financial assets at fair value through profit or loss, accounts receivable, investments held to maturity or financial assets held for sale. The Company's financial assets primarily consist in trade receivables and other accounts receivable which are initially recognized at fair value. Fair value of an asset is the price in which such asset could be sold in an ordinary transaction with third parties, capable of being part of such transaction.

II. Financial liabilities. These liabilities are classified at its fair value, including accounts payable to suppliers, other accounts payable and financial leases, as required; these liabilities are initially recognized at fair value. Fair value of a liability is the amount that would be paid to transfer the responsibility to a new creditor in an ordinary transaction among those parties.

Assets and liabilities carried at fair value are measured using the fair value hierarchy, which prioritizes the inputs used in measuring fair value. The levels of the fair value hierarchy are as follows:

- Level 1. Observable data as they are quoted prices in active markets,
- Level 2. Other quoted prices in active markets that are directly or indirectly observable inputs, and
- Level 3. Unobservable for which there is little or no market data inputs, so that the Company develops its own assumptions.

Subsequent measurement of the Company's financial assets and liabilities is determined based on its classification.

d. Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits, credit and debit card transfer transactions that process in less than seven days, and highly liquid investments with maturities of less than 90 days, plus accrued interest. Cash is stated at fair value.

e. Derivative financial instruments

The Company has entered into currency hedging through Over the Counter (OTC) currency forward transactions (Fx-forwards) to mitigate the effects caused by variability in the exchange rate of foreign currency on its accounts payable related to import goods for sale.

In accordance with IFRS 9, *Financial Instruments,* derivatives are initially recognized at fair value at the date the derivative contract is subscribed and subsequently revalued at fair value at the end of the reporting period. The resulting gain or loss is recognized immediately in the financial income (expense) line in the consolidated statement of comprehensive income.

The maturity of these contracts shall be a maximum duration of six months.

In accordance with our standards of corporate governance, the Company does not manage derivative financial instruments other than the Fx-forwards.

f. Accounts receivable and reserve for bad debts

WALMEX recognizes a reserve for bad debts when there is objective evidence that the receivables will not be recovered, in conformity with its internal procedures.

g. Inventories

Inventories are valued using the retail method, except for merchandise for the Sam's Club, distribution centers and Agro-Industrial Development (grains, edibles and meat), which are valued using the average-cost method. These inventory valuation methods are the same as those applied in the prior year. Inventories, including obsolete, slow-moving and defective items or items in poor condition, are stated at amounts not in excess of their net realizable value.

Freight and buying allowances from suppliers are capitalized in inventory and are recognized in the cost of sales based on the turnover of the inventories that gave rise to them.

h. Prepaid expenses

Prepaid expenses are recognized as current assets in the consolidated statement of financial position as of the date the prepayments are made. At the time the goods are received, prepaid expenses are charged to the income statement or capitalized in the corresponding asset line when there is certainty that the acquired goods will generate future economic benefits.

i. Property and equipment

Property and equipment are recorded at acquisition cost and presented net of accumulated depreciation.

Depreciation of property and equipment is computed on a straight-line method at the following annual rates:

Buildings, facilities and leasehold improvements:			
- Constructions and structure	2.5%	to	5.0%
- Facilities and adaptations	5.0%	to	12.5%
- Finishes of construction	10.0%	to	25.0%
Furniture and equipment	5.0%	to	33.3%
Computer equipment	25.0%	to	33.3%
Transport equipment	10.0%	to	25.0%

j. Lease

In conformity with IAS 17, *Leases,* the Company classifies its property lease agreements as either finance or operating leases.

WALMEX considers a lease to be a finance lease if it transfers substantially all of the risks and rewards incidental to ownership of the underlying property. Finance leases are recognized at the present value of minimum lease payment or, if lower, at market value of the leased property, and are amortized over the term of the lease agreement considering the renewals established in each lease agreement.

Lease agreements that do not qualify as finance leases are treated as operating leases. Fixed lease payments are recognized in the income statement on a straight-line method over the lease term. The commencement date of lease is considered the occupancy date of the leased property, including the lessee's rights to renewal. Variable lease payments are based on a percentage of the Company's sales, and are recognized as an expense in the period in which they are incurred.

The Company analyses its service agreements which are legally not a lease, but which involve obtaining the use of an asset in exchange for payment, in accordance with IFRIC 4 *Determining Whether an Agreement Contains a Lease*.

k. Impairment in the value of property and equipment

Based on the guidelines of IAS 36, *Impairment of Assets,* the Company recognizes impairment in the value of property and equipment by applying the expected present value technique to determine value in use, considering each store as the minimum cash generating unit.

The present value technique requires detailed budget calculations, which are prepared separately for each cash-generating unit. These budgets generally cover five years and for those projected beyond five years, an expected growth percentage is applied.

Impairment losses are recognized in the consolidated statement of comprehensive income in the other expenses line.

l. Intangible assets

Intangible assets are valued at the lower of either acquisition cost or their fair value at the acquisition date and are classified based on their useful lives, which may be definite or indefinite. Indefinite-lived assets are not amortized; however, they are tested annually for impairment, in conformity with IAS 36, *Impairment of Assets*. Definite-lived assets are amortized using the straight-line method.

m. Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of Walmart Central America at the acquisition date, plus the fair value of the non-controlling interests, computed in conformity with the guidelines in IFRS 3, *Business Combinations*.

Goodwill was assigned in conformity with IAS 38, *Intangible Assets*, applying the perpetuity value technique to determine the goodwill's value in use, considering each Central American country (Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador) as a minimum cash generating unit.

The Company engages independent experts to evaluate its goodwill on an annual basis. This testing is performed in accordance with IAS 36, *Impairment of Assets*.

Goodwill is converted at the closing exchange rate and the effect is recognized in other comprehensive income.

n. Assets and liabilities held for sale and discontinued operations

In conformity with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are not subject to depreciation and are measured at the lower of their previous carrying amount and fair value less costs to sell.

Assets and liabilities that meet the criteria to be classified as held for sale are presented separately in the statement of financial position from the rest of the assets and liabilities.

Incomes, expenses and costs related to this transaction are separately disclosed and recognized as part of the discontinued operations line in the consolidated statement of comprehensive income.

o. Liabilities and provisions

In conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, accrued liabilities are recognized whenever the Company has current obligations (legal or assumed) resulting from past events, that can be reasonably estimated and that will most likely give rise to a future cash disbursement for their settlement. Reimbursements are recognized net of the related obligation when it is certain that the reimbursement will be obtained. Provision expenses are presented in the consolidated statement of comprehensive income net of any corresponding reimbursements.

p. Taxes on profits

Taxes on profits are classified on current and deferred, and are recognized in the consolidated statement of comprehensive income in the year they are expensed or accrued, except when they come from items directly recognized in other comprehensive income, in which case, the corresponding taxes are recognized in equity.

Current taxes on profits are determined based on the tax laws approved in the countries on which **WALMEX** has operations, and is the result of applying the applicable tax rates at the date of the consolidated financial statements on the taxable profits of each entity of the Group. It is presented as a current liability/ asset net of prepayments made during the year.

Deferred taxes on profits are recognized using the asset and liability method, in conformity with IAS 12, *Income Taxes*. Under this method, deferred taxes are recognized on all temporary differences between the financial reporting and tax values of assets and liabilities, applying the enacted income tax rate, effective as of the date of the consolidated statement of financial position, or the enacted rate that will be in effect when the deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets.

q. Employee benefits

WALMEX employees in each of the six countries are entitled to termination benefits to be paid in accordance with the Company's current policies and the each country's respective labor laws. Employees in Mexico are also entitled to a seniority premium in accordance with the Mexican Federal Labor Law. These employee benefits are recognized as expense during the years in which services are rendered, based on actuarial computations performed by independent experts using the projected unit credit method, in accordance with IAS 19, *Employee Benefits*.

Actuarial gains and losses are recognized as they accrue directly in the consolidated statement of comprehensive income, in conformity with IAS 19.

In Mexico, employee profit sharing expense is presented in operating results as part of the general expenses line and represents a liability due and payable in less than one year. All other payments accruing to Mexican employees or their beneficiaries in the event of involuntary retirement or death, are expensed as incurred, pursuant to federal labor laws.

r. Equity

Legal reserve:

In conformity with the Mexican Corporations Act, the Company appropriates at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's capital stock.

Employee stock option plan fund:

The employee stock option plan fund is comprised of **WALMEX** shares presented at acquisition cost. The plan is designed to grant stock options to executives of the companies in the Group, as approved by the Mexican National Banking and Securities Commission.

All employee stock options are granted to executives of subsidiary companies at a value that is no less than the market value on the grant date.

