

2017



**Beyond**  
*shopping*

# Contents 2017



1. Message from the **Chairman of the Board and from the CEO**
2. Growing in a **sustainable and profitable manner**
3. Offering an **omnichannel experience**
4. Having a **more efficient operation**
5. Providing **great job opportunities**
6. Developing a **responsible and inclusive supply chain**
7. Operating a **more sustainable business**
8. Building **strong communities**
9. Corporate **Governance**
10. Indexes, **awards** and rankings
11. Corporate Responsibility **strategy**
12. Management **comments and analysis**
13. Audit and **Corporate Practices Committees Report**
14. Report of **Independent Auditors**
15. **Glossary**
16. Investor **information**

# Our accomplishments 2017

**+7.7** Consolidated  
total income growth



**Our vision** be  
the safest Company  
to shop and work



**48.19 MXN**  
Record high  
price per share



**Equality  
Certification Mx**  
for being a Company that  
promotes LGBT+ diversity  
and inclusion



**42.8 MXN Billion**  
Record payment  
of dividends



**35,089** suppliers,  
**94%** of merchandise is  
purchased in Mexico



**237,055 associates**  
51% women  
49% men





All our stores and clubs  
are run as **Centers  
of Excellence**

**47 new stores**  
Highest growth rate  
in 3 years in  
Central America



We broadened our  
**price gap**  
vs competitors



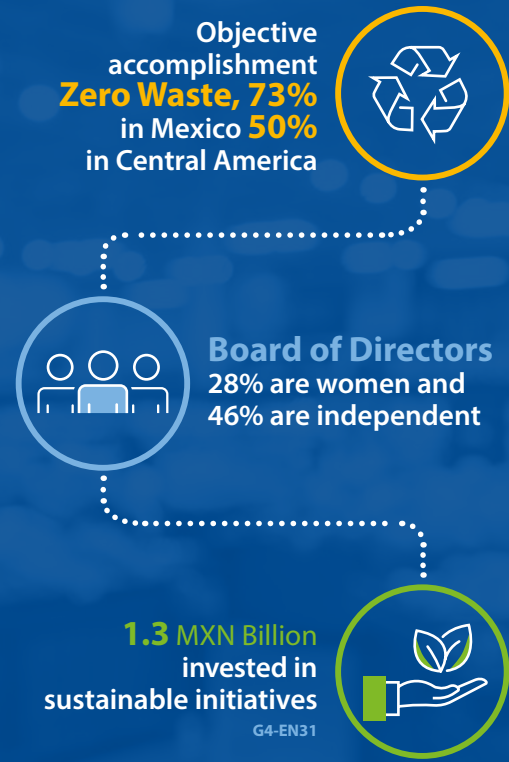
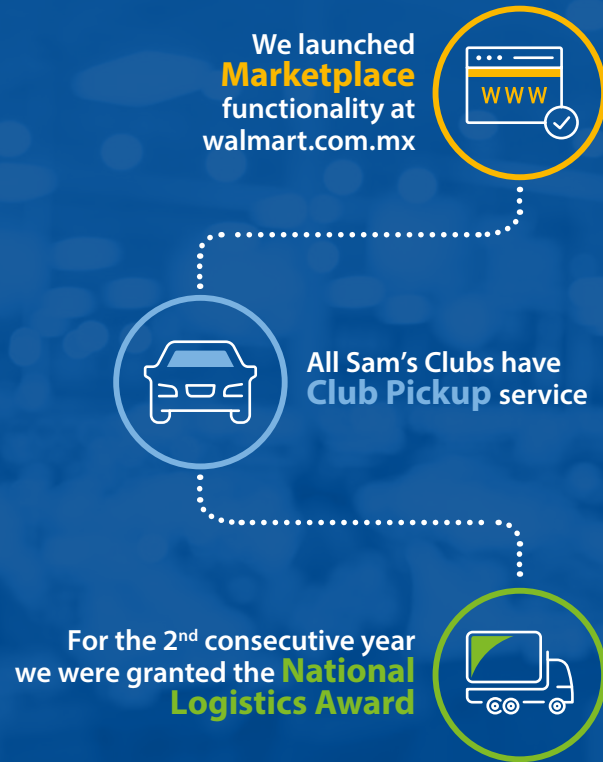
**15,966** small  
suppliers were  
developed

**91%** of our stores  
are supplied with  
**renewable energy**  
in Mexico



**1.41%** energy  
saving vs. 2016







# Message from the Chairman of the Board and from the CEO

At Walmart de México y Centroamérica we reinforce our commitment to improving the quality of life for families in the region by making our value proposition of every day low prices available to our customers, as well as providing an omnichannel shopping experience.

This year we achieved positive and consistent results, a reflection of the proper execution of our strategy of integrating our brick-and-mortar stores with digital platforms, thus generating greater loyalty among our customers by offering shopping solutions that satisfy their habits and preferences, but always with high standards in quality and service.

The results achieved for 2017 were the product of consistent sales growth year long, in all countries and regions where we operate, and in all formats and merchandise divisions. Our gross margin increased due to cost efficiencies realized, despite an increase in investments made to widen price gaps vis-à-vis our competitors, and to ensure market competitiveness that further drives sales. We were able to leverage expenses through the efficiencies accomplished in our operations, thereby increasing profits at a greater proportion than our sales.

The total income for our Company amounted to \$573.3 billion pesos, an amount which represents 7.7% growth over last year. Our EBITDA totaled \$55.5 billion pesos, 10.6%

higher than figures posted for 2016, and equivalent to 9.7% of total income. Net income amounted to \$39.9 billion pesos, representing 19.5% more than the previous year.

To continue building the future of our operation, we invested \$17.4 billion pesos during the year, of which 42% was to improve and modernize the current store base; 36% invested in 125 new units that contributed 2.2 percentage points to the growth of total sales for the Company; and the remaining 22% was invested in eCommerce, Technology, Logistics and Perishables.

Our price per share has achieved record highs, thanks to our results and the confidence that our shareholders and the investor public have in our vision and operation. While investing resources in productive assets and generating \$54.4 billion pesos in cash, we also responded to the confidence our shareholders have in us with the payment of dividends. This year we rewarded our shareholders by paying \$42.8 billion pesos in dividends, that is, \$2.48 pesos per share; this dividend payment includes \$0.14 pesos per share of the dividend decreed in 2016 and paid in February 2017, and \$1.86 pesos per share as an extraordinary dividend.

All these accomplishments were made possible through the efforts and teamwork of our more than 237,000 associates and around 63,000 suppliers, thanks to whom we were able to grow consistently and profitably in all the countries where we operate, in all our formats, and all our merchandise divisions.

Mexico posted sound sales performance in all the different formats, each one achieving comp growth above ANTAD



 **Enrique Ostalé**  
Chairman of the Board of Directors  
Walmart de México y Centroamérica

Self-service and Clubs, and ANTAD as a whole. We successfully implemented the concept of Centers of Excellence in all our self-service units, with high standards that respond to the needs of our customers and in keeping with the value proposition of each business format. Moreover, our omnichannel shopping experience was further reinforced by equipping more stores and clubs with systems such as Click & Collect; Club Pickup; and Grocery Home Delivery, thus letting our customers and members shop as they prefer and/or need. We also enhanced our portal walmart.com.mx with our Marketplace functionality, a platform through which we extend our product catalog by encompassing a greater number of commercial partners.

Our operations in Mexico, representing 81% of total company sales, amounted to \$465.9 billion pesos, 7.6% higher than that posted for 2016; and the \$46.3 billion pesos in EBITDA represent 9.9% of total revenue.

Whereas in Central America, we continue operating with increasing profitability, growing our sales in all countries of the region, achieving improved management of our margin levels, and exercising disciplined control over expenses. The successful implementation of strategies defined for Central America have produced excellent results, which include the growing of total income by 8.7%, on a constant currency basis, thus amounting to

\$107.4 billion pesos; expanding margins by 60 basis points, and although expenses were not leveraged, our operating income grew 14.7% and EBITDA amounted to \$9.2 billion pesos with 14.4% growth, as compared to last year.

Our Company has a long history and presence, always seeking to make significant contributions to sustainable development. We aspire to create Shared Value by building a business that benefits all our stakeholders, making us the most reliable retailer and of which we can feel very proud. Our social commitment is reflected in the specific actions undertaken to benefit our community and the environment.

The Human Rights Campaign Foundation has granted us HRC Equality MX certification for our policies and practices in favor of diversity and inclusion of the LGBT+ community. Currently, 91% of our units in Mexico are supplied with renewable energy, making us the leader in the use of clean energy within the retail industry. We contribute to a circular economy through our efficient use of materials, and we foster a supply chain resistant to environmental and social variables.

This year we supported and helped develop over 15,000 small farmers so they could increase their low levels of income by improving their profitability and by becoming a sales channel for their products.

 **Guilherme Loureiro**

President and CEO  
Walmart de México y Centroamérica



This year we achieved positive and consistent results, a reflection of the proper execution of our strategy.



**We integrated**  
our physical stores and  
digital platforms

Our price per  
share achieved  
**record highs**



We have been included  
in the recently launched  
**Bloomberg Index for  
Gender Equality**

Included in this year's activities is the humanitarian assistance we always provide to communities affected by natural disasters, as it was the case during the September 2017 earthquakes, when we responded by donating 40 million pesos in cash as well as 300 ton worth of merchandise.

In recognition of our performance in the field of Corporate Social Responsibility, for the sixth consecutive year we are members of the Sustainability Index of the Mexican Stock Exchange. Likewise, we remain in the FTSE4GoodEmerging Index for the second year, and we have been included in the recently launched Bloomberg Index for Gender Equality. Additionally, the Mexican Center for Philanthropy (Cemefi, per its acronym in Spanish) has bestowed its distinction as a Socially Responsible Company for the 17th consecutive year.

**Enrique Ostalé**

President of the Board of Directors  
Walmart de México y Centroamérica

Our Company is permanently committed to the highest ethical and legal standards, enabling us to guarantee our stakeholders the correct and continuous flow of our operations.

It is with profound gratitude that we thank our associates for all their hard work, our commercial partners for their cooperation, our shareholders for their confidence in us, and our customers for their preference and loyalty. Rest assured, all of you, that we shall continue focusing on developing a shopping experience that helps Mexican and Central American families save money and live better.

**Guilherme Loureiro**

President and CEO  
Walmart de México y Centroamérica

**Growing in a  
sustainable and  
profitable manner**



In 2017, we achieved positive and consistent results, thus we continue growing in a sustainable and profitable manner. We integrated our brick-and-mortar business with digital platforms to better satisfy the habits and preferences of our customers, always with high operating standards and focusing on efficiency, so as to generate the resources needed to continue investing and ensure the future growth of our Company.

This year we were able to consistently grow our sales in all the countries throughout the region where we are present, in all our formats and merchandise divisions. Investments were made in prices to maintain our market competitiveness and to further drive sales. Thanks to operational efficiency, our expense levels were controlled, despite investments made, to ensure the future of the business; as a result, profits grew over sales, a firm reflection of the soundness of the business.



**+7.7%**  
**Total  
Income**



**+10.6%**  
**EBITDA**



**+11.1%**  
**Operating  
Income**



**48.19**  
MXN per share  
**Record high**



**42.8**  
MXN Billion  
**Dividends Paid  
Record high**



# Walmex Share MSE 2017

(MXN)

**+30.1%**  
Growth

**48.19**

12 · 29 · 2017

Record high

**37.05**

12 · 30 · 2016

DEC  
2016

JAN

FEB

MAR

APR

MAY

JUN

JUL

AUG

SEP

OCT

NOV

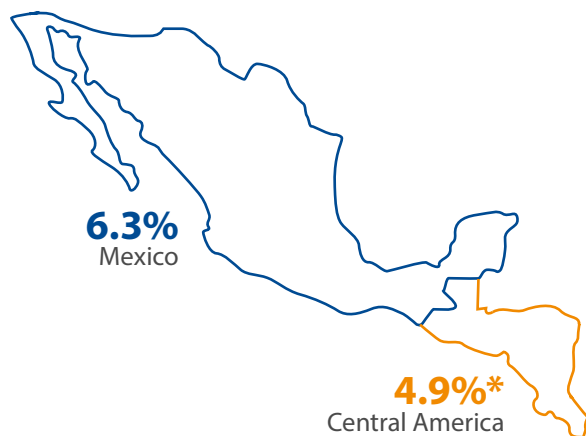
DEC  
2017



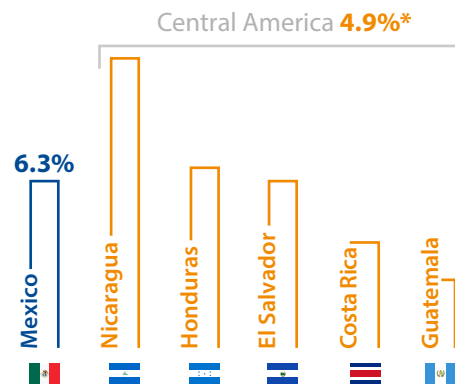
# Growth by country, format and division

## Comp Stores Growth Walmex

January-December 2017



\*On a constant currency basis



By country



By format in Mexico



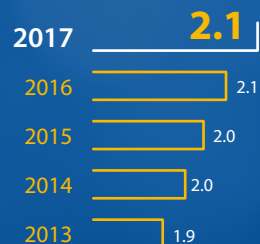
By division in Mexico



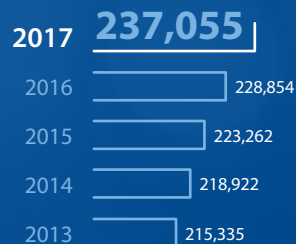
By region in Mexico

# Key performance indicators

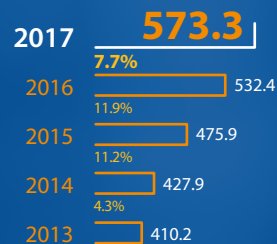
Customers Served<sup>1</sup>  
Billion



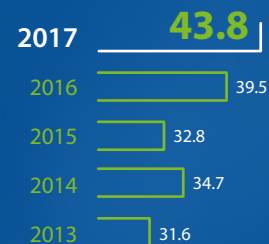
Number of Associates<sup>1</sup>



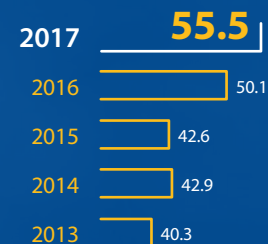
Total Income<sup>1</sup>  
MXN Billion  
% Total Sales Growth



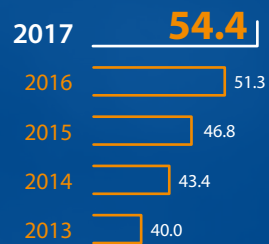
Operation Income<sup>1</sup>  
MXN Billion



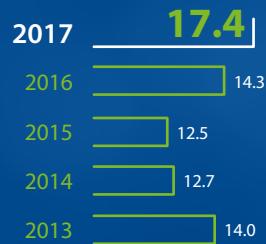
EBITDA<sup>1</sup>  
MXN Billion



Cash Generation<sup>2</sup>  
MXN Billion



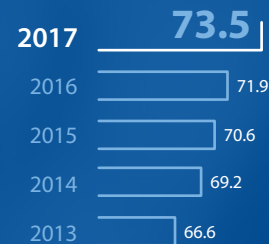
Investment in Fixed Assets<sup>2</sup>  
MXN Billion



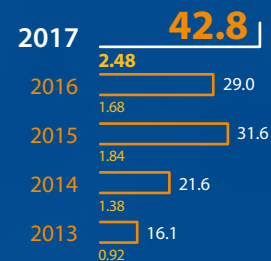
Total Units<sup>1</sup>



Sales Floor<sup>1</sup>  
Million Square Feet



Dividends Paid  
MXN Billion  
MXN per share



<sup>1</sup> Walmex excluding Banco Walmart, Vips and Suburbia

<sup>2</sup> Excludes Suburbia since 2016

# Financial Highlights

## Consolidated figures

Our sound and consistent sales performance during 2017 has generated 7.7% growth in total consolidated income, equivalent to \$573.3 billion pesos.

We expanded our margins by 20 basis points, from 22.1% to 22.3%, a reflexion of the right execution of our cost efficiency initiatives, without undermining the achieved price gap that maintains market competitiveness.

Our expenses have been kept at the same level as last year, that is, 14.6% as a percentage of total income, growing below sales. This has been possible thanks to the operating efficiencies that freed up resources for investments needed to continue modernizing our store base, and making it possible to open a greater number of new units and broadening our technological capacities.

As a result of solid sales and disciplined expense controls, our operating income reached \$43.8 billion pesos, a 20-basis point expansion as a percentage of income, and 11.1% above amounts reported for 2016.

Likewise, our EBITDA amounted to \$55.5 billion pesos, which is a solid 10.6% increase over the previous year, and a 30-basis point expansion as a percentage of income.





We set aside \$17.4 billion pesos for investment in fixed assets, thus enabling us to continue with our program to open new stores, broaden our logistics network, modernize our technological platform, and remodel our base of existing units, all with the purpose of responding to new trends and market needs.

This year we opened 125 new stores in Mexico and in Central America, thus contributing 1,884,023 additional square feet to the existing sales floor, and 2.2 percentage points to consolidated sales growth.

We are grateful to the trust placed in us by our shareholders –through the constant payment of dividends– which in 2017 reached a record number of \$42.8 billion pesos, that is, 2.48 pesos per share. Said expenditure was as follows: 0.14 pesos per share corresponding to the remaining ordinary dividend decreed in 2016 and paid this year; 0.64 pesos per share as an ordinary dividend decreed this year, of which 0.16 pesos per share shall be paid in 2018; and 1.86 pesos per share as extraordinary dividend decreed and paid in 2017, which includes 0.96 pesos per share as extraordinary dividend stemming from the sale of Suburbia.



The Company balance sheet closed the year with \$35.6 billion pesos in cash, some 27.2% above those levels posted for 2016, as a result of solid sales, expense controls, and improvements in working capital.

