MANAGEMENT COMMENTARY

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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.