In accordance with current corporate policy, **WALMEX** executives may exercise their option to acquire shares in equal parts over five years. The right to exercise an employee stock option expires after ten years as of the grant date or after sixty days following the date of the employee's termination.

The compensation cost of stock option is calculated using the Black-Scholes financial valuation technique, in conformity with IFRS 2, *Share-Based Payments*.

Premium on sale of shares:

The premium on sale of shares represents the difference between the cost of shares and the value at which such shares were sold, net of the corresponding income tax.

s. Revenue recognition

Revenue from merchandise sales is recognized in the consolidated statement of comprehensive income at the time ownership of the products sold is transferred to the customer and the services income at the time the service is provided, in conformity with IAS 18, *Revenue.*

Sam's Club membership income is deferred over the twelve-month term of the membership and it is presented in the other revenues line in the consolidated statement of comprehensive income.

Rental income is recognized as it accrues over the terms of the lease agreements entered into with third parties and it is presented in the other revenues line in the consolidated statement of comprehensive income.

Revenues from the sale of waste, extended warranties and service commissions are recognized in the other revenues line in the consolidated statement of comprehensive income at the time ownership of the products sold is transferred to the customer or the service is provided.

t. Basic earnings per share attributable to owners of the parent

The basic earnings per share is the result of dividing the net income of the year attributable to owners of the parent by the weighted average number of outstanding shares, in conformity with the guidelines of IAS 33, *Earnings per Share*. Diluted earnings per share is the same as basic earnings per share since there is currently no potentially dilutive common stock.

u. Operating segments

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions and assess the Company's performance. Segment information is presented based on the geographical zones in which the Company operates, in conformity with IFRS 8, *Operating Segments*.

v. Foreign currency transactions

The Company's foreign currency denominated assets and liabilities are translated to functional currency at the prevailing exchange rate at the date of the consolidated statement of financial position. Exchange differences are recognized in the consolidated statement of comprehensive income under the financial income (expenses) line, in conformity with IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

4.- RISK MANAGEMENT:

The Company is exposed to the effects of future events that could affect the purchasing power and/or buying habits of its population. These events may be economic, political or social in nature and some of the most important are described below:

I. Employment and salary. Positive or negative changes in employment and/or real salary levels could affect Mexico's per capita income and, consequently, the Company's business performance.

II. Changes in interest rates and exchange rates. Historically, Walmart has generated cash surpluses in Mexico and Central America on which it earns financial income. A reduction in interest rates could cause a decrease in the Company's financial income, which would affect its earnings growth. However, the Company believes that a reduction in interest rates would actually have a positive effect on its business in the medium and long-term, since it would help improve the purchasing power of its customers.

   On the other hand, exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power, which could ultimately hinder the Company's sales, in particular, due to the purchase of import goods.

III. Competition. The retail sector has become very competitive in recent years, which has led to the need for all the players in the market to constantly look for ways to set themselves apart from the competition. This puts the Company's market share at risk. Other factors affecting the Company's market share could be the business expansion of its competitors and the possible entrance of new competitors into the market.

IV. Inflation. Over the last few years, inflation rates in Mexico and Central America have remained at low levels. A significant increase in inflation rates could have a direct effect on the purchasing power of the Company's customers and the demand for its products and services.

V. Changes in government regulations. The Company is exposed to the changes in different laws and regulations, which, after becoming effective, they could affect the Company's operating results, such as an impact on sales, expenses for payroll indirect taxes and changes in applicable rates. Currently, the level of scrutiny and discretion by the tax authorities has greatly increased. Mexican courts have changed their position favoring those authorities ignoring violations of form and procedure.

VI. Recent Developments. During the last weeks, international and national events have occurred, that have increased the volatility of some economic indicators, creating an environment of vulnerability and uncertainty. Among the events, we can find the possibility of the renegotiation or termination of the North American Free Trade Agreement, possible increases in import duties or tariffs for the export of Mexican products, the cancelation of third-party foreign investment projects previously announced, the depreciation of the Mexican peso, the increase in the prices of gasoline, as well as violent demonstrations that have affected our stores, among others. Even though the Company's market is internal, these events have started to have some effects that can result in the loss of confidence by consumers and the resulting decrease of consumption, inflationary pressures derived from the increases in gasoline and the exchange rate, possibility of generalized increase of prices of goods by suppliers and increase in our production, operation and distribution costs, all of which in the aggregate could have a material adverse effect on the Company's financial condition and results of operation. Because these events are recent, to this date we cannot define the effects that they could have.

The Company's activities are exposed to various financial risks such as market risk, exchange rate risk and interest rate risk. The Company is in the care of those risks that impede or jeopardize their financial goals, seeking to minimize the potential negative effects through different strategies.

Exchange rate and interest rate risks, as well as derivative financial instruments, are explained below.

Exchange rate risk:

The Company operates with foreign companies and therefore is exposed to the risk of exchange rate operations with foreign currencies, particularly the US dollar. This risk may arise from commercial transactions, recognized monetary assets and liabilities as well as the operation in Central America.

At December 31, 2016, the exchange rate used to translate assets and liabilities denominated in US dollars was Ps. 20.7293 per dollar (Ps. 17.3832 in 2015). At the date of issuance of these financial statements, the exchange rate is Ps. 20.2659 per dollar.

Considering the net monetary position in dollars at December 31, 2016, whether an increase or decrease in the exchange rate of the US dollar against the Mexican peso of Ps. 0.50 pesos arose, a favorable or unfavorable effect would be taken into the financial income (expenses) of the Company of Ps. 12,739.

Derivative financial instruments:

The Company has entered into Fx-forward contracts of foreign currency in order to protect itself from exposure to variability in the exchange rate for the payment of liabilities in Mexico for the purchase of import goods agreed in US dollars.

The valuation techniques used by the Company to determine and disclose the fair value of its financial instruments, are based on the hierarchy level 2 (Other quoted prices in active markets that are directly or indirectly observable inputs), in accordance with IFRS 13, *Fair Value Measurement*.

At December 31, 2016, the Company has Fx-forward contracts for a period of two months in the amount of US $ 47.42 million. The notional amount and fair value amounted Ps. 976,053 and Ps. 9,756, respectively. The change in fair value related to these contracts was Ps. 9,309, net and is presented under financial income in the consolidated statement of comprehensive income.

During the year ended December 31, 2016, 217 Fx-forwards contracts matured for US $ 261.2 million (Ps. 4,799 million pesos).

Interest rate risk:

The Company has temporary investments which generate interests. By reducing the interest rate decreases the financial income of the Company. The interest rate of these investments fluctuated during the year between 3.0% and 4.3%. At December 31, 2016 financial income was obtained from interest in the amount of Ps. 559,618 (Ps. 498,435 in 2015).

Considering the highly liquid instruments at December 31, 2016, whether an increase or decrease in the interest rate of 0.50% is present, favorable or unfavorable effect would have on the financial income of the Company of Ps. 51,116.

5.- CASH AND CASH EQUIVALENTS:

An analysis of cash and cash equivalents at December 31, 2016 and 2015, is as follows:

		December 31, 2016		December 31, 2015
Cash and cash in banks	Ps.	15,193,486	Ps.	9,913,581
Highly marketable investments		12,782,050		14,877,257
	Ps.	27,975,536	Ps.	24,790,838

6.- ACCOUNTS RECEIVABLE, NET:

An analysis of accounts receivable at December 31, 2016 and 2015, is as follows:

		December 31, 2016		December 31, 2015
Recoverable taxes	Ps.	6,727,164	Ps.	6,423,542
Trade receivables		2,291,822		2,751,227
Other accounts receivable		1,133,909		894,186
Reserve for bad debts		(335,017)		(310,235)
	Ps.	9,817,878	Ps.	9,758,720

Average aging of the accounts receivable to customers is 30 to 90 days.

7.- INVENTORIES:

An analysis of inventories at December 31, 2016 and 2015, is as follows:

		December 31, 2016		December 31, 2015
Merchandise for sale	Ps.	52,033,246	Ps.	47,778,980
Agro-industrial development		777,056		616,344
		52,810,302		48,395,324
Merchandise in transit		854,937		1,353,550
	Ps.	53,665,239	Ps.	49,748,874

8.- ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS:

As mentioned in Note 1 paragraph b subsections I and II, during 2016 and 2015, the Company announced the agreement to sell its clothing store division Suburbia and completed the sale of the Walmart Bank, respectively.

At December 31, 2016, the assets and liabilities held for sale shown in the consolidated statement of financial position correspond to the Suburbia stores division. For the year ended December 31, 2016, discontinued operations shown in the statement of income include the results of operations of the Suburbia stores division and in 2015 it includes the results of operations of both the Suburbia division and Banco Walmart.