The financial strength and discipline that characterize our Company allow us to continue generating the resources needed for our operations, but always with a long-term view and with consistently investing in the business, enabling us to take our value proposition to more customers throughout Mexico and Central America. This year our cash generation totaled \$54.4 billion pesos, proof of our solid and sustained growth.

### Mexico

Total income in Mexico reported 7.6% growth over the previous year, amounting to \$465.9 billion pesos as a result of good sales performance in all our business formats, merchandise divisions, and regions throughout the country. In parallel, our ecommerce business represented 1.0% of total sales and contributed with 0.3 percentage points in sales growth.

Our gross margin grew 20 basis points as a percentage of income, going from 21.7% to 21.9%, thanks to operational initiatives and certain reclassifications.

As a result of consistently applying productivity measures, the percentage of expenses over total income dropped 10 basis points, despite investments made to respond to market and future needs.

Stemming from the above, operating income levels grew 10.6%, and reached 8.0% as a percentage of income, representing 20 basis points in growth over figures reported for 2016.

Moreover, EBITDA –equivalent to \$46.3 billion pesos- grew 10% over the previous year, which represents 20 basis points in increase as a percentage of income, that is, from 9.7% to 9.9%.

Installed capacity throughout Mexico increased 1,413,485 square feet with the opening of 78 new units, which in turn contributed 1.3 percentage points to consolidated sales growth.





### Central America

Total income for Central America amounted to \$107.4 billion pesos, 19% of total consolidated income for the Company, as well as 8.1% and 8.7% growth over last year, on a constant currency basis. This is the result of solid sales performance in all countries and all the formats, supported by improvements in price gaps, increased reinforcement of key business categories, and store opening rates that surpassed established goals.

Similar to achievements made in Mexico, in Central America we were able to expand our margins from 23.5% to 24.1% as a percentage of total income, resulting from operation improvements, especially in the agro-industry division.

General expenses grew 20 basis points over 2016, due to the costs generated with the opening of a greater number of units throughout the year, and investments made to improve existing stores.

As a consequence of consistent sales growth and properly managing margins, operating income posted 40 basis points in growth -from 5.8% to 6.2%- as a percentage in total income; EBITDA amounted to \$9.2 billion pesos -growing from 13.7% to 14.4%- without exchange rate considerations, and 8.5% regarding income.

The aforementioned accelerated rate of expansion is reflected in the 47 new stores opened in the region, which contributed an additional 470,537 square feet in sales floor, and 0.9 percentage points to consolidated sales growth.

## Mexico

**465.9**  
Total Income  
in Mexico  
**+7.6%** vs 2016

**21.9%**

Gross Margin  
+20 bp<sup>1</sup>

**78**

New  
stores

**+10.6%**

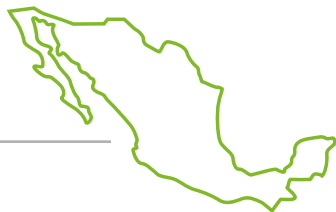
Operating Income  
+20 bp<sup>1</sup>

**1.0%**

Share of  
eCommerce  
in Total Sales

**46.3**

MXN Billion  
EBITDA  
+10.0%



## Total Income

**573.3**

MXN Billion

**+7.7%**  
vs 2016



## Central America

**107.4**

Total Income  
in Central America  
**+8.7%**<sup>2</sup> vs 2016

**24.1%**

Gross Margin  
+60 bp<sup>1</sup>

**9.2**

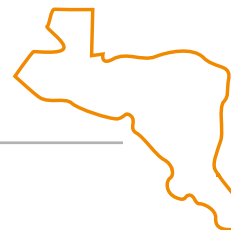
MXN Billion  
EBITDA  
+14.4%<sup>2</sup>

**+14.7%**<sup>2</sup>

Operating Income  
+40 bp<sup>1</sup>

**47**

New  
stores



<sup>1</sup>Basis points

<sup>2</sup>On a constant currency basis

# Income Statement and Balance Sheet

At December 31, 2017 (MXN Billion)



## Consolidated

	2017	%	2016	%	% increase
<b>Total income</b>	573.3	100	532.4	100	7.7
Gross margin	127.7	22.3	117.5	22.1	8.7
General expenses	83.7	14.6	77.8	14.6	7.5
Operating income	43.8	7.6	39.5	7.4	11.1
EBITDA	55.5	9.7	50.1	9.4	10.6

## Assets

Cash  
**35.6**

Inventories  
**59.5**



Fixed Assets  
& Others  
**200.2**

## Liabilities & Equity

Suppliers  
**80.1**



Equity  
& Others  
**215.2**

**Total**  
**295.3**



# Financial Summary

MILLION PESOS G4-17

	* IFRS										** MFRS			
	2017	2016 <sup>(8)</sup>	2015 <sup>(7)</sup>	2015 <sup>(6)</sup>	2014 <sup>(4)</sup>	2013 <sup>(4)</sup>	2013 <sup>(1)</sup>	2012 <sup>(1)</sup>	2012	2011	2011	2010	2009	2008
Mexico GDP (Growth,%)	2.1	2.3	2.5	2.5	2.1	1.1	1.1	3.9	3.9	3.9	3.9	5.5	(6.1)	1.5
Mexico Annual Inflation (%)	6.8	3.4	2.1	2.1	4.1	4.0	4.0	3.6	3.6	3.8	3.8	4.4	3.6	6.5
Peso Devaluation (%)	(5.2)	19.2	18.0	18.0	13.0	1.4	1.4	(7.9)	(7.9)	12.9	12.9	(5.6)	(4.5)	25.5
Average Exchange Rate	18.9	18.7	15.9	15.9	13.3	12.8	12.8	13.1	13.1	12.5	12.5	12.6	13.4	11.2
Year-end Exchange Rate	19.7	20.7	17.4	17.4	14.7	13.0	13.0	12.9	12.9	14.0	14.0	12.4	13.1	13.7
Mexico Average Interest Rate (28 Day Cetes, %)	6.7	4.2	3.0	3.0	3.0	3.8	3.8	4.2	4.2	4.2	4.2	4.4	5.4	7.7
<b>RESULTS</b>														
NET SALES	569,367	528,571	472,460	485,864	437,659	420,577	420,577	407,843	413,792	375,280	379,021	334,511	269,397	244,029
% of growth total units	8	12	11	11	4	3	3	NA	10	12	13	24	10	11
% of growth comp units	6	10	9	9	1	(1)	(1)	4	4	4	4	3	3	5
OTHER INCOME	3,898	3,813	3,451	3,503	3,329	3,246	4,584	4,217	4,259	3,570	1,885	1,346	1,054	888
% of growth	2	11	NA	5	3	NA	9	NA	19	NA	40	28	19	13
TOTAL REVENUES	573,265	532,384	475,911	489,367	440,988	423,823	425,161	412,060	418,051	378,850	380,906	335,857	270,451	244,917
% of growth	8	12	NA	11	4	NA	3	NA	10	NA	13	24	10	11
GROSS PROFIT	127,695	117,484	102,603	107,380	97,619	92,948	93,624	90,228	94,597	85,109	83,698	74,059	58,600	53,284
% of profit margin	22.3	22.1	21.6	21.9	22.1	21.9	22.0	21.9	22.6	22.5	22.0	22.1	21.7	21.8
GENERAL EXPENSES	83,684	77,834	69,548	72,235	64,010	61,318	62,102	58,541	61,926	55,574	53,619	47,015	36,332	33,533
% of total revenues	14.6	14.6	14.6	14.8	14.5	14.5	14.6	14.2	14.8	14.7	14.1	14.0	13.4	13.7
OPERATING INCOME	43,838	39,455	32,828	34,969	34,716	31,636	31,532	31,422	32,399	29,591	30,079	27,044	22,268	19,751
% of total revenues	7.6	7.4	6.9	7.1	7.9	7.5	7.4	7.6	7.7	7.8	7.9	8.1	8.2	8.1
% of growth	11	20	NA	1	10	NA	0	NA	9	NA	11	21	13	8
EBITDA	55,482	50,149	42,592	44,993	42,854	40,305	40,222	39,860	41,166	37,188	37,415	33,294	26,915	23,887
% of total revenues	9.7	9.4	8.9	9.2	9.7	9.5	9.5	9.7	9.8	9.8	9.8	9.9	10.0	9.8
FINANCIAL INCOME (EXPENSES), NET	(548)	(323)	89	55	(154)	(16)	(15)	401	399	189	191	460	662	474
INCOME BEFORE INCOME TAX	43,290	39,132	32,917	35,024	34,562	31,620	31,517	31,823	32,798	29,780	30,198	27,630	23,018	19,857
INCOME TAX	10,900	10,623	9,473	10,087	9,521	9,632	9,517	9,237	9,529	7,695	7,939	8,066	6,212	5,184
DISCONTINUED OPERATIONS	7,475	4,842	2,935	1,442	5,394	725	713	683	-	-	-	-	-	-
CONSOLIDATED NET INCOME ATTRIBUTABLE TO THE PARENT	39,865	33,352	26,376	26,376	30,426	22,717	22,717	23,275	23,275	22,080	22,254	19,550	16,806	14,673
% of growth	19.5	26.5	(13.3)	(13.3)	33.9	(2.4)	(2.4)	5.4	5.4	NA	13.8	16.3	14.5	5.1
<b>FINANCIAL POSITION</b>														
CASH	35,596	27,976	24,791	24,791	28,048	21,129	21,129	28,163	28,163	25,166	25,166	24,661	19,483	11,350
INVENTORIES	59,463	53,665	49,749	49,749	47,175	43,795	43,795	39,092	39,092	39,336	40,163	29,023	22,507	22,794
OTHER ASSETS	22,742	30,881	15,831	15,831	19,475	19,510	19,510	12,909	12,909	13,579	13,249	9,056	6,256	5,034
FIXED ASSETS	140,082	136,349	130,222	130,222	125,996	121,083	121,083	117,377	117,377	111,372	116,680	102,300	84,893	79,286
GOODWILL	37,373	39,421	33,057	33,057	28,020	24,745	24,745	24,745	24,745	29,768	29,768	29,768	-	-
TOTAL ASSETS	295,256	288,292	253,650	253,650	248,714	230,262	230,262	222,286	222,286	219,221	225,026	194,808	133,139	118,464
SUPPLIERS	80,099	65,919	56,396	56,396	52,710	47,609	47,609	44,770	44,770	50,854	50,854	38,000	30,378	27,005
OTHER LIABILITIES	55,623	55,347	45,433	45,433	45,758	39,702	39,702	37,679	37,679	39,184	40,894	33,948	19,613	17,183
EQUITY	159,534	167,026	151,795	151,795	150,223	142,931	142,931	139,701	139,701	128,867	132,962	122,531	83,148	74,276
NON-CONTROLLING INTEREST	-	-	26	26	23	20	20	136	136	316	316	329	-	-
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTEREST	295,256	288,292	253,650	253,650	248,714	230,262	230,262	222,286	222,286	219,221	225,026	194,808	133,139	118,464

	* IFRS										** MFRS			
	2017	2016 <sup>(8)</sup>	2015 <sup>(7)</sup>	2015 <sup>(6)</sup>	2014 <sup>(4)</sup>	2013 <sup>(4)</sup>	2013 <sup>(1)</sup>	2012 <sup>(1)</sup>	2012	2011	2011	2010	2009	2008
<b>NUMBER OF UNITS MEXICO</b>														
Bodega Aurrera	1,820	1,763	1,719	1,719	1,660	1,589	1,589	1,423	1,423	1,204	1,204	899	684	442
Walmart	270	262	256	256	251	243	243	227	227	213	213	192	169	153
Sam's Club	162	160	160	160	159	156	156	142	142	124	124	108	98	91
Superama	94	96	95	95	93	92	92	90	90	88	88	75	69	67
Suburbia	–	–	117	117	116	109	109	100	100	94	94	90	86	84
Medimart Pharmacies	10	10	10	10	10	10	10	6	–	–	–	–	–	–
Vips Restaurants	–	–	–	–	–	–	–	365	365	364	364	366	360	360
TOTAL	2,356	2,291	2,357	2,357	2,289	2,199	2,199	2,353	2,347	2,087	2,087	1,730	1,466	1,197
<b>NUMBER OF UNITS CENTRAL AMERICA</b>														
Discount Stores	522	495	484	484	477	466	466	459	459	453	453	401	377	–
Supermakets	94	92	99	99	96	100	100	97	97	96	96	94	92	–
Bodegas	133	117	102	102	94	75	75	67	67	54	54	36	32	–
Walmarts	29	27	24	24	22	20	20	17	17	17	17	16	16	–
Clubs	–	–	–	–	1	1	1	2	2	2	2	2	2	–
TOTAL	778	731	709	709	690	662	662	642	642	622	622	549	519	–
<b>Banco Walmart</b>														
Bank branches	–	–	–	–	–	201	201	263	263	263	263	263	190	38
<b>OTHER INFORMATION AT THE END OF THE YEAR</b>														
Number of Associates	237,055	228,854 <sup>(9)</sup>	231,996	231,996	228,063 <sup>(5)</sup>	224,901 <sup>(5)</sup>	226,289 <sup>(3)</sup>	248,246	248,246	238,128	238,128	219,767	176,463	170,014
Share Price <sup>(2)</sup> (pesos)	48.19	37.05	43.49	43.49	31.72	34.26	34.26	42.33	42.33	38.23	38.23	35.44	29.35	18.50
Number of Outstanding Shares <sup>(2)</sup> (millions)	17,461	17,461	17,461	17,461	17,507	17,627	17,627	17,722	17,722	17,747	17,747	17,848	16,752	16,870
Market Value	841,446	646,930	759,379	759,379	555,322	603,901	603,901	750,172	750,172	678,471	678,471	632,533	491,671	312,095
Earnings per Share <sup>(2)</sup> (pesos)	2.283	1.910	1.508	1.508	1.732	1.284	1.284	1.312	1.312	1.240	1.250	1.105	0.999	0.866
Payment of Dividends	42,756	28,972	31,562	31,562	21,643	16,056	16,056	9,612	9,612	9,659	9,659	5,743	5,040	4,902
Number of Shares Repurchased <sup>(2)</sup> (millions)	–	–	47	47	123	96	96	27	27	103	103	112	117	152
Investment in Shares Repurchasing Operations	–	–	1,825	1,825	3,996	3,328	3,328	1,088	1,088	3,455	3,455	3,472	2,509	2,869
<b>G4-17, G4-22</b>														
<b>ACQUISITIONS OF PROPERTY AND EQUIPMENT</b>	17,426	14,335	12,526	12,526	12,691	13,987	13,987	14,660	14,660	18,352	18,352	13,130	9,735	11,316

1 Vips is presented under Discontinued Operations.

2 Adjusted according to split conducted in April 2010.

3 Vips' associates not included.

4 Banco Walmart's &amp; Vips' results are presented under Discontinued Operations.

5 Banco Walmart's associates not included.

6 Results from Banco Walmart and its sale presented under Discontinued Operations.

7 Suburbia's and Banco Walmart' sales and results are presented under Discontinued Operations.

8 Suburbia's results are presented under Discontinued Operations. Financial position displays reclassifications in presentation, in order to be comparable to 2017 only.

9 Suburbia's associates not included.

\* IFRS = Financial information under International Financial Reporting Standards

\*\* MFRS = Financial information under Mexican Financial Reporting Standards

NA = Non Applicable



# Offering an omnichannel shopping experience





The positive and consistent performance levels of our operation in 2017 is reflected in the execution of our strategy, which in large measure is attributable to the timely integration of our brick-and-mortar stores with digital platforms; this allows us to offer an omnichannel experience by satisfying the differing shopping habits and preferences of our customers. Our Centers of Excellence is a program that reflects the proper execution in our physical stores in Mexico, allowing us to clearly establish the value proposition for each of our operating formats; focus our attention on key merchandise divisions; and align our initiatives so that we may better serve our customers.

## What initiatives are encompassed within the Centers of Excellence?



**New**  
category  
adjacencies



**Clean**  
stores



**Agile**  
service at the  
cash registers



**Service**  
for our customers



**Improved**  
signage



## Bodegas and discount stores

We maintained our focus on price and began laying the foundations for a new online shopping experience.





One of the primary achievements during this year consisted of widening the price gap with our competitors, with special attention paid to key categories such as Produce, Meat, and Bakery. Through the *Morralla* program in Bodega Aurrera -one of the self-service campaigns that have achieved the greatest top-of-mind levels in Mexico- we reinforced messages on price as part of our value proposition. Likewise, in Central America we have offered better prices for Perishables, thus becoming more competitive than even the informal market.

As part of the omnichannel shopping experience in Mexico, we accelerated the expansion of in-store kiosks specializing in ecommerce; with this measure, we offer an extended catalog of products, providing the additional option of letting our customers pay with credit, via our *Credibodega* program.

We launched *Radio Bodega*, the first digital radio station for self-service in Mexico. Its purpose is to build a means of closer communication with our customers, thus enabling us to extend the scope beyond our stores.

**Morralla Campaign**  
We offer products at \$5, \$10, \$15, and \$20 pesos



**I am Bodega**  
A campaign designed to reinforce the feeling of ownership among our associates

**Social Media**  
We are the second largest digital community in the retail sector worldwide, with 8,000,000 Facebook followers





# Hypermarkets

We have a broad assortment for our customers to access items either in store, or via our digital platform, thereby making it possible to satisfy their differing shopping habits and preferences.



260 Stores  
enabled with  
**Click & Collect**



4 Stores  
equipped with  
**Pick Up Here**



**Grocery delivery**  
available in 26 states  
throughout Mexico



We launched the  
**Marketplace**  
functionality



Our Walmart Supercenter units offer easy ways for our customers to purchase grocery and general merchandise items, either in our stores or on line, making their shopping experience simplified and improved. In 2017 we launched the Pick Up Here service, which allows them the opportunity to pick up their orders at the store, but without getting out of their vehicles. Late last year we enabled the Marketplace functionality at our walmart.com.mx portal, thus tripling our online catalog.

During the same year we relaunched our Tuesday Freshness program, offering greater value in Perishables at our every day low prices, with new products and displays, through a robust communication campaign resulting in considerable growth in traffic and sales. In parallel and in response to market needs, we incorporated the Intelligent Home category to our instore product catalog. With this, our customers now have the benefit of purchasing certain items from the safety, comfort, and energy-savings segments.





