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.

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.