An analysis of these discontinued operations is as follows:

a) Sale of the Suburbia stores

As part of its strategy to focus on its core business, **WALMEX** reached a final agreement to sell its investment in the Suburbia entities to Liverpool for approximately Ps. 15,700 million, which includes debt of Ps. 1,400 million under finance leases, as set forth in the sale agreement. Liverpool will also pay an additional Ps. 3,300 million to **WALMEX** in dividends and a capital reduction immediately after the deal closes. The sale price will be subject to certain future adjustments that are customary for this type of transaction.

In addition, Liverpool will pay rent to **WALMEX** for Suburbia stores that are located on common properties with **WALMEX** stores.

This transaction includes 100% of the shares held by **WALMEX** in the four legal entities comprising the Suburbia group, including the store operations division, purchasing, commercial planning, product design, marketing, procurement, fixed assets, the intellectual property rights over the Suburbia brand and its owned brands, and two distribution centers.

An analysis of Suburbia's assets and liabilities classified as held for sale at December 31, 2016 is as follows:

		Amount
Current assets	Ps.	5,652,160
Property and equipment, net		2,463,592
Deferred tax assets		3,476,882
Other non-current assets		36,260
Total assets held for sale	Ps.	11,628,894
Suppliers	Ps.	2,220,993
Other current liabilities		678,725
Non-current liabilities		1,051,824
Total liabilities associated with assets held for sale	Ps.	3,951,542

Summary results of discontinued operations reported in the consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015, include the results of operations of the Suburbia stores and are as follows:

		December 31, 2016		December 31, 2015
Total revenue	Ps.	14,495,607	Ps.	13,456,785
Costs and expenses		(12,177,161)		(11,349,603)
Income tax		2,524,151		(614,124)
Net income from discontinued operations	Ps.	4,842,597	Ps.	1,493,058

As a result of the final agreement for the sale of the Suburbia stores and in accordance with IAS 12, Income Tax, the Company recognized tax benefits in discontinued operations and a deferred tax asset of Ps. 3,198 million due to the fact that it is probable that the temporary difference will reverse in the foreseeable future.

The Company's deferred tax assets relate to temporary differences in investments in subsidiaries and unused tax losses.

b) Walmart Bank

On June 23, 2015, **WALMEX** sold 100% of the Walmart Bank shares to Inbursa for an amount of Ps. 3,612 million pesos in cash. In addition, certain **WALMEX's** assets were sold to Inbursa for Ps. 115 million pesos.

Also, it was announced a commercial alliance with Inbursa for the last to offer certain financial services to Walmart's customers.

The main items of the result of the discontinued operation that is presented in the consolidated statement of comprehensive income that includes the results of the Walmart Bank for the six months period ended on June 30, 2015 and the effects derived from the sale, are shown below:

		December 31, 2015
Net revenues	Ps.	4,626,799
Costs, expenses and taxes		(3,184,937)
Net income from discontinued operations	Ps.	1,441,862

Legal, consulting, advisory and other expenses related with the disposals of the Suburbia and the Walmart Bank, are recognized in the year they are incurred in the line of discontinued operations in the consolidated statement of comprehensive income.

9.- PROPERTY AND EQUIPMENT – NET:

An analysis of property and equipment at December 31, 2016 and 2015, is as follows:

	Property and equipment owned by the Company										
	December 31, 2014	Additions	Disposals	Transfers	Translation effect	December 31, 2015	Additions	Disposals	Transfers	Translation effect	December 31, 2016
Land	Ps. 30,273,600	Ps. 194,790	Ps. (22,389)	Ps. 390,712	Ps. 572,574	Ps. 31,409,287	Ps. 219,303	Ps. (94,511)	Ps. 125,561	Ps. 717,108	Ps. 32,376,748
Buildings	47,119,751	2,291,570	(170,144)	(4,703,460)	894,800	45,432,517	1,912,719	(164,395)	756,793	1,746,305	49,683,939
Facilities and leasehold improvements	42,483,490	2,626,734	(573,547)	5,982,656	862,525	51,381,858	2,263,358	(543,049)	285,886	821,654	54,209,707
Furniture and equipment	52,733,752	4,902,570	(1,654,270)	976,916	1,490,134	58,449,102	5,472,626	(2,022,861)	(321,657)	2,093,722	63,670,932
Subtotal	172,610,593	10,015,664	(2,420,350)	2,646,824	3,820,033	186,672,764	9,868,006	(2,824,816)	846,583	5,378,789	199,941,326
Accumulated depreciation	(62,451,894)	(9,269,521)	1,308,559	(56,745)	(1,165,739)	(71,635,340)	(9,813,395)	1,984,913	1,976,895	(1,734,524)	(79,221,451)
Work in process	3,483,961	2,075,568	(78,225)	(2,497,005)	245,746	3,230,045	3,717,299	(297,503)	(3,347,657)	(16,560)	3,285,624
Total	Ps. 113,642,660	Ps. 2,821,711	Ps. (1,190,016)	Ps. 93,074	Ps. 2,900,040	Ps. 118,267,469	Ps. 3,771,910	Ps. (1,137,406)	Ps. (524,179)	Ps. 3,627,705	Ps. 124,005,499

	Leased property and equipment										
	December 31, 2014	Additions	Disposals	Transfers	Translation effect	December 31, 2015	Additions	Disposals	Transfers	Translation effect	December 31, 2016
Buildings	Ps. 13,699,440	Ps. 173,208	Ps. (441,654)	Ps. (3,904)	Ps. 249,028	Ps. 13,676,118	Ps. 1,216,928	Ps. (123,614)	Ps. (922,005)	Ps. 321,262	Ps. 14,168,689
Furniture and equipment	2,003,767	379,000	-	(146,475)	-	2,236,292	241,621	(98,042)	(131,276)	-	2,248,595
Subtotal	15,703,207	552,208	(441,654)	(150,379)	249,028	15,912,410	1,458,549	(221,656)	(1,053,281)	321,262	16,417,284
Accumulated depreciation	(3,349,811)	(668,249)	99,829	57,011	(96,303)	(3,957,523)	(662,412)	202,153	466,001	(121,399)	(4,073,180)
Total	Ps. 12,353,396	Ps. (116,041)	Ps. (341,825)	Ps. (93,368)	Ps. 152,725	Ps. 11,954,887	Ps. 796,137	Ps. (19,503)	Ps. (587,280)	Ps. 199,863	Ps. 12,344,104
Grand total	Ps. 125,996,056	Ps. 2,705,670	Ps. (1,531,841)	Ps. (294)	Ps. 3,052,765	Ps. 130,222,356	Ps. 4,568,047	Ps. (1,156,909)	Ps. (1,111,459)	Ps. 3,827,568	Ps. 136,349,603

At December 31, 2016, property and equipment includes Ps. 2,315,193 of investment properties, which are measured at historical cost, including transaction costs. Rental income from investment properties was Ps. 647,077 for the year ended December 31, 2016.

Depreciation expense for the years ended December 31, 2016 and 2015, was Ps. 10,411,721(Ps. 35,603 of investment properties), and Ps. 9,587,187, respectively.

Property and equipment impairment for the years ended December 31, 2016 and 2015, was Ps. 152,202 and Ps. 407,953, respectively, and is presented in the disposals column.

At December 31, 2016, the transfer column includes the reclassification of beginning balance of fixed assets held for sale of suburbia by Ps. 2,129,746.

Work in process mostly consists of investments in the construction of new stores and it is recognized at cost. Upon completion of each project, the Company reclassifies work in process to property and depreciation of the assets begins.

10.- INTANGIBLE ASSETS:

An analysis of intangible assets at December 31, 2016 and 2015, is as follows:

	Intangible Assets										
	December 31, 2014	Additions	Disposals	Transfers	Translation effect	December 31, 2015	Additions	Disposals	Transfers	Translation effect	December 31, 2016
Goodwill	Ps. 28,020,341	Ps. -	Ps. -	Ps. -	Ps. 5,036,987	Ps. 33,057,328	Ps. -	Ps. -	Ps. -	Ps. 6,363,220	Ps. 39,420,548
Trademarks	724,023	-	-	-	108,301	832,324	-	-	-	141,802	974,126
Licences and software	1,219,187	425,320	(191,252)	975	43,774	1,498,004	746,315	(15,120)	(128,728)	59,478	2,159,949
Trade receivables	180,124	-	-	-	34,792	214,916	-	-	-	35,450	250,366
Patents	70,658	9,713	(49,513)	-	7,462	38,320	3,161	-	(40,485)	(996)	-
Subtotal	30,214,333	435,033	(240,765)	975	5,231,316	35,640,892	749,476	(15,120)	(169,213)	6,598,954	42,804,989
Accumulated amortization	(1,099,314)	(179,981)	156,296	(1,617)	(60,057)	(1,184,673)	(282,337)	23,088	55,768	(77,303)	(1,465,457)
Total	Ps. 29,115,019	Ps. 255,052	Ps. (84,469)	Ps. (642)	Ps. 5,171,259	Ps. 34,456,219	Ps. 467,139	Ps. 7,968	Ps. (113,445)	Ps. 6,521,651	Ps. 41,339,532

At December 31, 2016, the transfer column includes the reclassification of beginning balance of intangible assets held for sale of the Suburbia of Ps. 6,582.