## Supermarkets

We reinforced our quality and price offerings for an assortment of goods that satisfy the tastes and preferences of our customers, while building at the same time new vehicles for future growth.





As part of our improved shopping experience for our Superama customers, we retrofit our stores with a new image that highlights the quality, price and features of the products offered, including tips for use. The quality and freshness of perishable items has been maintained, offering a greater number of gluten-free and sugar-free products; developing our catalog of organic products; reinforcing communication on Our Brands; and driving our Pharmacy division, with the opening of 80 instore doctor's offices.

In addition to the Grocery Home Delivery service, Superama now offers its customers the possibility of shopping on line and picking up their orders at the store, either via Click & Collect or Pick Up Here. At our [superama.com.mx](http://superama.com.mx) portal, we now have a catalog with over 300 gourmet items, in addition to the assortment available in our stores.

Likewise, we are building new store prototypes that enable us to take our value proposition to a greater number of customers, focusing always on quality, price, and assortment.

81 stores with  
**Click & Collect**  
service



2 stores  
equipped with  
**Pick Up Here**

We opened  
**80 instore**  
doctor's offices





# Membership Warehouse Clubs

Our membership base has grown by reinforcing the value of being a member, and we equipped all our clubs as pickup centers for online orders.





In 2017 we continued highlighting our Sam's Club value proposition, achieving increased memberships thanks to our innovations, differentiated product offerings, competitive prices, and alliances with our commercial partners. As part of the initiatives undertaken to add value to our memberships, we broadened the benefits program to include savings in travel services. In addition we have begun renovating the sales floor of our clubs, growing the space for the categories deemed most important to our members.

With the relaunching of our sams.com.mx portal, we increased our online commercial offering, making it possible for our members to purchase on line 90% of the products available in our clubs. By the close of the year, all our clubs are now equipped with Club Pickup services, and in this manner all members can shop on line and pick up their orders at specialized modules located at our Sam's Club locations. Pick Up Here services are now operating as well, giving our members the possibility to pick up their merchandise without leaving their vehicles.





# Our primary goal is to increase **customer satisfaction**

G4-PR5

At Walmart de México y Centroamérica, the customer is first, *always*. Therefore every day we work to exceed their expectations and listen to their opinions and needs so as to improve our performance.



**CEI** for 100% of Walmart Supercenter, Bodega Aurrera, Mi Bodega, and Superama units



**MEI** for 100% of Sam's Club units

**9% increase** in Bodega Aurrera and Walmart Supercenter customer satisfaction



**+17.7 Million** Surveys applied to customers and members

The purpose of the Customer Experience Index (CEI) and Member Experience Index (MEI) is to monitor the shopping experience within the units, including satisfaction regarding assortment, freshness, product availability, prices, cleanliness, service received while in the unit, etc. These indexes help to improve decision-making and to generate action plans that will ensure the proper operation of the units, in keeping with customer needs and expectations.

### Multichannel Contact Center



Available at our corporate website **24/7**

Comprised by the **Telephone Service Centers** customized for each business format



The convenience of having a scheduled call at a time chosen by the customer

E-mail address

Online chat

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





The tool used in Central America to measure customer satisfaction is Store Track and Customer Pledges, with a sampling of approximately 14,000 surveys per month. The tool allows for evaluating the following points, among others:

- ✱ Our customer pledges, by format
- ✱ Service
- ✱ Other areas such as: bathrooms, safety, parking facilities
- ✱ Perishables
- ✱ Buying share

The results have served as a guideline for working on the more relevant opportunities and for developing programs or initiatives that will improve our customers' in-store shopping experiences.

## Launching Central America Guarantee Policy

Said policy sets the guidelines for enforcing product guarantees in electronics, household appliances, and major appliances; the purpose is to offer our customers enhanced service.







# Having a more efficient operation

G4-EC1





This year we increased our investments to update, evolve, and expand our operation, including the development of digital functionalities focused on serving new consumer trends in Mexico and Central America.

**We reduced**  
the dwell time of our  
products within the  
supply chain



We opened Bodega  
**number 500**  
in Mexico

We developed  
**latest generation**  
work tools



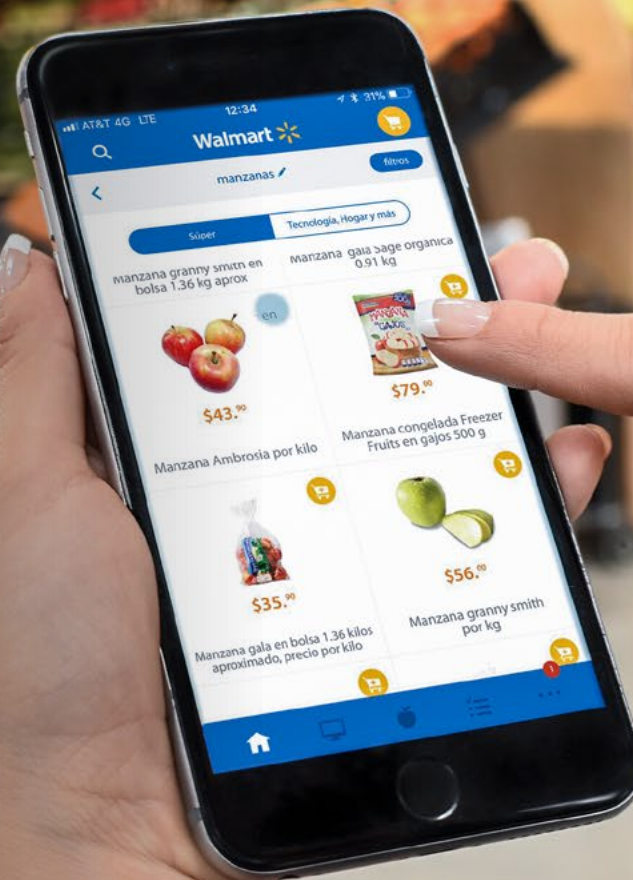
**We doubled**  
the speed of our  
communication  
network



We extended the  
**free wifi service**  
within self-service stores



We developed  
**retail-ready**  
packaging



# Digital transformation

Throughout the year we continued with our priorities of driving digital transformation within the Company, improving interactions with our customers, making our operations more efficient and implementing more modern and effective technological platforms.





We began operating our Digital Lab –an innovation center to generate digital solutions and drive the efficiency of our operations– producing a positive impact for our business. We developed latest generation work tools so as to help our associates simplify their activities, analyze the performance of the business, forecast the results of their actions, and improve the value proposition for our customers. In addition, we began implementing measures that would double the speed of our communication network in operating units and distribution centers, with the purpose of speeding up the transfer of information and decision-making processes throughout the business. We continue conducting multiple reviews, corrections and preventive measures in cybernetic security so as to reduce points of vulnerability throughout our network.

At the store level, our self-service units and warehouse membership clubs have been enabled as collection centers so customers and members may pick up orders made with our digital platforms. Following what we accomplished in our Sam's Club units, we decided to extend the free wifi service to all our self-service units, so our customers may access our extended online catalogs.



## Openings and remodelings

Our physical presence in the six countries where we operate was reinforced through accelerated expansion rates and by consistently investing in our store base.







# Omnichannel experience



**+2.1**  
Billion  
Customers



**3,134**  
Stores



**23**  
Distribution  
Centers



**3**  
Digital  
Platforms



**6**  
Countries



**634**  
Cities



**26**  
New Cities



**125**  
Openings

# Omnichannel experience







To continue building the future of our operation, we invested \$17.4 billion pesos during the year, of which 42% was to improve and modernize the current store base; 36% invested in 125 new units that contributed 2.2 percentage points to the growth of total sales for the Company; and the remaining 22% was invested in eCommerce, Technology, Logistics, and Perishables.

Mexico closed the year with 2,356 units by opening 78 new stores. Bodega Aurrera was further positioned as the largest self-service format in the country. We opened Bodega Aurrera number 500, thereby totaling 1,820 stores under this banner. In addition, we concentrated our efforts on reinforcing the omnichannel shopping experience with new store prototypes with areas devoted to the pickup of orders made online, as well as the availability of free wifi service.

In Central America, more stores were opened in 2017 than in the last three years, adding 47 new units to the business.

This achievement was made possible through the positive performance of our expansion program, and it represented a major push towards solid sales growth in the region.

We continued assigning resources to the improvement of the operations of stores with over a year in existence. We worked together with commercial partners to develop retail-ready packaging, offering our field associates the ability to maintain enhanced product supplies through a presentation that serves as a means for merchandise transportation, a storage tool, and shelf display. These efforts translated into a 48 basis point-increase in On-Shelf availability of our items. Likewise, our UPLH indicator (units sold per labor hour) surpassed figures recorded for last year, a reflection of the proper implementation of productivity initiatives.



## Distribution network

We drive our omnichannel shopping experience with operational improvements in Logistics, which has transformed into a reduction in operating costs and delivery times, always focusing on our promise of low costs for our customers.





In 2017 we worked on modernization and improvement projects regarding capacity, service, and merchandise delivery costs. The mechanization of two distribution centers was completed; the expansion and development of new distribution centers are now underway. The fleet devoted specifically to serving the Mexico City metropolitan area was increased to further support units located in this area, together with improving eCommerce deliveries. A strategic alliance was also created to increase same-day and following-day deliveries. Moreover, the transportation fleet was improved through the use of multi-temperature trailers with hybrid engines –diesel & electric– and the number of seasonal warehouses was increased to better serve demand peaks.

For the second consecutive year we have been given the National Logistics Award, in recognition of our efforts to optimize the distribution network by making less empty hauls, and using less fuel.

ISO 9001:2015 certification was obtained, which is an International Standard for Quality Management Systems, making us the first retail importer and the sixth company in Mexico to accomplish this. In addition, we have made considerable improvements in product freshness by reducing the dwell time of our products within the supply chain. We guaranteed consistency in banana supply and quality and reductions in shrink, thereby achieving double-digit sales growth in all regions served with maturation chambers, located in different distribution centers.





# Providing great job opportunities







**237,055**  
Associates



**65** MXN Million  
Invested in training  
G4-LA9



**7.3** Million  
of hours in training  
G4-LA9



**23,413**  
Promotions,  
**50%** women  
G4-LA10



**35%**  
Female  
executives



**4,827**  
Jobs created  
G4-EC8

# High-performance teams

G4-LA10

We provide our associates stability and mobility, firmly believing that both are required for a fulfilling career experience. That means that we support our associates in the jobs they perform while striving to provide the tools they need to advance.



# Our Associates

G4-LA1

**Mexico**  
**198,769**  
Associates

**47%**  
Men



**53%**  
Women

	TOTAL	%W	%M
Executives	2,819	34	66
Non-executives	195,950	53	47
<b>Permanent</b>	<b>194,598</b>	<b>53</b>	<b>47</b>
Full-time	171,990	52	48
Part-time	22,608	59	41
<b>Temporary</b>	<b>4,171</b>	<b>47</b>	<b>53</b>
Full-time	3,891	46	54
Part-time	280	60	40

**Total**  
**237,055**  
Associates



**49%**  
Men



**51%**  
Women

**Central America**  
**38,286**  
Associates

**59%**  
Men



**41%**  
Women

	TOTAL	%W	%M
Executives	408	38	62
Non-executives	37,878	41	59
<b>Permanent</b>	<b>36,529</b>	<b>40</b>	<b>60</b>
Full-time	33,051	39	61
Part-time	3,478	59	41
<b>Temporary</b>	<b>1,710</b>	<b>42</b>	<b>58</b>
Full-time	1,188	33	67
Part-time	522	62	38



## Central America

	TOTAL	%W	%M
New associates	11,095	36	64
=<25	5,163	31	69
26-30	2,826	40	60
31-35	1,617	39	61
36-40	842	47	53
>=41	647	43	57
Associate turnover	9,606	33	67
=<25	3,418	25	75
26-30	2,677	33	67
31-35	1,648	36	64
36-40	955	42	58
>=41	908	47	53

## Mexico

	TOTAL	%W	%M
New associates	65,641	49	51
=<25	32,022	40	60
26-30	11,432	50	50
31-35	6,676	58	42
36-40	5,111	64	36
>=41	10,400	62	38
Associate turnover	119,145	45	55
=<25	58,580	38	62
26-30	22,012	46	54
31-35	12,560	52	48
36-40	9,099	58	42
>=41	16,894	60	40





## Operations Academy

We train operators recognized for their leadership and professionalism in process execution and customer satisfaction; we focus on business results and our commitment to overall development for them and their teams.

**64 programs and courses** were developed

**5.7 million** hours in training

Development, Attract and Retain program: **30,985 associates trained**

**234 associates** were able to conclude high school or grade school studies, thanks to the support received

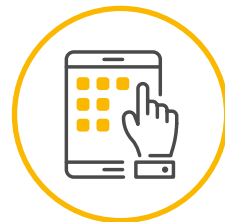


## Merchandising Academy

We are a reference point in the training of merchants; we have associates with optimum levels of experience, skills, know-how, and attitude.

**668 merchants** trained

The **Trainee program** was redesigned with an overall approach, in which **13 merchandising** and **20 replenishment** trainees successfully completed the program



## Digital Academy

This training is structured and tied to our business strategies and includes subjects for eCommerce associates as well as courses that will be available for the rest of the Company, with the purpose of allowing them to acquire abilities concerning the digital business.

**52 classroom** and remote training courses were implemented

**635 associates** trained

**6,714 hours** of training



## Corporate Staff Academy

This Academy was created with the goal of having an overall and structured training plan based on three pillars: Walmart Fundamentals, Business Capabilities, and Support Tools so as to develop technical and human competencies.

**143 classroom** and remote training courses were implemented

**42,598 hours** of training



## Meat Plant Production Academy

Its creation is aimed at training professionals committed to food safety, with a focus on exceeding the expectations of our customers and members, all through efficient processes and top quality products and services.

**19 classroom** and remote training courses were implemented

**99%** headcount coverage



## Talent Center

Our cashiers were trained in technical and service-related subjects so as to provide enhanced shopping experiences for all our customers. This program helps to increase productivity, retention and service level rates.

**34 training courses** were implemented

**770 associates** trained

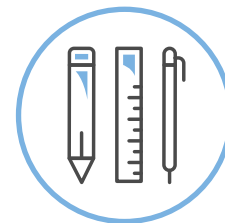


## District Manager Special Certificate Course

The objective is to help Operations Asst. Directors develop competencies and managerial skills so they can lead their teams better.

**33 associates** trained

Focused on  
**Self-service formats**



## Learning Centers

We help our associates acquire the competencies needed so they can apply key actions that allow them to properly manage their stores, districts, or regions using the information required for optimum performance.

Some **1,018 associates** enrolled in the **Operations Trainees** program

**On-boarding** for  
Self-service Managers, Asst. Directors, and Directors



## Offering a healthy, safe, and fair workplace

We work in favor of preventing any and all risks for our associates, customers/members, and suppliers. We concentrate on creating a risk-free workplace and on offering a safe place for shopping.



# Health and Safety

G4-LA5, G4-LA6, G4-LA7

## Our vision:

To be the safest place to shop and work



**Accident** Prevention Programs for associates and customers



**100%** of our units have:



We invested **+160 MXN** Million in personal protection equipment and in safer equipment



**Fire** Prevention Programs



Fire Brigades



**Training** of 163,101 associates







## Pillars

**Zero accidents**  
is possible



**We care**  
for each other

**Productivity**  
without accidents



## Our programs

### Program for Preventing Falls and Accidents with Vendors

In Central America we installed anchoring systems in 100% of business unit ceilings. **A safety manual for hazardous work** was implemented. These guidelines are included in our service vendor agreements, and 582 vendors were informed through training for managers and owners of contractor companies.

### Fire Prevention Program

We focused efforts on reducing/correcting opportunity areas identified during fire risk inventories conducted in 2016. With an approximate investment of **19 MXN Million**, Maintenance was able to correct the different issues identified, thus enabling Central America operation to close the year with **reduction in fires** and flame outbreaks.



# Work-Life Balance

G4-EC3

 **117**  
Medical offices set up in stores nationwide, for use by associates free of charge

 **6,019**  
Associates received nutrition services

 **6** Medical offices set up in Home Offices

 **558**  
Education, health, and entertainment agreements in benefit of our associates and their families

## Mexico

## Central America

Associate benefits G4-LA2	Full-time	Part-time/Seasonal	Full-time	Part-time/Seasonal
Vacations, management	C		A	
Vacations, non-management	A	A	A	A
Days off (holidays)	C	C	A	A
Personal days	B	B	B	
Special permissions	B	B	C	C
Food subsidy			B	B
Pantry vouchers	B	B		
Discounts granted	B	B	B	B
Company car, management**	B		B	
Medical check-up, management	B		B	
Life insurance	B	B	B	B
Hospital insurance	A	A	B	
Major medical insurance	B		B	
Disability subsidy	B	B	C	A
Seniority recognition	B	B	B	B
Maternal leave	C	C	C	A
Paternal leave	C	C	B	
Pension fund			A	
Christmas bonus	C	C		
Vacation pay	A	A		
Sunday bonus (if applicable)	A	A		
Seniority bonus	A	A		
Profit sharing	A	A		
Nursing period	C	C		
Productivity bonus	B	B		
Stock-option plan*	B			
Retirement bonus	C	C		

A Required by law

B Not required by law but the Company grants it

C Higher than required by law

\*Management only

\*\* Divisional Manager and higher

## Embracing our diversity

We consider diversity and inclusion key factors for the growth of our Company. Our differences make us unique; we have a workforce rich in valuable experiences, capacities, and results, which is evident by the actions we undertake to continuously generate and reinforce equal opportunities.



## Diversity and Inclusion Policies

Our policies clearly state that discrimination and/or harassment is strictly forbidden, regardless of the situation of the individual, including ethnic origin or nationality; skin color; culture; gender and/or sexual identity; age; disabilities; social, economic, health, or legal situations; religion; physical appearance; genetic characteristics; migratory status; pregnancy; language; opinions; sexual preferences; political identity or affiliations; marital status; family conditions and/or responsibilities; criminal background; or any other reason that may hinder or annul recognition or enjoyment of rights and equal opportunities.

## Advisory Councils on Diversity and Inclusion

There are two **Advisory Councils on Diversity and Inclusion** –one in Mexico and the other in Central America- having high level team leaders who are in charge of promoting programs and initiatives that enable the identification, development and retention of diverse talent so as to encourage participation at all levels of the organization and to generate an inclusive work environment.

## Objectives of the members of the Advisory Council:









## Pride Connection Mexico

We joined Pride Connection, becoming one of the 49 companies who are part of this group in Mexico. In Central America we have an interinstitutional alliance between Walmart and other companies; likewise, preparations are underway to create the Pride Connection program in Costa Rica. In Mexico and in Central America we participated for the first time in the **LGBT+ Pride Parade**, which was headed by our CEO.



## HRC Equality MX

We have been certified as one of the companies that promotes LGBT+ diversity and inclusion in the workplace. The certification is awarded by the Human Rights Campaign Foundation (HRC), who reviews company policies, benefits and practices.



## Inclusion of People with Disabilities

A diagnosis was performed regarding structural conditions, work environment, and positions to obtain an updated status on inclusion in the organization, thus allowing us to have a list of our areas of improvement and to conduct inclusive work plans. Training on these subjects was conducted with associates, customers, and suppliers with disabilities.



**541 associates with disabilities**  
G4-LA12

Central America has implemented the **Inclusion Plan for People with Disabilities**, which entailed contacting and developing interinstitutional alliances, conducting an accessibility study and job analysis, by disability, to increase the hiring rate of people with disabilities. Recruiters were trained on how to attract, hire, and train people with disabilities, via training courses for HR consultants, with the goal of raising awareness and developing skillsets in interviewing processes for different types of disabilities.

## Inclusive Ambassadors Program

In Central America, a group of associates signed a code of honor to **promote inclusion and diversity**; in 2018, they will participate in a specific training program on the development of inclusive competencies.



**345 inclusive ambassador leaders**

## Generations

We encouraged the exchange of information between generations, implementing programs such as **Reverse Mentoring**, whereby our Millennials instructed members of the Executive Committee.



**Mentoring in digital skills for apps and social networks**





# Developing a responsible and inclusive supply chain







**35,089**  
Suppliers



**94%**  
of merchandise  
sold in Mexico is  
purchased nationally



**1<sup>st</sup> SME**  
Seminar with the  
purpose of driving  
entrepreneurship



**15,966**  
Small suppliers  
developed



## Responsible Sourcing

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

Through our Responsible Sourcing global program, we set expectations of suppliers and the facilities they use; assess supply chain risks; monitor supply chain conditions through audits and investigations; provide training and tools for our associates and suppliers; and collaborate with others to improve progress.





We allocate audits based on the risk level of the country in which a facility is located so we can drive the biggest impact in our broad and diverse supply chain. We classified the facilities into one of three risk categories. The risk category of a facility determines the requirements of that facility under our Responsible Sourcing audit program. We currently use data compiled by the World Bank to determine the risk category of a facility based on indicators of good governance in the country where the facility is located.

We are always looking for ways to refine our risk-based audit program. In addition to a facility's country, we may look at other variables, including industry-specific risks, supplier compliance management systems and other factors as we evaluate the risk of facilities over time.

### Category 1

**Lower Risk:** Facilities located in Category 1 countries will not be required to complete an audit on a regular schedule. Rather, each year the Company will select a sample of facilities to receive an audit.

### Category 2

**Medium Risk:** Facilities in Category 2 countries will be required to complete an audit and follow-up audits.

### Category 3

**Higher Risk:** Same requirements as for Category 2 countries, plus new facilities in Category 3 countries will be required to receive an audit with a Green or Yellow rating prior to providing product for sale at Walmart.

These audits seek to verify that, among other things:



Workers are properly **paid** for the work they do



Labor is **voluntary**



Facilities comply with employment age **laws and standards**



**Working hours** are not excessive and are consistent with local laws and standards



Facilities meet **health and safety** laws and regulations

Where an audit is required, we instruct our suppliers to obtain an audit from a Walmart-approved third-party social compliance audit program so that we can evaluate the facility's compliance with Standards for Suppliers. We currently accept audits from internationally recognized third-party programs.

We review the third-party audit reports that suppliers submit, looking for higher-risk non-compliances with Standards for Suppliers and issues that may be escalated for possible investigation. It will assign the audited facility a color rating based on the third-party program's evaluation of the facility and our review of the report.

Through the Responsible Sourcing Academy Training Portal, suppliers can access training resources, best practices guidance, and educational materials developed by third parties and by Walmart. Our hope is that placing relevant and robust content in a centralized location will increase the use of these resources for the benefit of the entire supply chain.

## Audits rating

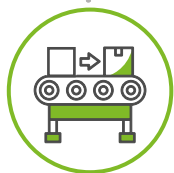
Least severe violations.

Generally compliant with the Standards, but which have failed to meet at least one important requirement.

Serious violations of the Standards, but will continue to allow sourcing from that facility while the violations are remediated. Three consecutive Orange ratings may result in a Red rating, regardless of whether the facility remains in good standing with the audit program chosen.

Violations of a nature that may make it appropriate to temporarily or permanently terminate the facility's ability to produce product for sale by Walmart. If a facility is assessed a Red rating, its ability to produce product for Walmart may be ended indefinitely, its production halted and/or its product refused.

**6,037** suppliers with active vendor agreements for the Mexico and Central America Markets



**1,028** total active facilities in Mexico and Central America supplying various Walmart retail markets



**8,244** Audits conducted at facilities physically located in Mexico or Central America

**4,631**

Mexico

15%

59%

16%

1%

9%

**3,613**

Central America

14%

60%

15%

1%

10%

•Others





## Developing a **local and inclusive** supply chain

G4-EC8, G4-EC9

We create economic opportunities for people and businesses all along our supply chains. We support programs that advance women's economic mobility, create advancement opportunities for people in retail and related sectors, promote local manufacturing, champion supplier diversity and help suppliers and small businesses grow.



## Purchases directly from local suppliers of Our Brands



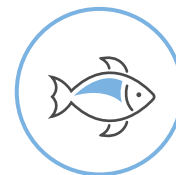
### Produce

Mexico	CAM
Purchases from domestic/regional suppliers	
80%	76%
Purchases of domestic/regional products	
80%	74%
Purchases directly from local growers	
68%	57%
Purchases directly from imports	
20%	21%



### Meat

Mexico	CAM
Purchases from domestic/regional suppliers	
94%	100%
Purchases of domestic/regional products	
88%	100%
Purchases directly from local growers	
87%	100%
Purchases directly from imports	
6%	0%



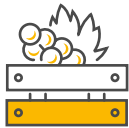
### Fish & seafood

Mexico	CAM
Purchases from domestic/regional suppliers	
73%	49%
Purchases of domestic/regional products	
55%	44%
Purchases directly from local growers	
46%	40%
Purchases directly from imports	
60%	51%

## Small Supplier

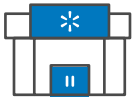
(Mexico)

**15,622** Small suppliers developed



**135%** Average increase in income for suppliers of manufactured goods

**2,228** Suppliers sell in our stores



## Agricultural Development program

**9,300** Farmers trained since 2011



**5,000** New small farmers

Eight companies were invited to be supplementary buyers with inclusive practices so as to diversify sales channels for farmers.

Four NGOs were incorporated to replicate the model through a training program cascaded down to new groups of farmers.

### Results 2017

**40%** More agro-enterprises created

A **79%** increase, amounting to 78.3 MXN Million

**1,795** New direct jobs created

## Manufacturing program



**Redesigned** to broaden scale and impact

**64%** growth in the number of developing companies

**541** stores as points of sale







## Fertile Soil

(Central America)

Through the direct sale program supporting **475** small and medium-sized farms



**+619** MXN Million  
in purchases

Representing **76%**  
in produce and  
grains sold

Continued training in good agricultural practices (GAP) is given to farmers so as to reduce environmental impact and enhance productivity.

We held **agro-industry fairs**, wherein the work of our suppliers received recognition in each county. In addition, informative sessions were held regarding good manufacturing practices and market trends.

## Adopt an SME

(Mexico & Central America)

This program seeks to help a group of SMEs increase their sales and develop their operating, financial and logistics capacities through our Merchandising division.



In Mexico, the 3<sup>rd</sup> generation of **128 SMEs**

**+2 MXN** Billion in sales

**+19%** Growth in sales vs. 2016



In Central America, **146 SMEs** participated in this program

## A Helping Hand to Grow

(Central America)

The program fosters the development of small and medium-sized enterprises (SMEs), regardless of whether they are agricultural/livestock or manufacturing companies. Special focus is placed on the economic empowerment of women.



444 SMEs, of which **37% are headed by women**

**The aim** is for SMEs who work with Walmart to increase their sales through growth of the business

**The first SME Seminar**, with the purpose of driving entrepreneurship

### Sales growth

**Costa Rica and Guatemala**

50% of suppliers

**El Salvador and Nicaragua**

49% of suppliers

**Honduras**

62% of suppliers







## Offering **trusted products**

Our customers are increasingly interested in knowing the origin of the products bought, what they contain, and how they are produced. Our mission is to offer our customers affordable prices and, at the same time, continuously raise the bar for quality and food safety.



## Guaranteeing quality and food safety

**Our Brands** and food product suppliers must have GFSI certification



**96%** in Mexico and **81%** in Central America of Our Brands suppliers are certified in norms acknowledged by the GFSI - Global Food Safety Initiative

**196** Units have H Certification



The Company developed the food safety system known as **SPARK** (Sustainable Paperless Automated Record Keeping) so these efforts may be more efficient and effective. SPARK employs electronic hand-held devices to record food temperatures. Since results are digital, the Company is able to identify trends and correct problems before they become serious. SPARK also allows for immediate training for associates using the device. For example, when an associate is measuring the temperature of any given food item, the device immediately displays the correct range of temperature.

To guarantee the protection of our customers, Central America implemented the **Food Safety Champions** program so associates can choose to participate and become the champions of their areas; in addition to their daily tasks, this includes disseminating different subjects and controls on Food Safety, with the purpose of improving quality and safety standards. Likewise, online courses were made available on Cleanliness, Pest Control, and Food Safety; **100% of field associates** completed this training. During the year, the **program of third-party audits was completed 100%** in the subjects of Food Safety and Pest Control.

### Global Food Safety Initiative



We are one of the founders of GFSI



Global effort with multiple stakeholders



International Recognition

**14 Audits** performed on DCs and redistribution centers, regarding Storage and Distribution Best Practices (S&DBP)

**34,899 Audits** performed in-storage, regarding food safety

**201 Participants** in courses free-of-charge for food suppliers offered by the Walmart University

**100%** of Our Brands products are continuously monitored in quality

## Health & safety incidents

G4-PR2

	Mexico	CAM
Visits from health and consumer protection authorities	4,640	931
Fines or sanctions	303	NA
Warnings	7	NA
Recalls	108	4
Profeco complaints	2,146	NA



## We constantly evaluate **our suppliers**

Our Brands suppliers evaluated in Mexico



**Shoes**



**Jewelry  
and accessories**



**General  
merchandise**



**Textiles**



**Food**



**Medications**



Suppliers



Audits

⊗ Not approved

**Medimart**

31 Suppliers

90 Facilities

13 Completed audits

95 Product analysis of the quality parameters by laboratories authorized by Cofepris

**Pharmacies**

5,284 Store  
internal audits

988 External  
audits by Cofepris

**In-store doctor's office**

437  
Internal audits

6  
External audits

**Distribution Centers**

11  
Internal audits

0  
External audits



## Enhancing healthier choices

We offer products with the health of our customers in mind, and therefore at Superama we increased the offering of healthy products, such as:



Gluten free



Sugar free



Organic



Kosher



Free of trans fat



Low sodium

## Prevention of Food-Related Fraud program

Through outside analysis by laboratories accredited in:



Identifying raw materials in meat and cooking products, with a total of **160 tests** conducted



Verifying the integrity of Our Brands ingredients, such as honey, milk, olive oil, 100% natural juices, and coffee; with a total of **53 tests** conducted



Validating certificates for products sold as organic, accrediting a total of **217 products**

## Responsible labeling and marketing

G4-PR3, G4-PR4, G4-PR7

When reviewing the product labels for Our Brands, we ensure that the nutrition information complies with all Mexican National Standards (NOMs) applicable to each product.

Compliance consistently offers training to key areas and sends information to all our units on customer communication guidelines and on comparative advertising.

**839** Labels were analyzed

**301** Visits from health and consumer protection authorities

**25%** Reduction in labeling incidents



**6,680** Associates trained in Mexico in consumer-protection issues

**91%** Reduction in marketing incidents



# Operating a more sustainable business

Reempaque



# Objectives

## **Zero deforestation** 2020

in the supply chain for  
the use of palm oil,  
paper and pulp



## **Reducing GHG emissions** 2025

by 18% (2015 baseline)



## **Zero waste**

reducing food waste  
by 50% (2016 baseline)

2025



## **100% renewable energy**

reducing kWh/m<sup>2</sup> energy  
use by 26% (2016 baseline)

2020



Year of goal  
accomplishment > Year

## Moving towards a **circular economy**

Our ambition is to drive a more circular economy, with closed material flows. Our efforts are aimed at avoiding the waste of resources and the need to send wastes from our operations to landfills.





Our goal is to avoid food waste and to maximize recovery so as to reduce waste by half in our stores and processes by 2025, as compared to the baseline set in 2016.

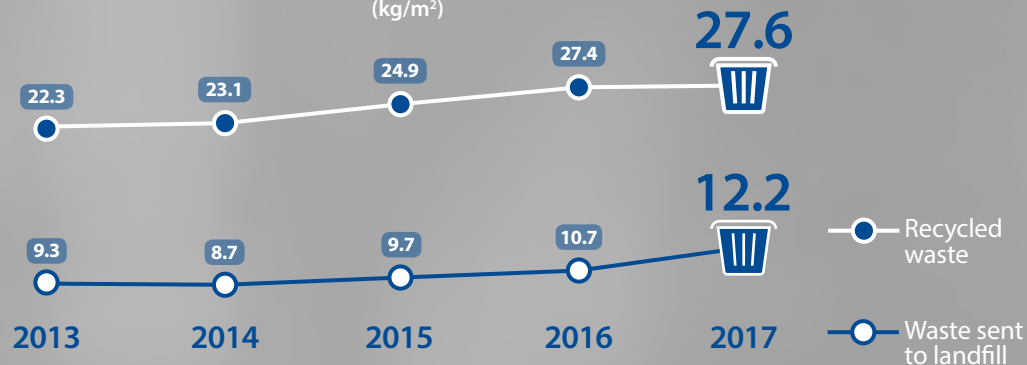
Reducing the amount of waste in our operation is a priority. We are fully aware that waste products are poorly used resources that increase costs for our business, our customers and society, in general.



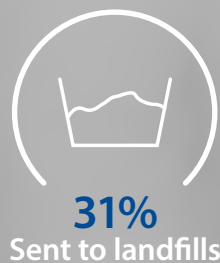
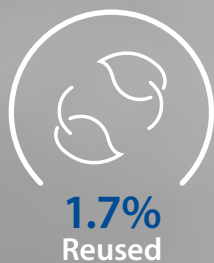
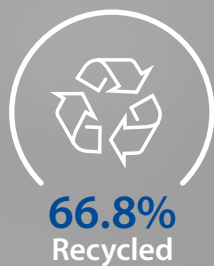
## Progress towards our Zero Waste goal



## Intensity of waste generation (kg/m<sup>2</sup>)



**451,657 tons** of waste generated



## Strategy to reduce 50% of food waste 2025



Food waste reduction at the source

Food donation

Animal feed

Composting

# Post-consumption recycling

## Customers programs

### Recycling in benefit of your community

In an alliance with Coca-Cola/Ciel, 400 containers were set up at Superama, Walmart Supercenter, and Sam's units to receive PET bottles and aluminum cans for recycling into desks and chairs to be donated to different communities. We have collected 6.8 tons and made two first-time donations of 100 school desks to Nicolás Romero and 10 park benches to Cuautitlán Izcalli, in the State of Mexico.



### Recycled Cans

In cooperation with Herdez, reverse-vending machines were installed to collect tin cans, in 20 Walmart Supercenter and Superama units. During the program lasting 4.5 months, 106,407 cans were collected for recycling, equal to 3.5 tons of material to then manufacture solar heaters for communities with scarce resources.



# Packaging and Materials

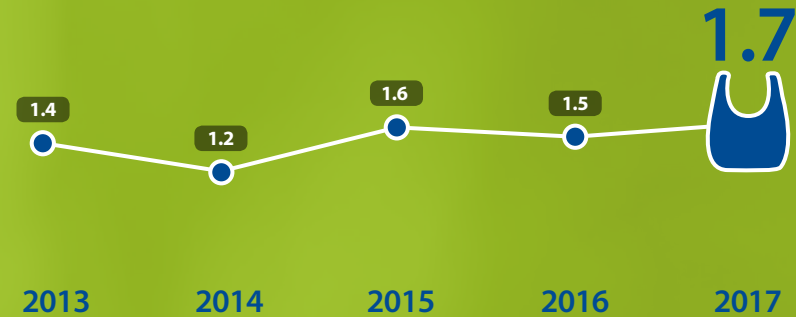
G4-EN1, G4-EN2

We prefer to use products made with renewable or recycled materials for internal supplies in our operating units, especially paper products, plastic bags, and cleaning materials that are easily bio-degraded.