Annually, the Company engages the services of an independent expert to test its goodwill for impairment. This evaluation was performed in conformity with IAS 36, *Impairment of Assets*, using the discounted cash flow technique (expected present value) to estimate the value in use of each cash generating unit based on the estimated revenues, costs, expenses, working capital requirements and fixed asset investments of each unit. This technique includes projection assumptions and value estimates and is consistent with the technique used to determine the purchase price of Walmart Central America at the time of the acquisition, which was the basis for estimating the goodwill to be allocated to each country.

Recoverable goodwill was computed based on value in use, which was calculated using cash flow projections considering the business plan and the projections used by management in its decision making for the following five years.

As a result of this study, at December 31, 2016 and 2015, there was no impairment in the value of the Company's Goodwill.

Trade marks represents those that were acquired at the time of the acquisition of Walmart Central America such as: Palí, Despensa Familiar, Maxi Bodega, among others. They are translated at the year-end exchange rate and the corresponding effect is recognized in other comprehensive income items.

Licenses, software and customers amortization expense for the years ended December 31, 2016 and 2015, was Ps. 282,014 and Ps. 176,708, respectively.

11.- RELATED PARTIES:

a) Related party balances

At December 31, 2016 and 2015, the consolidated statement of financial position includes the following balances with related parties:

		December 31, 2016		December 31, 2015
Accounts payable to suppliers:				
C.M.A. – U.S.A., L.L.C. (affiliate)	Ps.	786,220	Ps.	916,863
Global George, LTD. (affiliate)		99,005		37,618
	Ps.	885,225	Ps.	954,481
Other accounts payable:				
Wal-Mart Stores, Inc. (holding company)	Ps.	753,643	Ps.	640,601

At December 31, 2016 and 2015, balances receivable due from and payable due to related parties consist of current accounts that bear no interest, payable in cash and without guarantees.

b) Related party transactions

WALMEX has entered into the following open-ended agreements with related parties:

- Agreement for imports of merchandise for sale, interest-free and payable monthly.
- Agreement for purchase commissions with Global George that are payable on a recurring basis.
- Agreement for technical assistance and services with Walmart Stores that are payable monthly.
- Agreement for royalties for trademark use with Walmart Stores, payable quarterly based on a percentage of sales of the retail businesses.

The terms of the related party transactions are consistent with those of an arm's length transaction.

The Company had the following transactions with related parties during the years ended December 31, 2016 and 2015:

		December 31, 2016		December 31, 2015
Import of merchandise for sale:				
C.M.A. – U.S.A., L.L.C. (affiliate)	Ps.	4,786,947	Ps.	4,680,065
Global George, LTD. (affiliate)		180,379		71,093
	Ps.	4,967,326	Ps.	4,751,158
Technical assistance, services and royalties:				
Wal-Mart Stores, Inc. (holding company)	Ps.	2,960,241	Ps.	2,527,818

c) Remuneration of principal officers

An analysis of remuneration to the Company's principal officers for the years ended December 31, 2016 and 2015 is as follows:

		December 31, 2016		December 31, 2015
Short-term benefits	Ps.	1,281,379	Ps.	1,006,727
Termination benefits		185,724		123,429
Share-based payments		77,976		97,556
	Ps.	1,545,079	Ps.	1,227,712

12.- OTHER ACCOUNTS PAYABLE:

An analysis of other accounts payable at December 31, 2016 and 2015, is as follows:

	December 31, 2016	December 31, 2015
Accrued liabilities and others	Ps. 11,480,325	Ps. 10,959,660
Dividends	2,506,349	2,488,350
Provisions	1,223,328	1,179,335
Deferred revenue	958,473	857,879
Related parties (Note 11)	753,643	640,601
Financial lease (Note 14)	533,047	556,548
	Ps. 17,455,165	Ps. 16,682,373

13.- COMMITMENTS AND CONTINGENCIES:

a) Commitments

At December 31, 2016, the Company has commitments totaling Ps. 18,144,540 (Ps. 13,957,560 in 2015) for the acquisition of inventories, property and equipment, as well as for maintenance services.

b) Contingencies

Legal proceedings

Wal-Mart de México, S.A.B. de C.V. ("**WALMEX**") is a subsidiary of Wal-Mart Stores, Inc. ("WMT"). WMT owns approximately 70% of the shares and voting power in **WALMEX** and has the ability to designate at least a majority of the directors of **WALMEX**. The remaining shares of **WALMEX** are publicly traded on the Mexican Stock Exchange and, to the best of the knowledge of **WALMEX**, no shareholder other than WMT and its affiliates owns more than 2% of the outstanding shares of **WALMEX**.

Currently, the Board of Directors of **WALMEX** is composed of 11 directors. The Audit Committee and the Corporate Governance Committee of the Board of Directors are composed exclusively of independent directors.

WMT is subject to a wide variety of laws and regulations in the United States of America and in the countries in which it operates, including but not limited to the U.S. Foreign Corrupt Practices Act (the "FCPA").

As **WALMEX** publicly disclosed on April 23, 2012, WMT is the subject of an investigation under the FCPA by the U.S. Department of Justice and the U.S. Securities and Exchange Commission following a disclosure that WMT made to those agencies in November 2011.

The Audit Committee of the Board of Directors of WMT, which is composed solely of independent directors, is conducting an internal investigation into, among other things, alleged violations of the FCPA and other alleged crimes or misconduct in connection with foreign subsidiaries, including **WALMEX** and whether prior allegations of such violations and/or misconduct were appropriately handled by WMT. The Audit Committee of WMT and WMT have engaged outside counsel from a number of law firms and other advisors who are assisting in the on-going investigation of these matters. **WALMEX** has also engaged outside counsel to assist in these matters.

WMT is also conducting a voluntary global review of its policies, practices and internal controls for FCPA compliance. WMT is engaged in strengthening its global anti-corruption compliance programs through appropriate remedial anti-corruption measures. **WALMEX** is taking part in such voluntary global review and strengthening of programs.

Furthermore, lawsuits relating to the matters under investigation have been filed by several of WMT's shareholders against it and against **WALMEX**, its current directors, certain of its former directors, certain of its current and former officers and certain of **WALMEX**'s current and former officers.

WALMEX is cooperating with WMT in the review of these matters and it intends to continue fully cooperating in such regard.

A number of federal and local government agencies in Mexico have also initiated investigations of these matters. **WALMEX** is cooperating with the Mexican governmental agencies conducting these investigations.

The Audit Committee and the Corporate Governance Committee of the Board of Directors of **WALMEX**, as well as the Board of Directors of **WALMEX**, have been informed about these matters and have determined, by an unanimous vote of the independent directors only, that it is in the best interests of **WALMEX** to continue to cooperate at this time with WMT and the U.S. and Mexican agencies conducting these investigations.

WALMEX could be exposed to a variety of negative consequences as a result of the matters noted above. There could be one or more enforcement actions in respect of the matters that are the subject of some or all of the ongoing government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desists orders or other relief, criminal convictions and/or penalties. The shareholder lawsuits may result in judgments against WMT and **WALMEX** and to current and former directors and current and former officers of WMT and **WALMEX** named in those proceedings. **WALMEX** cannot predict accurately at this time the outcome or impact of the government´s investigations, the shareholder lawsuits, the internal investigation and review. In addition, **WALMEX** expects to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the government investigations, and it cannot predict at this time the ultimate amount of all such costs. These matters may require the involvement of certain members of **WALMEX**'s senior management that could impinge on the time they have available to devote to other matters relating to the business. **WALMEX** may also see ongoing media and governmental interest in these matters that could impact the perception among certain audiences of its role as a corporate citizen.

WALMEX, its Board of Directors and its Audit Committee and Corporate Governance Committee will at all times ensure compliance with applicable Mexican law and ensure that they create value to **WALMEX**, acting diligently and adopting reasoned decisions, without favoring any shareholder or group of shareholders.

Although **WALMEX** does not presently believe, based on the information currently available and the advice of its external Mexican counsel, that these matters will have a material adverse effect on its business, given the inherent uncertainties in such situations, **WALMEX** can provide no assurance that these matters will not be material to its business in the future.

14.- OTHER LONG-TERM LIABILITIES:

At December 31, 2016 and 2015, the other long-term liabilities line includes the Company's obligations beyond one year under its finance leases.