## Reusable bags

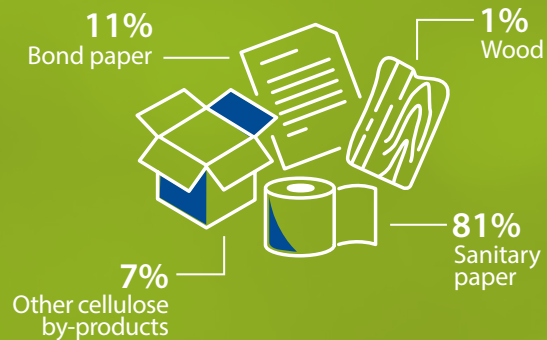


## Bags per customer



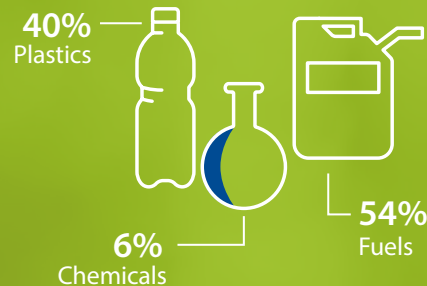
## Renewable materials

**24,875 tons**



## Non-renewable materials

**85,061 tons**



## Materials with recycled content

G4-EN28

**24,101 tons**





# Sustainable Packaging

We want the packaging for Our Brands products to be recyclable. The Guidelines for Sustainable Packaging from Walmart Inc., was adapted to the reality of Mexico, with three priorities:

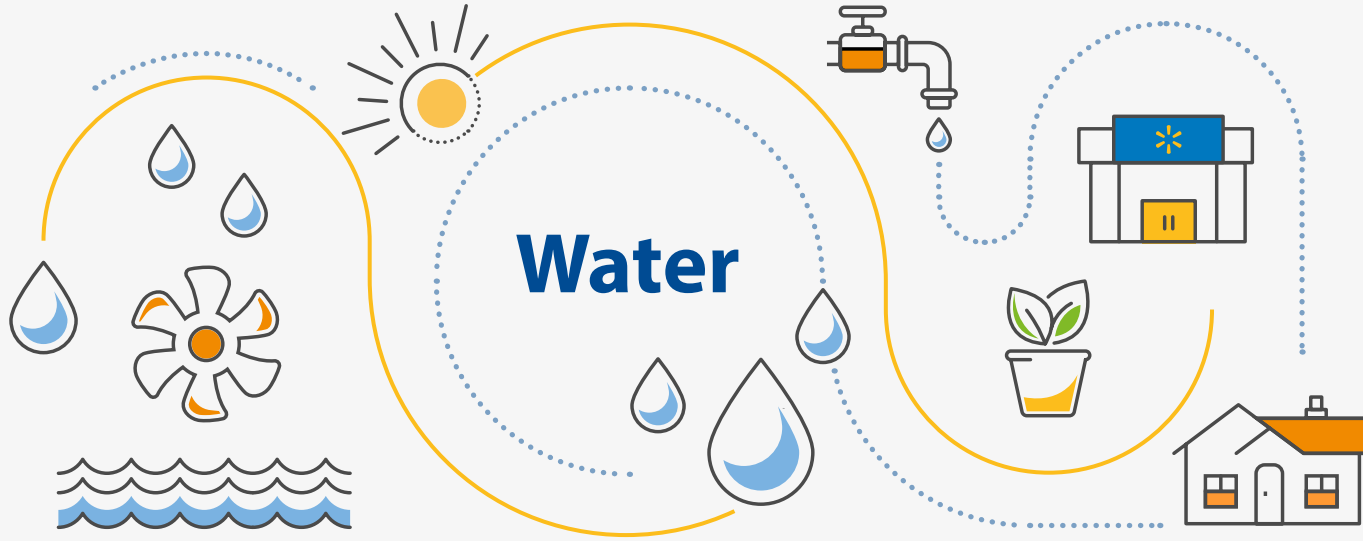
1. Package optimization
2. Renewable and recycled materials use
3. Recycling-friendly designs

The implementation of these guidelines shall begin in 2018

## Retail-Ready Packaging

This began with the use of display-ready packaging (easy fill) at our stores, with greater use of corrugated board as the primary material, and designs that make unpacking of boxes easier so they can be sent to be recycled.



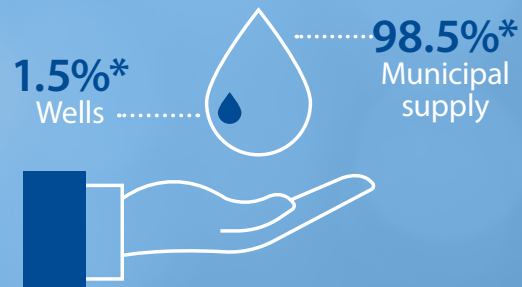


As compared to other industries, the retail business has relatively low levels of direct water use. Nevertheless, we are aware that water availability in certain areas of the region is limited. For this reason, we continue working to preserve the quality and quantity of water availability, improving the efficient use rate in our operations, the treatment of waste water, and recycling wherever possible.

We are also very clear on the fact that our supply chains may require significant quantities of water for their production processes. It is precisely here where there are great opportunities for collaboration with our suppliers regarding efficient water use and reducing supply risks due to water scarcity.

# 13,020,905m<sup>3</sup> Total Consumption

G4-EN8



\*Mexico

## Intensity of water consumption

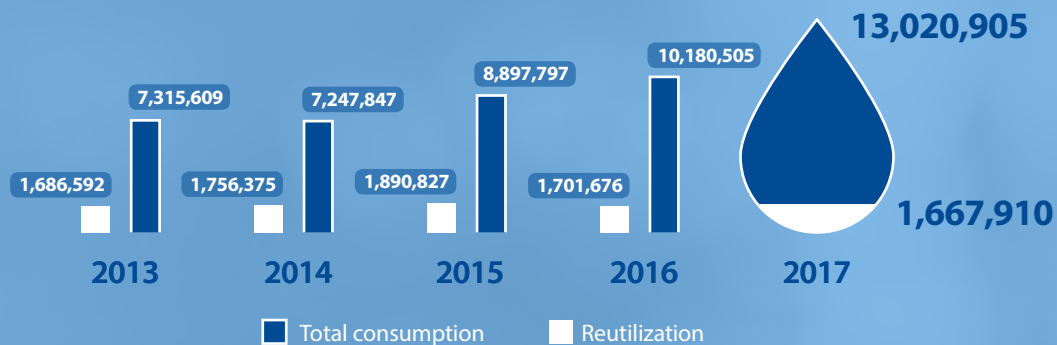
(l/m<sup>2</sup>)



## Water use and reutilization

G4-EN10

(m<sup>3</sup>)



## 1,046 Treatment plants

G4-EN22

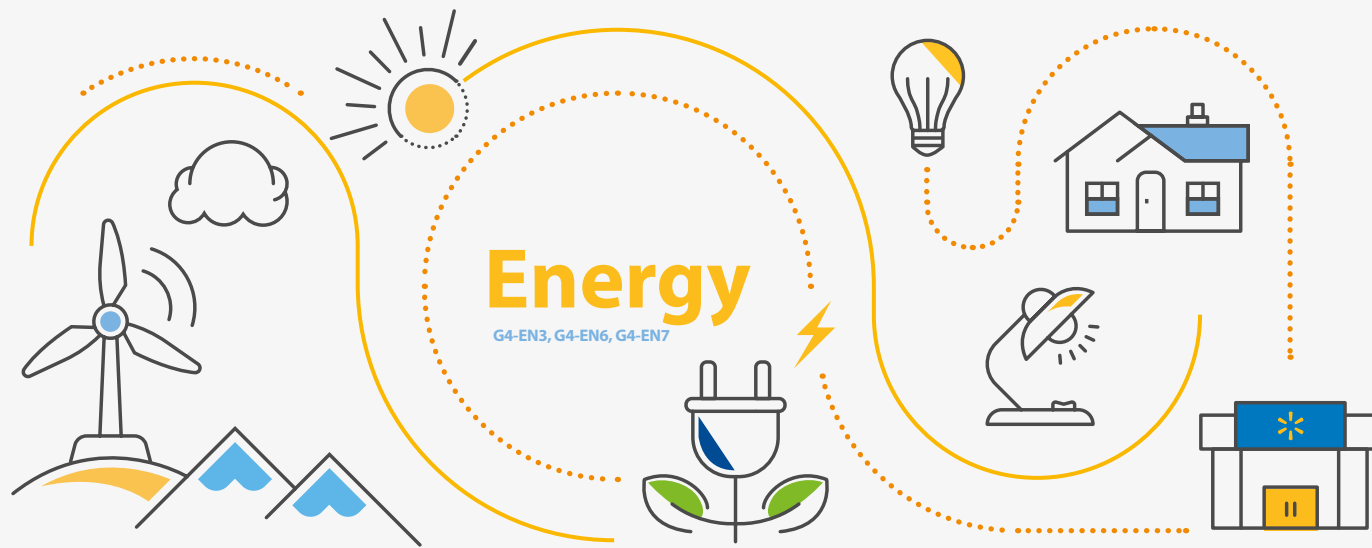




# Acting on climate change

We are quite aware of the impact of climate change,  
both for our business and for the planet.





We made a commitment to have our stores and DCs fully supplied 100% with renewable energy, with the purpose of mitigating the effects of climate change.

We continuously seek newer and better energy supply alternatives to meet our goal and at the same time implement efficient energy use initiatives, and for several years we have added the challenge of generating layer over layer of savings.

Through several initiatives implemented in Central America, such as education and awareness campaigns, constant reporting on consumption levels, and follow-up at all levels of the business, in

## **We are the leading retail chain in the use of renewable energy**

addition to investing in the modernization of technology and the use of a Statistical Model in existing stores, we have been able to focus our efforts on finding opportunities and enhancing performance levels. Thanks to these initiatives we have been able to achieve a 2% reduction over figures for last year, thus avoiding the use of 4.9 million kWh. All new stores have been built with 100% LED lighting.



**39%**  
Energy from renewable sources



**61%**  
Energy from fossil fuels sources



**2**  
Hydroelectric power plants



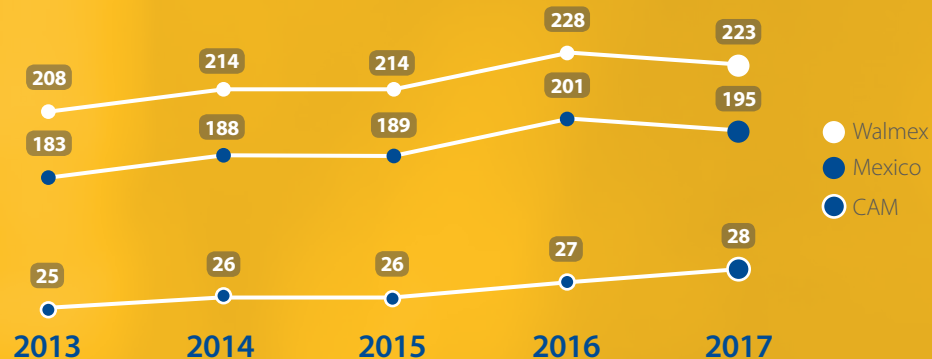
**6**  
Wind farms



**91%**  
Of our stores are supplied with renewable energy

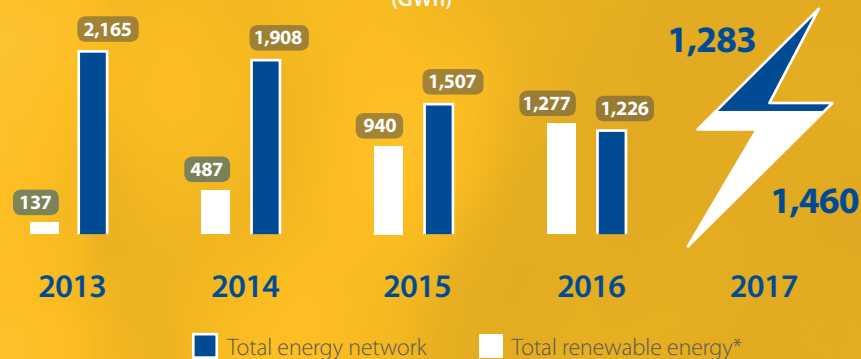
## Energy intensity

G4-EN5 (kWh/m<sup>2</sup>)



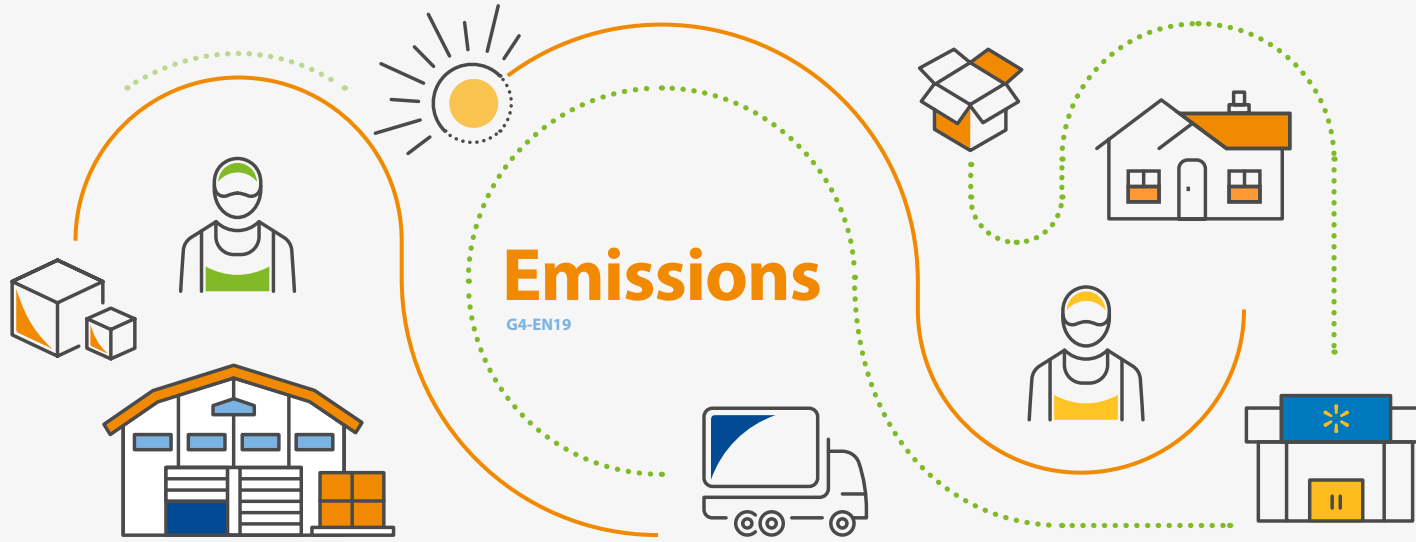
## Energy use

(GWh)



\*From self-supply projects





We are in line with the goal established by Walmart Inc., to reduce greenhouse gas emissions. This goal has been approved by a science-based initiative.

**Reducing GHG  
by 18%, vs. 2015**  
2025

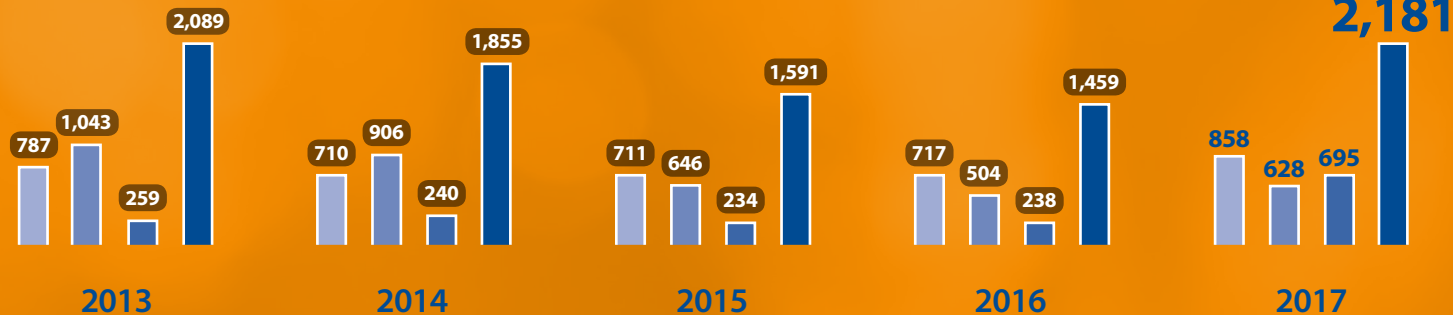
Moreover, we are building a baseline for emissions generated in our supply chain, by asking our primary suppliers to provide us with reports on the emissions generated per volume of business with Walmart Mexico.

In 2017 we had an increase of scope 1 and 2 emissions, due to the fact that the September 7 earthquake in Oaxaca affected the distribution lines that supply energy from wind farms to the stores, resulting in lower consumption of clean energy.

## CO<sub>2</sub> emissions throught the years

G4-EN15, G4-EN16, G4-EN17

Scope 1 Scope 2  
Scope 3 Total



2,180,624

CO<sub>2</sub>eq

Total emissions

17.8%  
Increase of scope 1  
and 2 emissions

### Scope 1

#### Fuels



16.52% Mexico  
1.29% CAM

#### Coolants G4-EN20



76.25% Mexico  
5.94% CAM

### Scope 2

#### Electricity



89.55% Mexico  
10.45% CAM

### Scope 3

#### Fleet



91.15% Mexico  
5.02% CAM

#### Air travel by associates

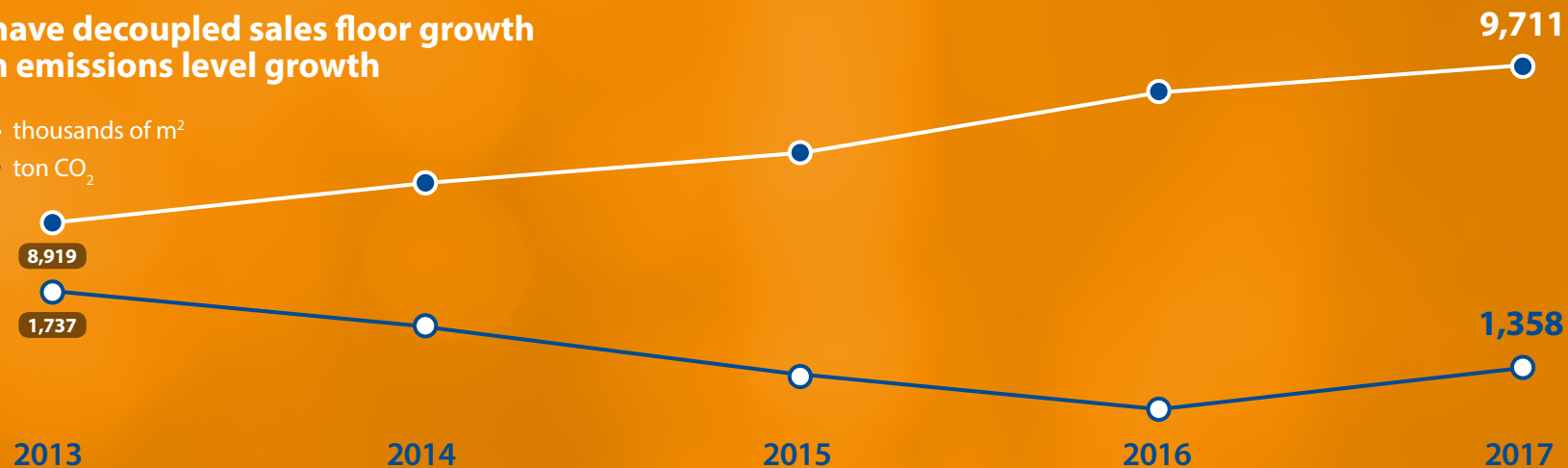


3.60% Mexico  
0.22% CAM

## We have decoupled sales floor growth from emissions level growth

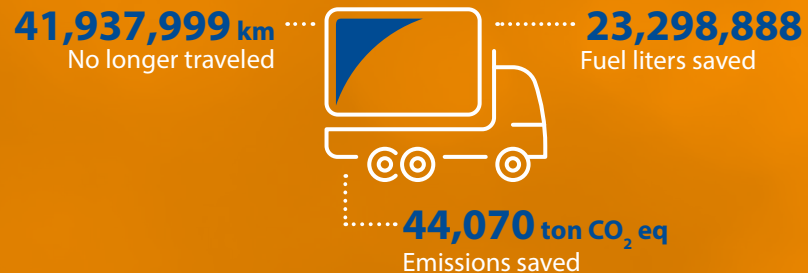
G4-EN18

—●— thousands of m<sup>2</sup>  
—●— ton CO<sub>2</sub>

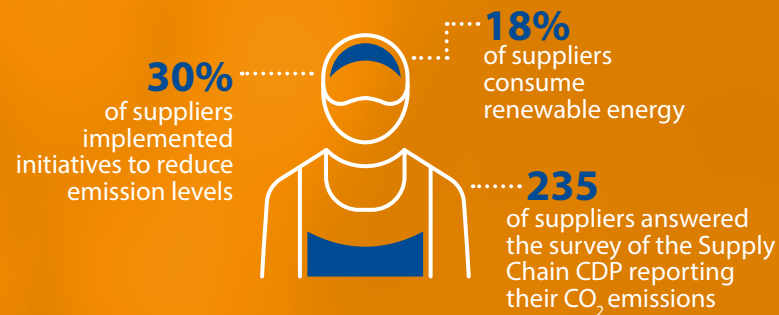


## Savings from logistics initiatives

G4-EN30



## Supply chain





# Climate change risks

G4-EC2





## Enhancing **sustainable products**

We are constantly working to reduce environmental impacts throughout the entire supply chain for the full life cycle of the products we sell.

We work closely with suppliers and other organizations to drive more sustainable and affordable food production for our customers, especially in the case of farm and fishery products.



# A supply chain with greater sustainability

G4-EN27

## Zero deforestation



We start the implementation of a supply policy of products made from pulp and paper from sustainable sources



**78%**  
of suppliers who reported using oil palm or derivatives

## Sustainable fish and seafood products



**38%** Suppliers evaluated  
**97%** Fish farms certified

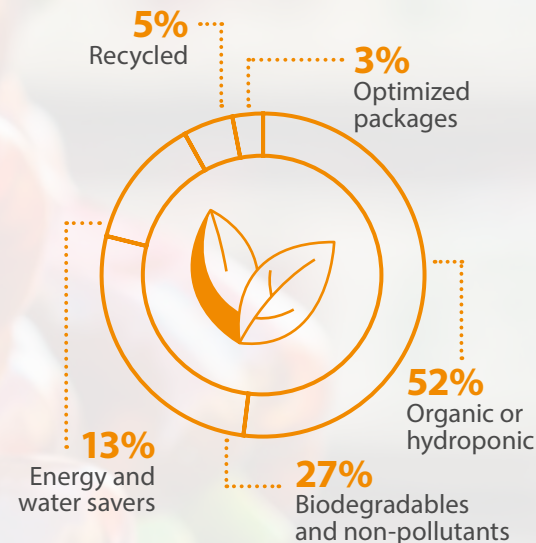


Assessment of farms and fisheries  
**10** priority species monitored from  
**14** fisheries



Risks assessment in **31** fisheries, **21** presented medium level risks and **10** low level risks

## 2,165 Products with reduced environmental impact







# Building strong communities

G4-S01



**+1** MXN Billion  
were channeled through  
social impact programs



**197 NGOs**  
working in alliance with  
the company to maximize  
the impact and scope of  
social programs



**1,339,688**  
Beneficiaries  
impacted



# Fighting hunger



**29,971 tons**  
Channeled



**1,044,707**  
Beneficiaries  
each month



**We provided training**

to food banks on  
how to increase  
their efficiency



**Mexico achieved 17%**

increase in the recovery  
of food products for  
donation to food banks



**We granted funding**

to food safety  
projects for low-  
income communities





## Promoting social awareness

The volunteerism program provides the chance for store, club, DC, and Home Office associates to actively participate in community support activities, whereby their talent and time can contribute towards improving the community and the environment.

Associates, NGOs, and the Walmart de México Foundation suggest the activities for Mexico, invite their colleagues to participate, and the Foundation provides the necessary resources; in this manner the program stems from the associates who work and live in the same communities.







## Committed leaders



**75,558**  
Volunteer  
participations



**1,713**  
Volunteer  
activities



**+720**  
of our executives  
did volunteer work



**17**  
of our Vice  
Presidents  
participated as  
volunteers



## Providing assistance during natural disasters

We are committed to assisting victims of natural disasters by providing food and basic products through our company Foundation. In addition, alliances are created with different agencies so as to broaden the scope, and we use our logistics network and the presence of physical stores and clubs to offer customers the possibility of helping out during times of disaster, ensuring all donations reach the affected communities.







## Mexico

### 10 natural disasters

flooding, hurricanes, and earthquakes that affected seven states throughout Mexico

**980 tons of food**

personal hygiene and cleaning items, and tools

### Earthquake

in Mexico City, Puebla, Morelos

**40 MXN Million**

**+300 tons** of support through the Armed Forces

We setup **+300** collection centers, obtaining +300 tons



## Guatemala

### Flooding

**+283 MXN**

National Coordinator for Disaster Mitigation

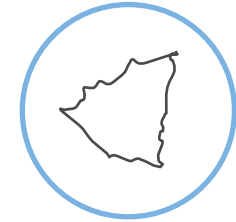


## Costa Rica

### Hurricane Nate

**+944 MXN**

National Emergency Center



## Nicaragua

### Hurricane Nate

**+283 MXN**

Nicaraguan Red Cross and the National Prevention, Mitigation and Disaster Relief Agency



**36 MXN Million** channeled to **11,820** associates who underwent damages to their homes due to some natural disaster

G4-EC3



## Encouraging healthy lifestyles



## Basketball Court Recovery Program

Bodega Aurrera and Kellogg's, in alliance with the NBA (the National Basketball Association) through the Basketball Court Recovery program were able to restore 37 basketball courts throughout the country by recovering urban areas.

A special version of Zucaritas® was placed in all Bodega Aurrera stores nationwide in support of the promotion of basketball throughout Mexico. Bodega Aurrera customers participated in the chance to have a public basketball court restored in their communities by sending the promotion code to the fan page and nominating the court of their choice on the Bodega Aurrera website and zucartas.com.mx.



## Corre ConSentido

For the second consecutive year the *Corre ConSentido* 5k and 10k race was organized. The purpose of this race is to promote family activities, and the money collected as enrollment fees were allocated in support of education for vulnerable communities throughout the country, through the Pro Mazahua organization.

The Walmart de México Foundation donated eight million pesos to fight hunger among thousands of people living in the states of Campeche, Chiapas, Mexico, Guerrero, Michoacán, and Oaxaca.





## Active Pauses

This initiative focuses on the physical health of our associates. During 10-minute breaks throughout the workday, brief exercises are conducted for muscle relaxation and to re-energize. During the program, trained personnel from the department of Social Welfare of the Mexican Social Security Institute visited different offices, inviting the associates to participate in these Active Pauses at their workstations.



## Youth Day

For the first time, young people aged 12 to 17 –whose parents are associates- were invited to participate in different awareness-raising activities regarding the dangers of illegal drugs and alcohol.



# Corporate Governance

“  
Entrégate a

*Todos a tu alrededor se*

tu negocio.

*contagiarán de tu pasión.*

*Sam Walton*”



Our company is built on the foundations of integrity and the highest standards of ethics, and we always guarantee strict adherence to the legislation in force in all the countries where we operate.

"Our philosophy has always been simple: We represent the interests our customers."

*Sam Walton*

“ Nuestra filosofía siempre ha sido muy sencilla:

Representamos los intereses de nuestros clientes. ”

*Sam Walton.*





# Board of Directors

## Makeup and Frequency:

- The Board of Directors is comprised only by statutory members.
- Members are appointed each year by the General Ordinary Shareholders' Assembly.
- Independent directors should make up a minimum of 25% of the total amount; currently, 46% of all Directors are independent.
- Minority shareholders, whose shares represent a minimum of 10% of owners equity for the Company, have the right to choose a Director, who may only be removed when the other Board members are also removed. To date, 29.49% of Company shares are traded among the investor public.
- The participation of officers of the Company and its subsidiaries is limited, and only the CEO is a member of the Board.
- The Board of Directors meets at least four times a year; during 2017 there were five sessions held.

## Other practices:

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

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



**28%**  
of members are  
women

**46%**  
of members are  
independent



## Members at December 31, 2017

### Chairman

Enrique Ostalé

### Member since

2013

### Directors

Adolfo Cerezo\*

2012

Ernesto Cervera\*

2014

Lori Flees

2016

Guilherme Loureiro

2016

Rafael Matute\*

1998

Richard Mayfield

2015

Roberto Newell\*

2014

Scott Price

2017

Gisel Ruiz

2016

Blanca Treviño\*

2006

\* Independent director

# Primary responsibilities



# Audit and Corporate Practices Committees

These committees have four statutory members, all of them independent.

## Primary responsibilities:

- Selecting the independent auditor for the Company and establishing fees.
- Ensuring the existence of a proper internal control scheme for the Company that meets any and all applicable accounting and legal provisions, and reviewing Company transactions with related parties.
- Reviewing the financial statements and ensuring they are a true and accurate reflection of the financial situation for the Company. They also have a set procedure for receiving, retaining, and responding to claims concerning accounting practices and controls, and any audit issues. Moreover, said committees have the necessary resources for, and are authorized to retain the services of counsel and/or any other outside adviser needed to perform their duties.
- Reducing the risk of conducting operations such that could affect Company worth or could result in the granting of favored conditions to any one group of shareholders.
- Approving policies for the use of properties pertaining to the net worth of the Company.

- Authorizing transactions with related parties, remuneration for the Chief Executive, and remuneration policies regarding relevant company officers.
- Serving as support for the Board of Directors in producing reports on accounting practices.
- Holding private meetings and receiving periodic reports from Internal Audit, Legal, Compliance, and Ethics.
- Calling Shareholders to meetings and ensuring that the order of business includes all points deemed necessary.

## Audit and Corporate Practices Committees

### Chairman

Adolfo Cerezo

### Directors

Blanca Treviño  
Roberto Newell  
Ernesto Cervera

## Primary requirements and practices

Independent auditors are **forbidden** from providing consultancy services to the Company



All members must be **independent** Directors, experts in finance

The partner from the **independent auditing** firm that renders the opinion on the financial statements must be rotated periodically





# Board for the Walmart de México Foundation

**Members at  
December 31, 2017**

**Chairman**

Guilherme Loureiro

**Trustees**

Karina Awad

Alvaro Arrigunaga

Roberto Delgado\*

Jorge Familiar\*

Tanya Farah

Martha Smith\*

Kathleen McLaughlin

Alberto Sepúlveda

Marinela Servitje\*

José Luis Torres\*

\* Independent trustee





# Corporate Responsibility Committee

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

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

## Primary responsibilities



**Establishing** a long-term vision and strategic priorities that are based on what is best for our customers, our business, and for society in general

**Analyzing** risks and internally identifying opportunities that arise so as to improve our performance



**Supporting** the consolidation of structural changes, and establishing action plans, indicators, policies, and procedures

**Leading** the Company towards national and international trends aimed at maintaining our leadership position





# Ethics and Compliance program

Walmart de México y Centroamérica is committed to doing what is right and acting with integrity in everything we do. It is a fundamental part of who we are and the foundations over which we build our success.

We have a dynamic and effective Ethics and Compliance program designed to prevent, detect, and act on any non-compliance regarding legislation in-force and applicable policies and procedures. This program establishes the guidelines that each and every associate must follow to act correctly and in keeping with the values and fundamental principles of the Company.

We have a full time CECO –Chief Ethics & Compliance Officer– who oversees a dedicated team of ethics and compliance personnel.





# Defining the **Ethics & Compliance** Scope

## 14 global compliance subject areas



Anticorruption



Antitrust



Trade



Licenses  
& Permits



Responsible  
Sourcing



Environment



Anti-Money  
Laundering



Privacy



Consumer  
Protection



Labor &  
Employment



Health & Wellness



Health & Safety



Food Safety



Product Safety

## Ethics standards and processes



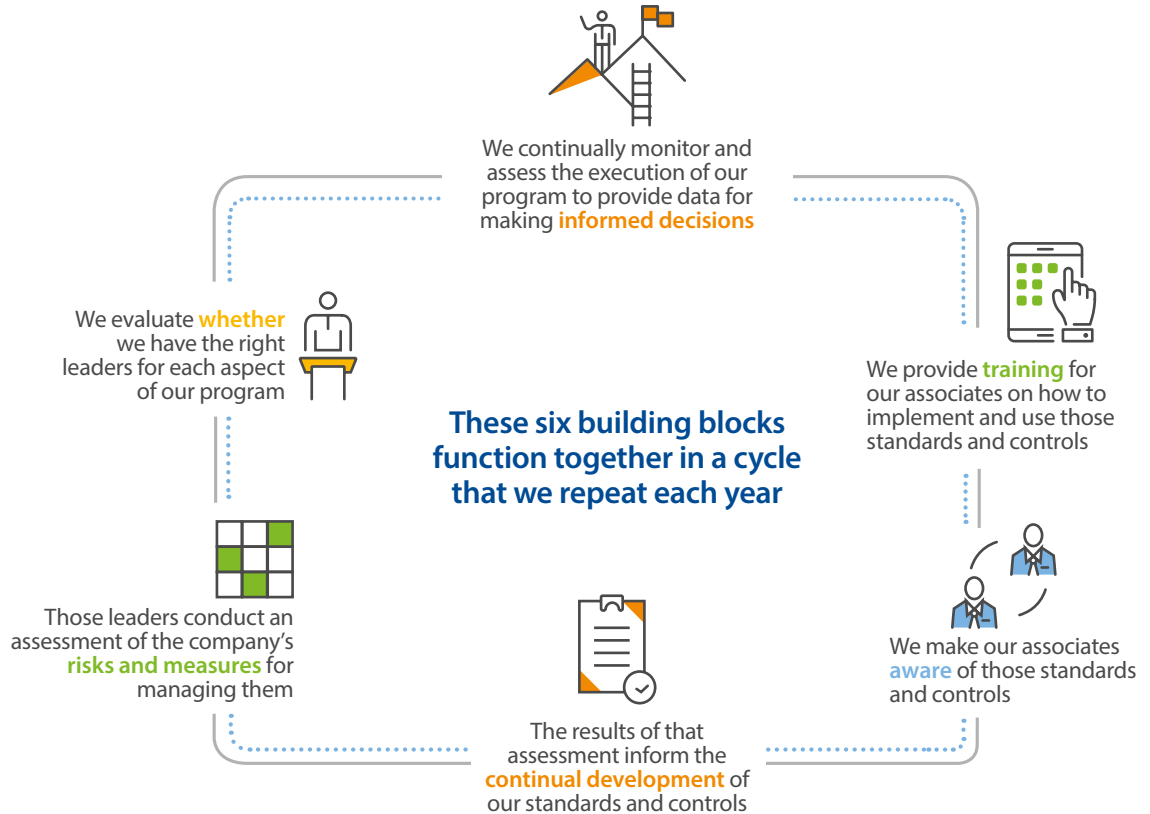
- \* Global Statement of Ethics
- \* Multiple reporting mechanisms in local languages
- \* Advisory function
- \* Intake, triage and tracking for allegations
- \* Case close-out & remediation

We designed Walmart's program to manage the compliance risks associated with 14 different subject areas, ranging from anticorruption to food safety. To provide the relevant expertise in each subject area, we designated 14 Global Subject Matter Leaders and installed Subject Matter Experts for each of the 14 risk areas in each retail market. These Subject Matter Leaders and Subject Matter Experts work together to identify and coordinate common standards and procedures, share best practices, and provide training, monitoring, and support in their subjects. They report to their respective CECOs in each of their business units.

Finally, in response to a variety of guidelines provided by governments and private agencies, we developed six basic building blocks of our unified program:

- Leadership
- Awareness
- Risk assessment
- Training
- Standards and controls
- Monitoring and response

This process keeps our Ethics & Compliance program agile and responsive as our business and the external environment change.



Anticorruption area is relevant for this Compliance Program. The anticorruption team, which is led by Directors in Mexico and Central America, is charged with developing and executing the principles and processes that are part of the **Global Anticorruption Procedure**, based on risk analysis. It is also in charge of training our associates as well as third-party intermediaries and commercial partners.