The Company analyzed its services agreements that do not have the legal form of a lease, but that involve the use of an asset and determined there are not service agreements that must be classified as a lease, in conformity with IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

The Company has entered into property lease agreements with third parties for compulsory terms ranging from 1 to 13 years.

The Company has also entered into finance leases for the rental of residual water treatment plants used to meet environmental protection standards. The terms of these agreements are 7 and 10 years.

Future rental payments are as follows:

Year	Operating leases (compulsory term)		Finance leases (minimum payments) Present value		Finance leases (minimum payments) Future value	
2017	Ps.	467,474	Ps.	533,047	Ps.	1,878,424
2018	Ps.	371,038	Ps.	413,548	Ps.	1,721,438
2019	Ps.	278,809	Ps.	372,686	Ps.	1,652,674
2020	Ps.	307,734	Ps.	362,113	Ps.	1,612,337
2021	Ps.	306,821	Ps.	380,503	Ps.	1,597,743
2022 and thereafter	Ps.	1,636,773	Ps.	11,548,169	Ps.	28,550,026

At December 31, 2016 and 2015, the liability derived from the use of the straight-line method under operating leases was Ps. 861,659 and Ps. 712,297, respectively, from which Ps. 40,575 and Ps. 26,565 are presented in the current liabilities line.

Total rent under operating leases charged to the income statement during the years ended December 31, 2016 and 2015 was Ps. 5,125,280 and Ps. 4,698,570, respectively.

15.- TAXES ON PROFITS:

WALMEX as an integrating entity and its integrated subsidiaries in Mexico, determine and pay its income tax under the optional integration regime for groups of entities. Also, the tax provision includes the tax income of subsidiaries located abroad, which is determined in accordance with applicable tax laws of each country.

An analysis of taxes on profits charged to the income statement for the years ended December 31, 2016 and 2015, is as follows:

	December 31, 2016		December 31, 2015	
Current year tax	Ps.	11,475,470	Ps.	8,715,980
Deferred tax		(852,474)		756,706
Total	Ps.	10,622,996	Ps.	9,472,686

The reconciliation between the statutory tax rate and Company's effective tax rate for the year ended December 31, 2016 and 2015, is as follows:

	2016	2015
Statutory tax rate	30.0 %	30.0 %
Non-deductible expenses from payments to associates exempt from income tax	0.9 %	0.9 %
Other items	(3.8)%	(2.1)%
Effective tax rate	27.1 %	28.8%

Income tax rates applicable are shown below:

	Rate
Mexico	30%
Costa Rica	30%
Guatemala	25%
Honduras	30%
Nicaragua	30%
El Salvador	30%

An analysis of the effects of the temporary differences giving rise to deferred tax assets and liabilities at December 31, 2016 and 2015, is as follows:

		December 31, 2016		December 31, 2015
Deferred tax assets				
Inventories	Ps.	767,033	Ps.	565,092
Advance collections		286,957		305,603
Labor obligations		505,439		547,287
Other long-term liabilities		705,714		585,681
Provisions		315,159		295,599
Reserve for bad debts		100,325		93,070
Tax losses carryforward from subsidiaries		8,468		28,208
Other items		2,010,634		1,040,569
	Ps.	4,699,729	Ps.	3,461,109
Deferred tax liabilities				
Property and equipment	Ps.	9,621,766	Ps.	9,573,657
Prepaid expenses		290,507		186,016
Other items		571,164		27,220
	Ps.	10,483,437	Ps.	9,786,893

The Company has tax losses from subsidiaries that, in conformity with the current Mexican Income Tax Law, may be carried forward against the taxable income generated in future years, as follows:

Year of expiration		Amount
2020	Ps.	45
2021		333
2022		764
2023		330
2024		330
2025		10,708
2026		16,057
	Ps.	28,567

16.- EMPLOYEE BENEFITS:

Annually, the Company engages an independent expert to perform the actuarial calculations related to its labor obligations in conformity with IAS 19, *Employee Benefits*.

Mexico:

The Company has set up a defined benefits trust fund to cover seniority premiums accruing to employees. Workers make no contributions to this fund. Also, the Company recognizes the liability for termination benefits for retirement. These obligations are determined using the projected unit credit method.

At December 31, 2016 and 2015, an analysis of the Company's assets and liabilities for seniority premiums and retirement benefits is as follows:

	Seniority Premiums				Retirement benefits			
	2016		2015		2016		2015	
Defined benefit obligations	Ps.	856,129	Ps.	935,158	Ps.	112,401	Ps.	123,396
Plan assets		(709,437)		(730,709)		-		-
Net projected liability	Ps.	146,692	Ps.	204,449	Ps.	112,401	Ps.	123,396

Changes in the net present value of the defined benefit obligations (DBO) at December 31, 2016 and 2015, are shown below:

	Seniority Premiums				Retirement benefits			
	2016		2015		2016		2015	
DBO at beginning of year	Ps.	935,158	Ps.	855,596	Ps.	123,396	Ps.	113,410
Net period cost charged to the results:								
- Labor cost from actual services		140,223		128,809		8,083		7,455
- Interest cost on DBO		64,535		58,401		8,432		7,763
Other comprehensive income items		(92,344)		(8,207)		(17,929)		(5,232)
Benefits paid		(123,483)		(99,441)		-		-
Transfers		(67,960)		-		(9,581)		-
DBO at year end	Ps.	856,129	Ps.	935,158	Ps.	112,401	Ps.	123,396

Changes in the net present value of the plan assets (PA), at December 31, 2016 and 2015, are shown below:

	Seniority premiums			
	2016		2015	
PA at beginning of year	Ps.	(730,709)	Ps.	(684,207)
Return on plan assets		(50,223)		(46,402)
Other comprehensive income items		48,465		41,187
Plan contributions		(145,171)		(140,719)
Benefits paid		123,438		99,432
Transfers		44,763		-
PA at year end	Ps.	(709,437)	Ps.	(730,709)

Valuation techniques used by the Company to determine and disclose the fair value of its financial instruments is based on a level 1 hierarchy (observable data as they are quoted prices in active markets) in conformity with IFRS 13, *Fair value measurement*.

At December 31, 2016 and 2015, the plan assets have been invested through the trust mostly in money market instruments.

At December 31, 2016 and 2015, actuarial gains/losses from the labor obligations are recognized in the other comprehensive income items line by Ps. 73,560 and Ps. 116,826, respectively.

Central America:

At December 31, 2016 and 2015, changes in the net present value of the DBO, is shown below:

	2016	2015
DBO at beginning of year	Ps. 1,301,258	Ps. 1,020,105
Net period cost charged to the results:		
- Labor costs from actual services	217,997	187,372
- Interest cost on DBO	122,365	94,164
Other comprehensive income items	(241,460)	34,747
Benefits paid	(226,333)	(194,417)
Translation effects	252,404	159,287
DBO at year end	Ps. 1,426,231	Ps. 1,301,258

At December 31, 2016 and 2015, actuarial gains/losses from the labor obligations are recognized in the other comprehensive income items line by Ps. 82,102 and Ps. 260,851, respectively.

At December 31, 2016, the assumptions used in the actuarial valuations of Mexico and Central America, are as follows:

	Mexico		Central America	
	2016	2015	2016	2015
Financial:				
Discount rate	7.75%	7.00%	8.39% - 13.10%	7.91% - 12.77%
Salary increase rate	5.25%	5.25%	2.50% - 7.50%	3.10% - 7.50%
Minimum salary increase rate	4.00%	4.00%	2.00% - 7.00%	2.60% - 7.00%
Inflation rate	4.00%	4.00%	2.00% - 7.00%	2.00% - 7.00%
Biometrics:				
Mortality	IMSS-97(1)	IMSS-97(1)	RP-2000(2)	RP-2000(2)
Disability	21.07%	21.07%	15.4%	15.4%
Retirement age	60 years	65 years	50 – 65 years	60 – 65 years

(1) Experience from the Mexican Institute for Social Security for males and females
(2) RP-2000 for Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

A sensitivity analysis of the DBO at December 31, 2016, is as follows:

	Mexico	Central America
DBO at December 31, 2016	Ps. 968,530	Ps. 1,426,231
DBO at discount rate +1%	Ps. 925,977	Ps. 1,680,876
DBO at discount rate -1%	Ps. 1,110,024	Ps. 1,847,044
Effects over DBO:		
Discount rate +1%	Ps. (84,810)	Ps. (77,817)
Discount rate -1%	Ps. 99,237	Ps. 88,350

The discount rate in Mexico is determined using the curve of government bonds issued by the Federal Government known as M. Bonds.