**Anticorruption**  
trained +45,500 associates  
and +690 suppliers  
G4-SO4

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

**We are committed to maintaining a work atmosphere that encourages our associates to voice any concerns regarding possible violations with our Statement of Ethics, and any repercussions against any associate who presents such concerns are strictly prohibited.**



We conducted **+29,600 hours in Statement of Ethics training** to operations and staff associates, covering 87% and 79%, respectively, in Mexico, in Central America, coverage was 92% and 97%, respectively  
G4-HR2, G4-HR7

## Reporting mechanisms



**Open-Door  
Policy**



**Global Ethics  
Hotline**

Available **24/7** fully equipped to handle the majority of the local **languages** spoken

Operated by an **independent organization**

There was a **26%** increase in cases reported in Mexico, and **20%** in Central America

G4-HR3, G4-HR12



# Risk Assessment

Walmart de México y Centroamérica performs a Risk Assessment with the purpose of identifying and reducing risks that could affect our operation. Every year, the Risk Assessment is performed by Global Audit Services following the methodology established by Walmart Inc., adapting it to the reality of Mexico and Central America.





### Relevance of the eight major risk categories is considered:

- **Regulatory compliance.** Compliance with laws and regulations.
- **Strategic.** Related to high-level goals, aligned with & supporting the entity's mission/vision.
- **Customer trust.** Actions or conditions that degrade customer confidence in our Company brand, mission, or our standing in the community.
- **Financial accuracy.** Effectiveness of the entity's financial reporting.
- **Core business operational impact.** Loss (including risks for financial performance and condition) resulting from inadequate or failed internal processes, people, and systems that support core business functions.
- **Support business operational impact.** Interruptions resulting from inadequate or failed internal processes, people, and systems within business support functions.
- **Internal compliance.** Compliance with company policies and procedures, contracts, ethics and business conduct standards, and other voluntary corporate standards.
- **Efficiency and effectiveness.** Optimization of Company resources to support the business mission and reward shareholders.

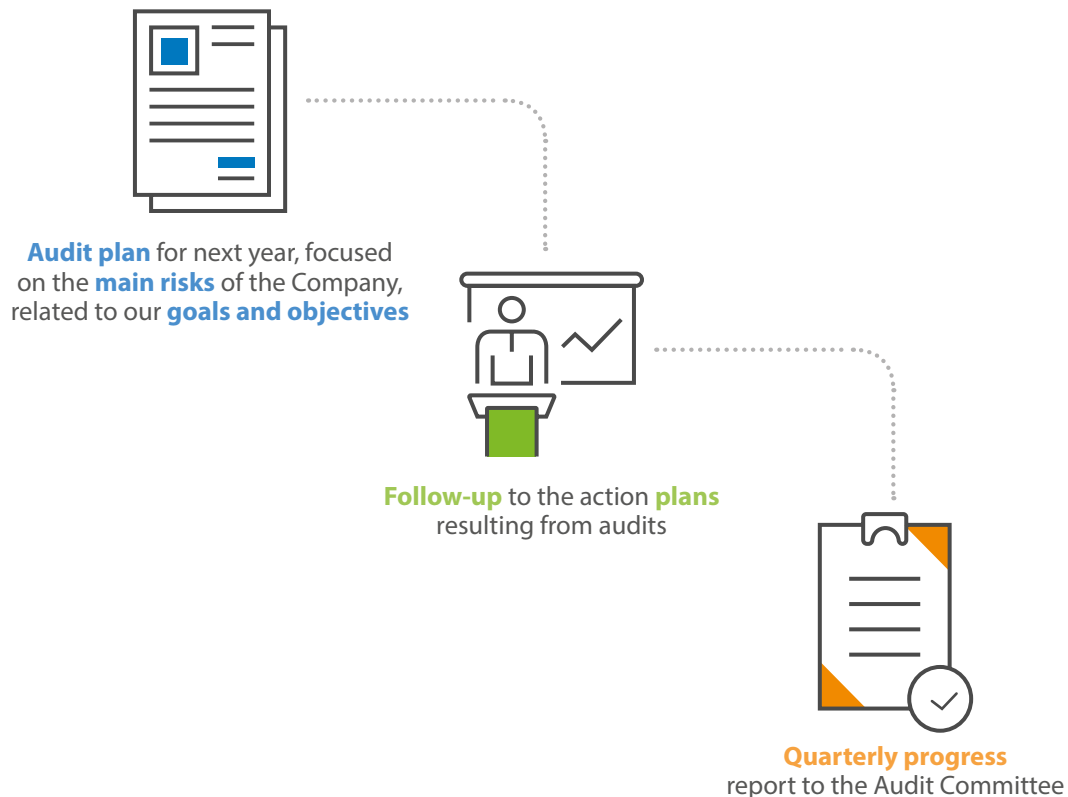
Also taken into consideration are risk factors that help define the magnitude and probability of losses caused by unfavorable events or activities, for example:

- **Operational disruption.** Events such as natural disasters, terrorism, interruption by key suppliers, faulty process changes, system failures, and prolonged adverse weather conditions.
- **Impact on earnings.** Competitive pressures, market economic conditions, financial governance, sustainability of the business model.
- **Impact on strategic initiatives.** Changes in leadership, lack of access to capital or liquidity, actions of competitors, changes in broad economic conditions, and adverse actions by foreign governments.
- **Changes in leadership.** Historical leadership change outcomes, succession planning, training and development
- **Level of automation.** Business reliance on technology and systems, historical dependability, the ability to revert to manual alternatives, and the entity's adoption rate of emerging technology.
- **Compliance requirements.** The ability of the entity to comply with laws, regulations and policies; occurrence of fraudulent, illegal or unethical acts; changing laws; ongoing liabilities and disputes; unsafe products or handling, etc.

- **Changes in processes.** Maturity of processes within the entity, process change management, quality assurance functions, process owner expertise, process documentation.
- **Historic audit results.** Issues identified during previous audit activities that are relevant to the auditable group or component, management tone, status of remediation efforts.
- **Customer insights.** Concerns expressed by business and technology leadership.
- **Other risk assessments.** Results of assessments conducted by internal and external parties that are relevant to the auditable group or component.
- **GFT insights.** Guidance provided by Global Functional Teams in the form of questionnaires, newsletters, interactive meetings, etc. (refer to Risk Assessment Tool Kit Connect site).

Considering market conditions and the risk factors described above, an overall risk rating of **HIGH**, **MEDIUM** or **LOW** is designated in the Risk Assessment for each Company area.

## As a result of risk assessment the following actions are carried out:





# Indexes, awards and rankings

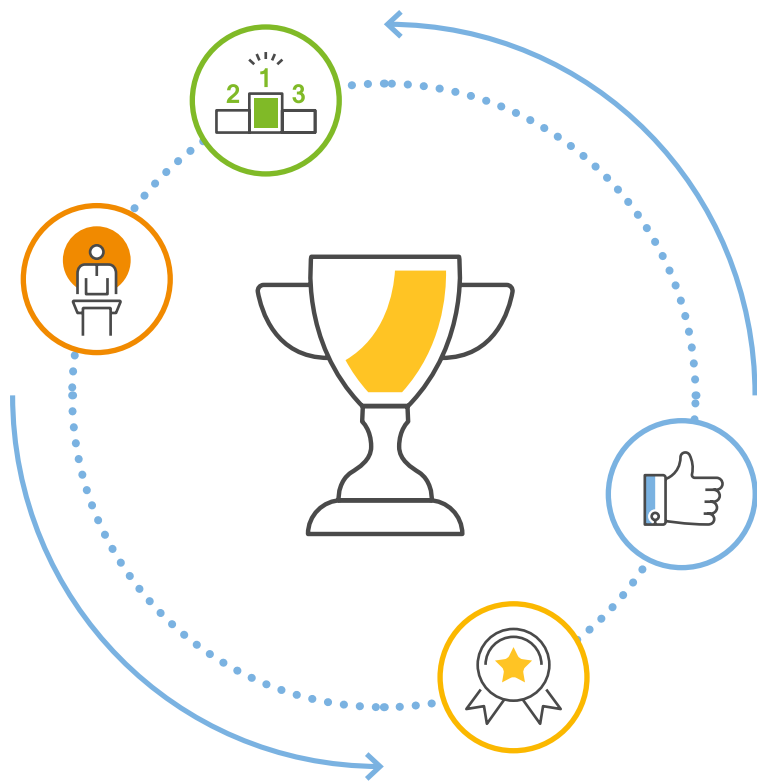


alchichonería



Alimentos  
Preparados





# Indexes



FTSE4Good

Member of FTSE4Good Emerging Index  
for the 2nd consecutive year



A member of the Mexican Stock  
Exchange Sustainability Index for the  
for the 6th consecutive year



Bloomberg Index for Gender Equality

# Awards



Award for **Corporate Social Responsibility**, granted by Cemefi, for the 17th consecutive year



**Tameme Recognition under the National Logistics Award**, granted by the Secretary of the Economy and the Secretary of Communications and Transportation, under the category of Small Company, for our work in collaboration with Grupo Apícola Texán de Palomeque de Yucatán



Award for **Corporate Social Responsibility**, granted by FUNDAHRSE, for the 10th consecutive year



eAwards  
[Walmart.com.mx](http://Walmart.com.mx)

- Best Design and Usability in eCommerce, due to the relaunching of the supermarket site
- Best Campaign in eCommerce



**SOS Parte Award**, for Costa Rica for its promotion efforts in favor of the inclusion of people with disabilities



**Costa Rica Incluye Award**, for Costa Rica for its good practices concerning social and labor inclusion of people with disabilities under two categories: Access to Physical Spaces, and Inclusive Hiring





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Recognition for Nicaragua for its sustained commitment to contribute to the nutrition of Nicaraguans, granted by **Fundación Maná**



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**National Quality Award 2017**, granted to the Integrated Meat Industries of Nicaragua, one of the plants belonging to our company's Agroindustrial Division, granted by the Secretary of Development, Industry and Commerce



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Recognition for our operations in Nicaragua for the outstanding work done in promoting voluntary blood donations, granted by the **Nicaragua Blood Bank and the Secretary of Health**



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Recognition for Honduras for their support during the blood donation activities, granted by the **Honduran Red Cross**



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Recognition for Costa Rica for its good labor practices regarding Gender Equality, in promoting equal opportunities and treatment among men and women, and closing the gender gaps in employment, granted by the **National Women's Institute**, and for its Recognition System for Gender Equality at Work

# Rankings



- 11<sup>th</sup> place among the 30 companies with environmental commitment

## EXPANSION

- 2<sup>nd</sup> place in Inclusive Businesses
- 3<sup>rd</sup> place in Top 500 Companies in Mexico
- 14<sup>th</sup> place in the Top 500 Companies against corruption



- 1<sup>st</sup> place in the Top 100 Companies that foster Mexico and the USA
- 4<sup>th</sup> place in the Top 1000 Companies in Mexico
- 10<sup>th</sup> place in the Top 1,000 Companies in Latin America
- Olga González, CFO among the Top 25 CFOs in Mexico



- 3<sup>rd</sup> place for Bodega Aurrera in Brand Asset Valuator, the Brands Most Valued by Mexicans
- 8<sup>th</sup> for Walmart Supercenter in Brand Asset Valuator, The Brands most Valued by Mexicans

## KANTAR MILWARDBROWN

- 4<sup>th</sup> place for Bodega Aurrera in BrandZ Top 30 Mexico, the 30 Top Brands in Mexico

## Interbrand

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- 8<sup>th</sup> place for Bodega Aurrera in Best Mexican Brands 2017, the Top 25 Brands in Mexico

**América**  
economía

- 8<sup>th</sup> place in Top 500 Companies in Latin America

mercado tecnología publicidad medios  
**Merca2.0**  
15 AÑOS

- 5<sup>th</sup> place in the Top 500 brands with the greatest digital know-how

**LIDERES**  
por RICARDO

- Guilherme Loureiro, CEO, included at the Top 300 Most Influential Leaders in Mexico

## FORTUNE

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- Olga González, CFO, included at the Top 50 Most Powerful Women in Business, Internationally



# Corporate Responsibility Strategy

GRI: G4-24, G4-25



# Shared Value 2030

GRI G4-24, G4-25

A company of our size -with over 237,000 associates, millions of customers, over 35,000 suppliers, and presence in 634 cities throughout the region- has the opportunity and obligation to achieve a significant contribution to sustainable development. Therefore our aspiration is to create Shared Value; that is, to build a business that benefits all our stakeholders. We want to be the most reliable retailer of which our customers, associates, suppliers, communities, and shareholders can be very proud.

To achieve this we have anchored our Corporate Responsibility to our guidelines and, as a result, to our daily actions. With this in mind, in the last few years we have worked with our stakeholders to have clearly-established priorities, and we are focused on those problems deemed as most important. Consequently, we have created Shared Value 2030, the primary consideration for our Corporate Responsibility strategy, which will guide the Company throughout the next few years.

This report contains several of these initiatives and the progress made to date. We shall be transparent about our progress and shall continue to provide regular updates each year.



# Environment

GRI G4-24, G4-25

## 2020



Guarantee Our Brands  
come from certified  
sustainable sources

Develop  
closed-cycle  
initiatives with  
suppliers



## 2025



Reducing food  
waste by 50%



Reducing GHG  
by 18%

## 2030

Contribute to the  
Gigaton global objective,  
reducing emissions by  
one billion tons



Ensure  
sustainable  
supply of  
the top 20  
commodities



# Social

GRI G4-24, G4-25

## 2020



Train recruitment associates in diversity and inclusion subjects

Enhance development programs of supply chain to ensure their permanence

Become the safest company to work and shop

Extend the catalogue of healthy and sustainable items within Our Brands

Increase available income in communities we support

## 2025



Encourage economic mobility within the supply chain

Boost greater sustainability and healthiness among top selling items

Continue to promote associate diversity

Become a company with zero associate accidents

Ensure balance in philanthropic activities

## 2030



Maintain and enhance all the necessary conditions to be considered as the best place to work

Guarantee responsible supply of the items we merchandise

Become a company with zero supplier accidents

Encourage our customers to consume products in a more healthy and sustainable manner

Contribute to the economic prosperity of those communities where we operate

# Corporate Governance

GRI G4-24, G4-25

## 2020



Improve our transparency level for our stakeholders

Promote increasingly diverse and transparent Corporate Governance



## 2025



Achieve optimum maturity levels in all compliance programs



Advance our Corporate Governance involvement in the Company's Environmental, Social and Governance performance (ESG)

## 2030



Guarantee zero corruption-related incidents



Be a role model in terms of Corporate Governance

# Contribution to **SDGs**

GRI G4-24, G4-25

The objectives of the Corporate Responsibility Strategy “Shared Value” subjects established by Walmart de México y Centroamérica support the Sustainable Development Goals to help improve equality in the region by 2030.



## Sustainable Development Goals



# GRI Index

## Guidelines GRI G4-18

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

## Scope

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

## Period

The information contained in this report covers the period from January 1 to December 31, 2017.



# GRI G4 Content Index

Indicator	Disclosure	Page	External Assurance
	Strategy and Analysis	6-9	
	Organizational Profile	41-42	
	Report Parameters	134	
	Report Scope	134	
	Governance, commitments and engagement	108-121	
<b>Identified Material Aspects And Boundaries</b>			
<b>G4-17</b>	Operational structure, referencing the information in publicly available consolidated financial statements or equivalent documents	21-22	YES
<b>G4-18</b>	Process for defining the report content and the aspect boundaries	Walmex does not report the full process for defining the report content because it is an internal process of working within all areas of the Company, this information is subject to specific confidentiality constraints 134	NO
<b>G4-19</b>	List all the material aspects identified in the process for defining report content	Materiality study available at: <a href="https://www.walmex.mx/assets/imagenes/responsabilidad_corporativa/descargables/en/Walmex%20Materiality.pdf">https://www.walmex.mx/assets/imagenes/responsabilidad_corporativa/descargables/en/Walmex%20Materiality.pdf</a>	NO
<b>G4-20</b>	For each material aspect, report the aspect boundary within the organization, report whether the aspect is material within the organization	Materiality study available at: <a href="https://www.walmex.mx/assets/imagenes/responsabilidad_corporativa/descargables/en/Walmex%20Materiality.pdf">https://www.walmex.mx/assets/imagenes/responsabilidad_corporativa/descargables/en/Walmex%20Materiality.pdf</a>	NO
<b>G4-21</b>	For each material aspect, report the aspect boundary outside the organization	Materiality study available at: <a href="https://www.walmex.mx/assets/imagenes/responsabilidad_corporativa/descargables/en/Walmex%20Materiality.pdf">https://www.walmex.mx/assets/imagenes/responsabilidad_corporativa/descargables/en/Walmex%20Materiality.pdf</a>	NO

Indicator	Disclosure	Page	External Assurance
<b>G4-22</b>	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	22	NO
<b>G4-23</b>	Significant changes related to previous reports	There were no significant changes.	NO
<b>Stakeholder Engagement</b>			
<b>G4-24</b>	List of stakeholder groups engaged by the organization	128-133	NO
<b>G4-25</b>	Basis for identification and selection of stakeholders with whom to engage	128-133	NO
<b>G4-26</b>	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Materiality study available at: <a href="https://walmex.mx/informe/2016/Walmart_Final/docs/Materiality_WM_16.pdf">https://walmex.mx/informe/2016/Walmart_Final/docs/Materiality_WM_16.pdf</a>	NO
<b>G4-27</b>	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	Materiality study available at: <a href="https://www.walmex.mx/assets/imagenes/responsabilidad_corporativa/descargables/en/Walmex%20Materiality.pdf">https://www.walmex.mx/assets/imagenes/responsabilidad_corporativa/descargables/en/Walmex%20Materiality.pdf</a>	NO
<b>G4-32</b>	Report the 'in accordance' option the organization has chosen	134	NO
<b>Economic</b>			
<b>EC1</b>	Direct economic value generated and distributed	10-22	NO
<b>EC2</b>	Financial implications and other risks and opportunities for the organization's activities due to climate change	95	NO
<b>EC3</b>	Coverage of the organization's defined benefit plan obligations	56, 104	NO
<b>EC4</b>	Financial assistance received from government	Not available	NO
<b>EC5</b>	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Our general wage band is 15% higher than the average minimum wage in Mexico.	YES
<b>EC6</b>	Proportion of senior management hired from the local community at significant locations of operation	In Mexico, 99% of top management are Mexican citizens; in Central America, 83% are Central Americans.	NO
<b>EC7</b>	Development and impact of infrastructure investments and services supported	Not applicable	NO
<b>EC8</b>	Significant indirect economic impacts, including the extent of impacts	47, 68-72	YES
<b>EC9</b>	Proportion of spending on local suppliers at significant locations of operation	63, 68-72	YES