17.- EQUITY:

a. At an ordinary meeting held on March 31, 2016, the shareholders adopted the resolutions establishing the following:

1. A limit on the amount available for share repurchase to Ps. 3,288,533.
2. Cancellation of 44,304,712 shares resulting from share repurchases.
3. The shareholders declared an ordinary cash dividend of Ps. 0.56 pesos per share, paid in four installments of Ps. 0.14 pesos each on April 26, 2016; August 23, 2016; November 22, 2016; and February 21, 2017. The shareholders also declared an extraordinary cash dividend of Ps. 1.12 pesos per share that was paid out in two installments: one of Ps. 0.64 pesos on April 26, 2016 and another of Ps. 0.48 pesos on November 22, 2016.

b. At ordinary meeting held on March 24, 2015, the shareholders adopted the following resolutions:

1. Approval of a cap of Ps. 5,000,000 on the amount the Company would use in 2015 to repurchase its own shares.
2. Cancellation of 114,048,160 shares resulting from the repurchase of shares.
3. Increase in the legal reserve of Ps. 1,019,567 to be charged to retained earnings.
4. A declared ordinary cash dividend of Ps. 0.56 pesos per share to be paid in four installments of Ps. 0.14 pesos per share on April 28, 2015, August 25, 2015, November 24, 2015 and February 23, 2016; and one extraordinary cash dividend of Ps. 1.28 pesos per share to be paid in four installments of Ps. 0.64 pesos per share on April 28, 2015, Ps. 0.13 pesos per share on August 25, 2015, Ps. 0.32 pesos per share on November 24, 2015 and Ps. 0.19 pesos per share which is subject to the approval and closing of the sale of the Walmart Bank and will be paid on the date and subject to the terms determined by the Board of Directors.

c. Capital stock is represented by registered shares with no par value. The Company's capital stock must be represented by a minimum of 3,000,000,000 shares and a maximum of 100,000,000,000 shares.

At December 31, 2016 and 2015, an analysis of historical paid-in stock and the number of shares representing it is as follows:

Capital stock	Amount
Fixed minimum capital	Ps. 5,591,362
Variable capital	36,935,265
Total	Ps. 42,526,627
Number of freely subscribed common shares	17,461,402,631

During the year ended December 31, 2015, **WALMEX** repurchased 47,284,712 in 2015 of its own shares, of which 2,980,000 were cancelled as per the resolution adopted at the shareholders' meeting held on March 24, 2015. As a result of the share repurchases, the Company's historical capital stock was reduced by Ps. 115,149. The difference between the theoretical value and the repurchase cost of the shares acquired was reflected against retained earnings.

d. Distributed earnings and capital reductions that exceed the net taxed profits account (CUFIN per its acronym in Spanish) and restated contributed capital account (CUCA per its acronym in Spanish) balances are subject to income tax, in conformity with Articles 10 and 78 of the Mexican Income Tax Law.

At December 31, 2016 and 2015, the total balance of the tax accounts related to equity is Ps. 85,708,879 and Ps. 94,297,267, respectively, in conformity of the current tax laws effective January 1, 2014.

Additionally the individuals residing in Mexico and residents abroad (individuals or corporations) are subject to pay income tax at an additional rate of 10% on dividends or profits distributed by corporations resident in Mexico. The latter are obliged to withhold tax to pay it to the federal treasury. The additional tax rate of 10% mentioned only applies to profits obtained beginning on 2014. For these purposes, the corporation is required to keep track of CUFIN with the profits generated until December 31, 2013. From the balance of this account, dividends paid from January 1, 2014, will be subtracted and once exhausted, this balance will begin to withhold an additional tax rate of 10%. At December 31, 2016 the Company no longer has a CUFIN balance with the profits generated as of December 31, 2013 (Ps. 19,080,323 in 2015).

e. At December 31, 2016, the legal reserve of the Company amounts to Ps. 9,104,745 that represents 20% of the equity, which according to the Mexican Corporations Act, has reached the maximum of its constitution.

f. The employee stock option plan fund consists of 205,007,633 **WALMEX** shares, which have been placed in a trust created for the plan.

The total compensation cost charged to operating results in the years ended December 31, 2016 and 2015 was Ps. 270,416 and Ps. 298,498, respectively, which represented no cash outlay for the Company.

Changes in the stock option plan are as follows:

	Number of shares	Weighted average price per share (pesos)
Balance at December 31, 2014	232,626,838	28.70
Granted	44,185,575	35.91
Exercised	(56,630,756)	21.78
Cancelled	(14,037,608)	34.28
Balance at December 31, 2015	206,144,049	31.77
Granted	43,004,673	40.25
Exercised	(35,404,131)	27.92
Cancelled	(14,526,525)	37.09
Balance at December 31, 2016	199,218,066	33.90
Shares available for option grant:		
At December 31, 2016	5,789,567	
At December 31, 2015	12,142,715	

At December 31, 2016, an analysis of granted and exercisable shares under the stock option plan fund is as follows:

	Granted				Exercisable	
Year	Number of shares	Average remaining life (in years)	Weighted average price per share (pesos)	Range of price (pesos)	Number of shares	Weighted average price per share (pesos)
2007	5,917,357	0.2	21.54	21.54	5,917,357	21.54
2008	9,252,938	1.2	19.35	19.35	9,252,938	19.35
2009	11,248,143	2.2	15.85	15.85 – 19.00	11,248,143	15.85
2010	12,316,434	3.2	29.70	29.69 – 31.05	12,316,434	29.70
2011	13,832,187	4.2	33.75	33.70 – 33.75	13,832,187	33.75
2012	21,277,431	5.2	39.70	34.74 – 40.05	16,389,209	39.69
2013	22,409,087	6.2	39.22	39.17 – 41.89	11,820,745	39.22
2014	31,585,233	7.2	30.84	30.84 – 39.17	8,791,223	30.84
2015	31,860,289	8.2	36.07	30.50 – 36.07	4,584,765	36.07
2016	39,518,967	9.2	40.18	40.14 – 42.63	-	-
Total	199,218,066	6.2	33.89		94,153,001	30.46

18.- OTHER REVENUES:

For the years ended December 31, 2016 and 2015, an analysis of other revenues related to the Company's primary business activities is as follow:

		December 31, 2016		December 31, 2015
Memberships	Ps.	1,312,042	Ps.	1,218,007
Rental		1,289,258		1,163,210
Sale of waste		452,804		417,427
Service commissions		291,062		280,783
Gasoline		215,172		228,349
Parking		87,596		56,280
Others		164,773		86,673
Total	Ps.	3,812,707	Ps.	3,450,729

19.- GENERAL EXPENSES:

General expenses principally include personnel expenses, depreciation and amortization, rent, advertising, maintenance, utilities, royalties, and technical assistance.

20.- FINANCIAL INCOME (EXPENSES):

An analysis of financial income (expenses) for the years ended December 31, 2016 and 2015, is as follows:

	December 31, 2016		December 31, 2015	
Financial income				
Financial income	Ps.	601,577	Ps.	1,096,537
Currency exchange gain		559,390		222,342
Income on changes in fair value of derivatives		160,172		447
	Ps.	1,321,139	Ps.	1,319,326
Financial expenses				
Interest on finance leases	Ps.	(1,270,826)	Ps.	(1,126,237)
Currency exchange loss		(181,216)		(98,719)
Loss on changes in fair value of derivatives		(150,863)		-
Other		(41,099)		(5,638)
	Ps.	(1,644,004)	Ps.	(1,230,594)

Financial income primarily consists of interest earned on investments. Additionally, in 2015 included income earned on factoring transactions.

21.- SEGMENT FINANCIAL INFORMATION:

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions and on the criteria established in IFRS 8, *Operating Segments.*

The Company operates in Mexico and Central America and sells to the general public, and it is primarily engaged in operating self-service stores.

The Company has identified the following operating segments by geographical zone:

Mexico:

Operation of discount stores, hypermarkets, wholesale-price membership stores and supermarkets.

Central America:

Operation of discount stores, supermarkets, hypermarkets, warehouse stores and wholesale-price membership stores in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

An analysis of financial information by operating segments and geographical zones is as follows:

Year ended December 31, 2016								
Segment		Total revenues		Operating income		Financial income (expenses) – net		Income before taxes on profits
Mexico	Ps.	433,025,350	Ps.	33,645,606	Ps.	(288,838)	Ps.	33,356,768
Central America		99,358,733		5,809,529		(34,027)		5,775,502
Consolidated	Ps.	532,384,083	Ps.	39,455,135	Ps.	(322,865)	Ps.	39,132,270

Year ended December 31, 2015								
Segment		Total revenues		Operating income		Financial income (expenses) – net		Income before taxes on profits
Mexico	Ps.	396,792,063	Ps.	28,977,970	Ps.	(15,496)	Ps.	28,962,474
Central America		79,118,498		3,850,152		104,228		3,954,380
Consolidated	Ps.	475,910,561	Ps.	32,828,122	Ps.	88,732	Ps.	32,916,854

Segment	Year ended December 31, 2016 Purchase of property and equipment		Depreciation and amortization		Total assets		Current liabilities
Mexico	Ps. 9,270,784	Ps.	8,435,439	Ps.	185,180,769	Ps.	73,537,507
Assets and liabilities held for sale	-		-		11,628,894		3,951,542
Central America	5,063,997		2,258,296		51,700,091		16,467,773
Goodwill	-		-		39,420,548		-
Consolidated	Ps. 14,334,781	Ps.	10,693,735	Ps.	287,930,302	Ps.	93,956,822

Segment	Year ended December 31, 2015 Purchase of property and equipment		Depreciation and amortization		Total assets		Current liabilities
Mexico	Ps. 8,481,147	Ps.	8,225,062	Ps.	182,421,703	Ps.	64,945,080
Central America	4,045,118		1,799,667		38,171,088		12,364,273
Goodwill	-		-		33,057,328		-
Consolidated	Ps. 12,526,265	Ps.	10,024,729	Ps.	253,650,119	Ps.	77,309,353

At December 31, 2016, assets and liabilities held for sale correspond to the Suburbia stores.

22.- APPROVAL OF THE FINANCIAL STATEMENTS:

The consolidated financial statements and accompanying notes for the years ended December 31, 2016 and 2015 were approved by the Company´s management and Board of Directors on February 15, 2017, and are subject to approval by the Shareholders meeting.

GLOSSARY

ADR	American Depositary Receipt
ANTAD	Mexican Retail Association
Associate	Employee who works at Walmart de México y Centroamérica
BAE	Bodega Aurrera Express
Bodegas & discount stores	Austere stores offering basic merchandise, food and household items at the best prices
CAM	Central America
CDP	Carbon Disclosure Project
Cetes	Mexican Federal Treasury Certificates
Clubs	Membership warehouse clubs focused on businesses and consumers who seeks the best possible prices
CO_2eq	Carbon dioxide equivalent
Cofepris	Federal Commission for the Protection Against Health Risks
Distribution center/ DCs	Location for the receipt of goods from suppliers and store distribution
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
Every Day Low Prices	Permanent philosophy of Walmart de México y Centroamérica, in order to contribute towards improving the quality of life in the region
GDP	Gross Domestic Product
GhG	Greenhouse Gases
GRI	Global Reporting Initiative
HAP	Hazardous Air Pollutants

IPC	Mexico's Consumer Price Index
ISR	Income Tax
LED	Light-emitting diode
MSE	Mexican Stock Exchange
Net sales	Income from the goods sold in our stores
NFL	National Football League from the United States
NGO	Non-governmental Organization
NOM	Mexican Official Standards
NO_x	Nitrogen oxides
PM	Particulate matter
POP	Persistent Organic Pollutants
Profeco	Consumer Protection Agency
Sales floor	Surface area set aside for merchandise retail
SME	Small and medium enterprise
SO_x	Sulphur oxides
SSA	Secretary of Health
Supermarkets	Self-service stores located in residential areas
Total revenues	Net sales plus other income
VOC	Volatile Organic Compounds
Walmart	Self-service stores providing the widest assortment of goods from groceries and perishables, to apparel and general merchandise
Walmex	Ticker symbol for Wal-Mart de México S.A.B. de C.V

strategy for corporate **RESPONSIBILITY**

G4-19, G4-20, G4-21, G4-24, G4-25, G4-26, G4-27

Corporate Responsibility is part of our company's work philosophy. Our commitment is to do the right thing, to act according to our values and principles every single day. We remain in a process of continuous improvement to guarantee sound performance in all social, environmental, and corporate governance issues.

Our Company invests consistently in the region, achieving a positive and sustainable impact in benefit of all our stakeholders: customers, associates, suppliers, community, and shareholders. The purpose is to ensure that we are generating value both for society and for the environment.

In 2014 we updated our materiality study so as to align it with our Corporate Responsibility strategy. Said study brought to light 11 strategic material subjects, seven important ones, and two non-material issues, thereby helping to establish priorities and clear objectives during recent years.

In the defining of strategic objectives and designing concrete actions, we didn't only use our internal viewpoint and experiences. We also considered the interests and experiences of our stakeholders and outside experts. Regular exchanges with them is an important strategic priority for us, because in this manner we can create sounder foundations for making decisions. The dialog with them helps to identify their needs as pertains to our activities; approach important issues; and continuously test the objectives pursued, thus reinforcing the trust they have in our Company.

Our actions are evaluated by our stakeholders. These evaluations are an important source of motivation and they serve as a management tool because our progress can be better tracked and it becomes easier to identify areas of opportunity. These outside evaluations confirm that we are on the right path. For the first time we have been included in the FTSE4GoodEmerging Index, which has been recently created. In addition, for the fifth year in a row, we are members of the Dow Jones Sustainability Index for Emerging Markets; we are also included in the Mexican Stock Exchange Sustainable CPI.

GUIDELINES GRI G4-18

The report herein was structured in keeping with the principal guidelines published by the Global Reporting Initiative (GRI). At Walmart de México y Centroamérica we strive to provide continuity to the clear and transparent publishing of our performance; this report was published in accordance with the Global Reporting Initiative's (GRI) G4 guidelines "Comprehensive" option.

SCOPE

This report outlines the performance of all the business formats belonging to Walmart de México y Centroamérica, in the six countries where we operate; its coverage includes the operation of our units, distribution centers, and offices.

PERIOD

The information contained in this report covers the period from January 1 to December 31, 2016.

IN THE REPORT HEREIN, WE HAVE PRESENTED THE ACTIONS AND PROGRESS ACHIEVED TO DATE, HIGHLIGHTING THE FOLLOWING AS PRIORITIES:

Creating opportunities
FOR OUR ASSOCIATES AND SUPPLIERS

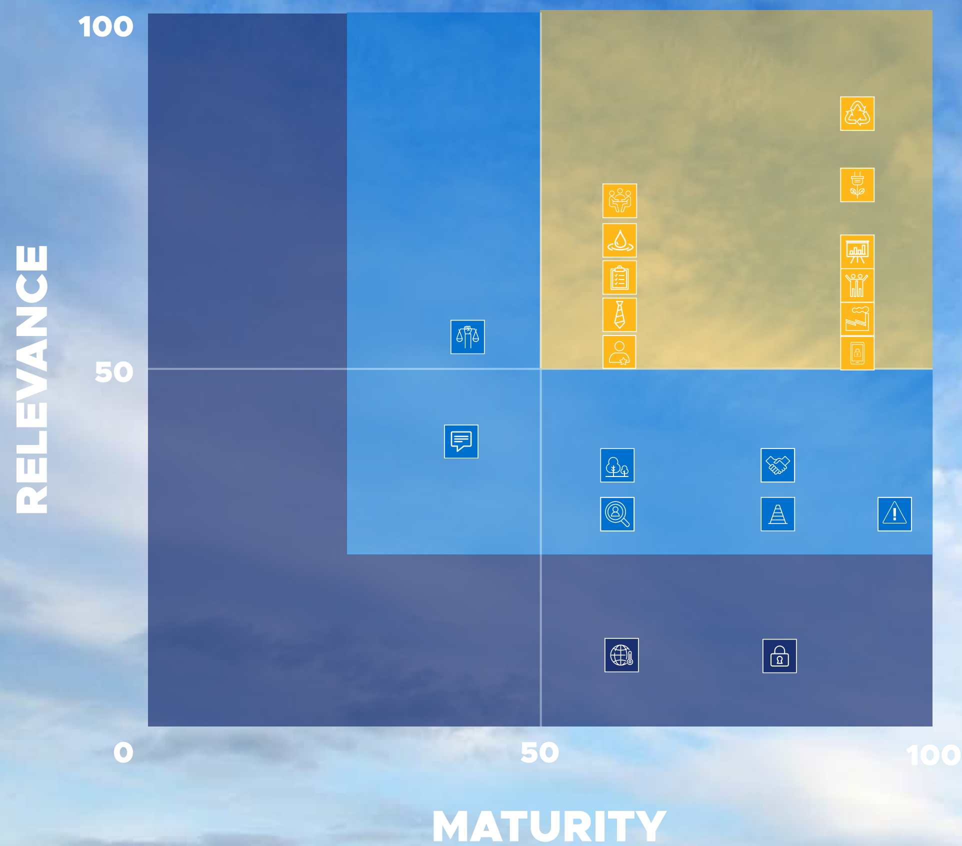
ENVIRONMENTAL SUSTAINABILITY
in our operations and supply chain

Commitment to
OUR COMMUNITY AND CUSTOMERS

The best practices in
CORPORATE GOVERNANCE

G4-19, G4-20, G4-21, G4-24, G4-25, G4-26, G4-27

MATERIALITY



MATERIAL STRATEGIES

- Waste
- Energy
- Supply chain development
- Water
- Associate development
- Employment and work conditions
- Corporate governance
- Diversity and equal opportunities
- Emissions
- Supply chain assessment
- Customer service and protection

IMPORTANT

- Human rights
- Dialogue with stakeholders
- Biodiversity
- Commitment with local communities
- Ethics and compliance/ anticorruption
- Occupational health and safety
- Crisis and risk management

NON-MATERIAL

- Climate change
- Customer privacy

G4-19, G4-20, G4-21, G4-24, G4-25, G4-26, G4-27

GRI G4 CONTENT INDEX

INDICATOR	DISCLOSURE	PAGE	EXTERNAL ASSURANCE**
	Strategy and Analysis	3-11	NO
	Organizational Profile	31	NO
	Report Parameters	175-177	NO
	Report Scope	175-177	NO
	Governance, commitments and engagement	112-122	NO
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Operational structure, referencing the information in publicly available consolidated financial statements or equivalent documents	38, 39, 44, 45	YES
G4-18*	Process for defining the report content and the aspect boundaries	175	NO
G4-19	List all the material aspects identified in the process for defining report content	175-177	NO
G4-20	For each material aspect, report the aspect boundary within the organization, report whether the aspect is material within the organization	175-177	NO
G4-21	For each material aspect, report the aspect boundary outside the organization	175-177	NO
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	45	NO
G4-23	Significant changes related to previous reports	There were no significant changes	NO
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organization	175-177	NO
G4-25	Basis for identification and selection of stakeholders with whom to engage	175-177	NO
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	175-177	NO
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	175-177	NO
ECONOMIC			
EC1	Direct economic value generated and distributed	38-45	YES
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	103	YES
EC3	Coverage of the organization's defined benefit plan obligations	51-53, 58, 88	YES
EC4	Financial assistance received from government	For the Fiscal Year 2015, whose declaration was submitted on March, 2016, a tax stimulus was carried out, as foreseen on Article 186, Paragraph Two of the Income Tax Law. Derived from the implementation of said stimulus, Walmart de México had an economic benefit totaling 4.8 million pesos.	YES
EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	58	YES
EC6	Proportion of senior management hired from the local community at significant locations of operation	55	YES
EC7	Development and impact of infrastructure investments and services supported	Not applicable	YES
EC8	Significant indirect economic impacts, including the extent of impacts	63-66	YES
EC9	Proportion of spending on local suppliers at significant locations of operation	63-66	YES

GRI Materiality Disclosures Walmart de México y Centroamérica Apr 2017 Service

* Walmex does not report the full process for defining the report content because is an internal process of working within all areas of the Company, this information is subject to specific confidentiality constraints.
** External assurance in process

GRI G4 CONTENT INDEX

INDICATOR	DISCLOSURE	PAGE	EXTERNAL ASSURANCE**
ENVIROMENTAL			
EN1	Materials used by weight or volume	110	YES
EN2	Percentage of materials used that are recycled input materials	110	YES
EN3	Energy consumption within the organization	97, 99	YES
EN4	Energy consumption outside of the organization	Not available	YES
EN5	Energy intensity	98	YES
EN6	Reduction of energy consumption	96-97 The method used to determine reduction in energy use consists of the total sum of electricity used, as per billing during the reported year, compared to use for the previous year in comp stores, thereby comparing equal periods.	YES
EN7	Reductions in energy requirements of products and services	97, 99	YES
EN8	Total water withdrawal by source	108 Some of the volumes are estimates, due to a lack of consumer invoices. Reuse volumes are estimated by the companies who operate the treatment plants.	YES
EN9	Water sources significantly affected by withdrawal of water	97	YES
EN10	Percentage and total volume of water recycled and reused	108	YES
EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	111	YES
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	111	YES
EN13	Habitats protected or restored	We have various initiatives in volunteerism to protect or restore different habitats in each of the countries that we serve. In Mexico we conducted 199 activities in streams, forests, fields, hillsides, gardens, lagoons, parks, beaches, dams, and zoos regarding reforestation, maintenance and cleanup; as an example, we helped reforest the Cerro de Jaguey, locacted in Chapala, Jalisco. Throughout Central America we planted over 8,700 trees. In Guatemala, for example, a recycling and reforestation campaign took place, thereby reforesting 6.93 hectares.	YES
EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not available	YES
EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	101	NO
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	101	NO
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	101	NO
EN18	Greenhouse gas (GHG) emissions intensity	101	NO
EN19	Reduction of greenhouse gas (GHG) emissions	100	NO

** External assurance in process

GRI G4 CONTENT INDEX

INDICATOR	DISCLOSURE	PAGE	EXTERNAL ASSURANCE**
EN20	Emissions of ozone-depleting substances (ODS)	100	NO
EN21	NOx, SOx, and other significant air emissions	100 Atmospheric emissions from transporting wastes is not defined in Mexico due to a lack of national emission factors.	NO
EN22	Total water discharge by quality and destination	108	YES
EN23	Total weight of waste by type and disposal method	93	YES
EN24	Total number and volume of significant spills	Mexico had two significant diesel spills. The first case, concerning 1,350 liters in the state of Chihuahua, was due to failures in level hoses, floats, valves and/or piping. The second incident, in Puebla, involved 3,250 liters spilled due to level hoses, floats, valves and/or piping. In Cental America we experienced 27 cases of chemical spills or leaks, none of which resulted in material impact for the business, or in actions filed by the authorities (fines or sanctions). Of these cases, 68% correspond to LP gas leaks, the majority of which resulted from faulty cylinders.	YES
EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention2 Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	93	YES
EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Not applicable	YES
EN27	Extent of impact mitigation of environmental impacts of products and services	105	YES
EN28	Percentage of products sold and their packaging materials that are reclaimed by category	105	YES
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	1.2 million pesos for the payment of 25 fines	YES
EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	100, 102	YES
EN31	Total environmental protection expenditures and investments by type	102	YES
EN32	Percentage of new suppliers that were screened using environmental criteria	67-71	YES
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	67-71	YES
EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	9 claims concerning noise, solved	YES

** External assurance in process

GRI G4 CONTENT INDEX

INDICATOR	DISCLOSURE	PAGE	EXTERNAL ASSURANCE**
LABOR PRACTICES AND DECENT WORK			
LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	56	YES
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	53	YES
LA3	Return to work and retention rates after parental leave, by gender	52	YES
LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	The law does not include this figure	YES
LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	61	YES
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	61	YES
LA7	Workers with high incidence or high risk of diseases related to their occupation	61	YES
LA8	Health and safety topics covered in formal agreements with trade unions	Compliance with labor law in each country where we operate	YES
LA9	Average hours of training per year per employee by gender, and by employee category	46, 50, 62	YES
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	47-50	YES
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	50	YES
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	55	YES
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	55	YES
LA14	Percentage of new suppliers that were screened using labor practices criteria	67-71	YES
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	67-71	YES
LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	58	YES
HUMAN RIGHTS			
HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	67-71	YES
HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	54	YES
HR3	Total number of incidents of discrimination and corrective actions taken	117	YES
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	58, 67-71	YES
HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	58, 67-71	YES
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	58, 67-71, 117	YES
HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	117	YES
HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	Not available	YES
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	117	YES
HR10	Percentage of new suppliers that were screened using human rights criteria	67-71	YES

** External assurance in process

GRI G4 CONTENT INDEX

INDICATOR	DISCLOSURE	PAGE	EXTERNAL ASSURANCE**
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	67-71	YES
HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanismsn	117	YES
SOCIETY			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	79-88	YES
SO2	Operations with significant actual or potential negative impacts on local communities	There were 94 claims in Mexico on social impact, attended by Community Support Area.	YES
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	119	YES
SO4	Communication and training on anticorruption policies and procedures	119	YES
SO5	Confirmed incidents of corruption and actions taken	Report of Independent Auditors, Note 13, paragraph c Legal proceedings, page162-163.	YES
SO6	Total value of political contributions by country and recipient/ beneficiary	119	YES
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	119	YES
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No significant fines were reported	YES
SO9	Percentage of new suppliers that were screened using criteria for impacts on society	67-71, 119	YES
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	67-71, 119	YES
SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	67-71, 117 There were 94 claims in Mexico on social impact, attended by Community Support Area.	YES
PRODUCT RESPONSIBILITY			
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	72-78	YES
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	76	YES
PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	77	YES
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	78	YES
PR5	Results of surveys measuring customer satisfaction	26-27, 66	YES
PR6	Sale of banned or disputed products	78	YES
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	78	YES
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	119	YES
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	78	YES

** External assurance in process

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