Indicator	Disclosure	Page	External Assurance
<b>Environmental</b>			
EN1	Materials used by weight or volume	85	YES
EN2	Percentage of materials used that are recycled input materials	85	YES
EN3	Energy consumption within the organization	90-91	YES
EN4	Energy consumption outside of the organization	Not available	NO
EN5	Energy intensity	91	YES
EN6	Reduction of energy consumption	90-91	YES
EN7	Reductions in energy requirements of products and services	90-91	YES
EN8	Total water withdrawal by source	88	YES
EN9	Water sources significantly affected by withdrawal of water	According to corresponding criteria, our regional consumption is not significant, thus water sources have not been negatively affected by water catchment.	NO
EN10	Percentage and total volume of water recycled and reused	The numbers were estimated under an approved methodology. We are working to have 100% of the information from measurements on site.	YES
EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	We don't have operational sites at protected areas and areas of high biodiversity value.	YES
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	4,366 trees delivered to municipal and state authorities, as a compensation measure for environmental impacts in the construction of 18 new projects.	YES
EN13	Habitats protected or restored	Not available	NO
EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not available	NO
EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	93	YES
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	93	YES

Indicator	Disclosure	Page	External Assurance
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	93	YES
EN18	Greenhouse gas (GHG) emissions intensity	94	NO
EN19	Reducción de las emisiones de GEI	92-95	NO
EN20	Emissions of ozone-depleting substances (ODS)	93	NO
EN21	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions*	<div> <div>Ton</div> <div>NO<sub>x</sub>25,913</div> <div>SO<sub>x</sub>424</div> <div>PM particles1,480</div> <div>VOC1</div> <div>POC*0.01</div> <div>HAP*462.6</div> </div>	NO
	*Excluding Central America		
EN22	Total water discharge by quality and destination	88	NO
EN23	Total weight of waste by type and disposal method	82-86	YES
EN24	Total number and volume of significant spills	In Mexico, at Walmart Supercenter Bonampak, Quintana Roo one significant diesel spills of 1,350 liters. We carry out the immediate cleaning of the site, contaminated soil disposition, report to the Profepa, initial environmental verification and additional environmental verification required by the municipal authority.	YES
EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention <sup>2</sup> Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	1,083 tons of hazardous waste.	NO
EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	In Mexico there was no significant affectation due to spills or runoff due to spills.	NO
EN27	Extent of impact mitigation of environmental impacts of products and services	97	NO

Indicator	Disclosure	Page	External Assurance
EN28	Percentage of products sold and their packaging materials that are reclaimed by category	85	NO
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	In Mexico, no significant fines were reported.	NO
EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	94	NO
EN31	Total environmental protection expenditures and investments by type	5	NO
EN32	Percentage of new suppliers that were screened using environmental criteria	64-67	NO
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	64-67	NO
EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	In Mexico, 7 claims concerning noise solved. In Central America 138 visits from Government agencies and 7 claims.	NO
<b>Labor Practices and Decent Work</b>			
LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	49-50	YES
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	56	NO
LA3	Return to work and retention rates after parental leave, by gender	In Mexico 96% and in Central America 99%, of associates who benefited from this new policy, returned to work after completing their maternal or paternal leave.	NO
LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	The law does not include this figure.	NO
LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	54-55	YES
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	54-55	YES
LA7	Workers with high incidence or high risk of diseases related to their occupation	54-55	YES
LA8	Health and safety topics covered in formal agreements with trade unions	Compliance with labor law in each country where we operate.	NO
LA9	Average hours of training per year per employee by gender, and by employee category	47	YES



Indicator	Disclosure	Page	External Assurance
<b>LA10</b>	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	47-52	YES
<b>LA11</b>	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	112,640 evaluated associates.	YES
<b>LA12</b>	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	61	YES
<b>LA13</b>	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	59	NO
<b>LA14</b>	Percentage of new suppliers that were screened using labor practices criteria	64-67	NO
<b>LA15</b>	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	64-67	NO
<b>LA16</b>	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	In Mexico, 8,213 labor suits were filed in 2017 and during previous years; 7,078 were filed by associates and 1,135 by suppliers; in 2017, a total of 6,656 filed by associates and 840 by suppliers were settled.	YES
<b>Human Rights</b>			
<b>HR1</b>	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	64-67	NO
<b>HR2</b>	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	118	YES
<b>HR3</b>	Total number of incidents of discrimination and corrective actions taken	118	YES
<b>HR4</b>	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	64-67	NO
<b>HR5</b>	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	64-67	NO
<b>HR6</b>	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	64-67	NO
<b>HR7</b>	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	118	NO
<b>HR8</b>	Total number of incidents of violations involving rights of indigenous peoples and actions taken	Not available	NO

Indicator	Disclosure	Page	External Assurance
<b>HR9</b>	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	64-67	NO
<b>HR10</b>	Percentage of new suppliers that were screened using human rights criteria	64-67	NO
<b>HR11</b>	Significant actual and potential negative human rights impacts in the supply chain and actions taken	64-67	NO
<b>HR12</b>	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	118	NO
<b>Society</b>			
<b>SO1</b>	Percentage of operations with implemented local community engagement, impact assessments, and development programs	98-107	YES
<b>SO2</b>	Operations with significant actual or potential negative impacts on local communities	There were 160 claims in Mexico on social impact, attended by Community Support Area.	NO
<b>SO3</b>	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	118	NO
<b>SO4</b>	Communication and training on anticorruption policies and procedures	118	YES
<b>SO5</b>	Confirmed incidents of corruption and actions taken	- Report of Independent Auditors, Note 15, paragraph c Legal proceedings, pages 174-175.  - Walmart Stores, Inc (Walmart Inc today) release send to SEC, at november,16 2017.	NO
<b>SO6</b>	Total value of political contributions by country and recipient/ beneficiary	Contributions to any political party whatsoever or to any related institution are strictly forbidden at our Global Anticorruption Policy.	NO
<b>SO7</b>	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	We have neither incurred in antitrade practices nor acted against free enterprise.	NO
<b>SO8</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Not available	NO
<b>SO9</b>	Percentage of new suppliers that were screened using criteria for impacts on society	64-67	NO
<b>SO10</b>	Significant actual and potential negative impacts on society in the supply chain and actions taken	64-67	NO
<b>SO11</b>	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	64-67	NO

Indicator	Disclosure	Page	External Assurance
<b>Product Responsibility</b>			
<b>PR1</b>	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	<b>Our Brands products/ Self-service</b> Concept development No R&D Yes Certification Yes Manufacturing and production Yes Marketing and promotion No Storage, distribution and supply No Utilization and service No Elimination, reuse and recycling No Number of products New products 375 Reengineering 76	
<b>PR2</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	75	YES
<b>PR3</b>	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	78	YES
<b>PR4</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	78	YES
<b>PR5</b>	Results of surveys measuring customer satisfaction	33-35	YES
<b>PR6</b>	Sale of banned or disputed products	Walmex has identified countries with which does not do business. Trains, communicates and monitors about the same. For the eCommerce business, prohibited products have been identified and monitored on the same.	NO
<b>PR7</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	78	NO
<b>PR8</b>	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	We have not received claims on privacy violation matters and/or the improper release of customer data.	NO
<b>PR9</b>	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	In Mexico, no significant fines were reported.	NO



# Management commentary

## Management commentary:

In 2017 we faced several macroeconomic headwinds, natural disasters and temporary store closures due to protests related to gas price increases. Despite these challenges we were able to keep our growth momentum and more importantly, to maintain our customer's preference. The hard work and commitment of our associates, the focus on operating with excellence and a robust financial strategy allowed us to deliver solid results.

Not only our results were positive, but we also managed to improve our competitive position. We widened our price gap by 40bps and according to our Customer Experience Index, we are delivering a more enjoyable shopping experience.

During 2017 we also stepped up our efforts towards becoming the leading omnichannel retailer in Mexico, we continued to add critical capabilities by investing in key areas of the business such as logistics and eCommerce.

## Disclosure of nature of business:

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

As of December 31, 2017, it operated 3,134 units, throughout 6 countries (Costa Rica, Guatemala, Honduras, El Salvador, México, and Nicaragua), including self-service stores, membership clubs, and pharmacies.

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

## Disclosure of management's objectives and its strategies for meeting those objectives:

The objective of the Company is to double total sales in 10 years and to leverage operating expenses to reinvest in the business.

Sales growth will come from:

- Same store sales
- Sales from new stores
- eCommerce

## Disclosure of results of operations and prospects:

**Note:** The percentages of sales growth related to Central

America are determined on a constant currency basis.

Total revenues grew 6.8% in the quarter and increased 7.7% for the year.

In Mexico, revenues grew 7.8% in the quarter and 7.6% in the year, while in Central America revenue grew 8.5% during the fourth quarter and 8.7% in the year.

Same store sales were the main growth driver.

In the fourth quarter, same stores sales in Mexico grew 6.4% and in Central America 4.8%.

During the year, same store sales grew 6.3% in Mexico and 4.9% in Central America. We surpassed the 3% to 5% guidance that we gave.

Two year stack growth for same store sales was 14.3% in Mexico and 9.8% in Central America. This is an indication of how consistent our results have been in the past years and clearly demonstrates the progress we have made in executing our strategy.

Growth was broad-based, sustainable and profitable.

In Central America all countries delivered positive same store sales growth. Nicaragua was the country with the highest growth while Guatemala had a lower, but yet strong growth.

We drove healthy growth across all regions in Mexico as well; the Northern region of the country had the highest same store sales growth followed by the Central, Southern and Metro regions.

Sam's Club had an outstanding performance in sales driven by continued strength in new member acquisition. Strategic investments in member value, merchandise relevance, and the integration of digital and physical, like the implementation of club pick-up, boosted their performance.

Bodega also posted strong results. Their signature campaign "Morralla" was recognized as Mexico's number one campaign by sales value, surpassing every competitor.

They also accelerated expansion, and reinforced their position as Mexico's largest retailer. During the year Bodega Aurrera opened store 500 and reached 1,820 stores in total.

Walmart Supercenter's results were robust. The focus on "Every Day Low Prices", constant innovation to improve customer experience and a solid execution of seasonal events were key to the formats performance.

Superama delivered a lower but still positive growth. We are constantly seeking opportunities to improve our business and we are implementing strategic initiatives in key departments such as Pharmacy and Fresh that will strengthen the value proposition of the format.

During the quarter our core division Food and Staples delivered the highest growth, followed by Apparel and General Merchandise which also posted robust results.

During 2017 we outpaced every ANTAD division. We surpassed ANTAD total, which comprises self-service, department and specialty stores, by 250bps; every month of the year we outpaced the market.

Specifically on the self-service side, we grew 160bps ahead of our competitors.

Every merchandise division individually grew ahead of ANTAD. The Apparel division grew 340bps above ANTAD, General Merchandise 200bps and Food and Staples 160bps.

We have outpaced ANTAD self-service division for the last 12 quarters.

We are moving fast to respond to the market opportunities as well as to innovate to transform the shopping experience and our customers are rewarding us with their loyalty.

During the year we opened 125 new stores; 78 in Mexico and 47 in Central America, which compares to 92 new stores opened in 2016.

We are accelerating expansion in a profitable and sustainable way. In 2017 the contribution from new stores was 2.2%, 40bps more than in 2016.

2017 was a year of building foundations for our eCommerce business. We made key steps towards achieving our goal of developing the best omnichannel experience through a low cost platform.

At the beginning of the year we announced the launch of club pick-up, and considering the pick-up locations of our self-service formats, we ended the year with more than 500 stores offering pick-up service throughout the country. By leveraging our assets we are being able to give a fresher and quicker service to our customers.

Another milestone in our omnichannel journey was the launch of a marketplace offering through our walmart.com.mx site. We are expanding our reach to new customers through differentiated merchandise in an asset light way. As of December 2017 we had enrolled more than 230 sellers and increased our catalogue almost 3 times. We have strategic plans for each category to continue expanding the online assortment.

This year the eCommerce business, which comprises Grocery Home Shopping and General Merchandise operations grew 34%, eCommerce sales contributed 30bps to sales growth and represented 1% of total sales.

#### Fourth quarter results

##### Mexico:

Total revenues grew 7.8%, gross margin contracted by 20bps to 21.5% primarily due to price investments during the holiday period, and expenses grew 6.0%, significantly below total revenues growth.

We achieved expense leverage by operating with discipline and solid sales growth.

Operating income grew 8.6% and EBITDA margin expanded by 10bps to reach 10.3%.

##### Central America:

During the quarter total revenues grew 8.5% on a constant currency basis.

Gross profit margin expanded by 100bps to 24.2% and SG&A grew 10.7%.

Operating income grew 19.3% and EBITDA 17.6% to reach an 8.9% margin, 60bps more than last year.

Operating income and EBITDA doubled total revenues growth.

##### Consolidated:

Total revenues grew 6.8%.

We achieved expenses leverage by growing expenses 5.7%, 110bps below total revenues growth.

Operating income grew 9.2% and EBITDA grew 9.1% which led to a 20bps margin expansion. We reached a double digit margin on a consolidated basis of 10.0%.

Income from continuing operations posted a strong 12.5% growth.

#### 2017 Results

##### Mexico:

Total revenues grew 7.6%.

Gross margin expanded 20bps to reach 21.9%. We widened our price gap by 40bps and we were able to do so without impacting profitability.

As a result of our strong focus on productivity and disciplined expenses management, we achieved expense leverage in Mexico by growing SG&A 60bps below revenues.

Operating income increased 10.6% and EBITDA 10.0% to reach a 9.9% margin.

##### Central America:

Total revenues grew 8.7% on a constant currency basis.

Gross margin improved 60bps to 24.1% and SG&A grew 10.0%.

Operating income and EBITDA grew 14.7% and 14.4% respectively.

We achieved an 8.5% EBITDA margin in the region.

##### Consolidated:

Total revenues grew 7.7%.

Gross profit margin expanded by 20bps to 22.3%.

We achieved 20bps of expenses leverage on a consolidated basis.

EBITDA grew 10.6%, above total revenue growth to reach a 9.7% margin.

Net income grew 19.5%, which is above total revenues growth.



## Financial position, liquidity and capital resources

Throughout the year we invested \$17.4 billion pesos in high return projects to strengthen our business. This amount represented 21.7% more than in 2016 and is in line with our guidance.

Disciplined capital allocation is key to achieve our long-term goals. We are becoming more productive in remodels and new stores construction and thereby freeing capital to build foundations to become a more digitally enabled company.

In order to fund these strategic investments, we managed to leverage our base expenses; we are committed to driving productivity and to managing expenses with discipline.

We were able to reduce our expenses base by 44bps, expenditures related to store remodeling and maintenance increased by 4bps and we invested 15bps in new stores and eCommerce.

An accounting reclassification of vendor allowances represented 8bps and one-time effects related primarily to the earthquakes that took place in September represented 10bps.

Driven by strong cash generation from our operations, our cash position increased by 27.2% to \$35.6 billion pesos, \$7.6 billion pesos more than last year.

Inventories increased 10.8%, primarily due to acceleration in new store openings during the quarter where we opened 58 new stores, 13 more than in 4Q16.

Accounts payable grew 21.5% which led to improvements in working capital.

For the year we generated \$54.4 billion pesos, \$3.1 billion pesos more than last year.

Working capital has been a focus for us and we are really pleased with our discipline, especially in managing inventory and payables.

During the year we returned \$42.8 billion pesos in dividends to our shareholders and invested \$17.4 billion pesos back into the business.

# Report by the Audit Corporate Practices Committees

Wal-Mart de México, S.A.B. de C.V.

## Annual Report

Board of Directors, Wal-Mart de México S.A.B. de C.V.  
Present.

### To Whom It May Concern:

In compliance with article 43 of the Securities Market Law (LMV) and the internal regulations of the Committees I oversee, with approval from the Board of Directors for Wal-Mart de México, S.A.B. de C.V. (which together with its subsidiaries hereinafter is the Company), we hereby inform you of the activities undertaken during the reporting period ending on Dec. 31, 2017.

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

In compliance with our oversight process the Audit and Corporate Practices have conducted quarterly regular meetings to analyze the overall situation regarding matters of material importance in the fields of finance, accounting, legal, operations and ethics for the Company, and supplementing our participation in said meetings

throughout the year with the office of the CEO, Legal, Finance and Internal Audit are the reports presented by the principal officers of the Company as requested by us, in addition to special meetings held to cover specific matters, as needed, such as the following:

### I. Corporate Practices:

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

1. Evaluation processes for relevant officers and their authorized succession plans, which include but are not limited to Olga González Aponte in his position of Senior Vice President of Administration and Finance for Walmart Mexico and Central America, effective as of 1<sup>st</sup> of July 2017, replacing Pedro Farah.
2. The processes followed to determine integrated compensation for the CEO and the integrated compensation packages for the other relevant officers -mentioned under note 13, paragraph c) of the consolidated financial statements for Wal-Mart de México,

S.A.B. de C.V. and Subsidiaries, at Dec. 31, 2017 (hereinafter the “financial statements for the Company”).

3. The policies and procedures followed during the reporting year, with regards to operations with related parties and the corresponding investigation on transfer prices, the concepts of which are discussed under note 13 of the financial statements.
  4. The operations related to the sale of the apparel store -Suburbia- which is mentioned under note 8 of the financial statements.
- b. During the 2017 period, the Company management kept us informed of the progress made regarding the investigations on alleged corrupt practices that the Audit Committee of Wal-Mart Stores, Inc. (“Wal-Mart”) has been conducting with the assistance of independent lawyers and other advisors and the measures that the Company has taken, reinforcing the internal organization, training Directors, executives and associates: and strengthening the processes, thus becoming a leader in compliance worldwide such as that explained in detail

under note 15, paragraph c) of the Company financial statements. In addition, we continue believing that our cooperation with the aforementioned investigations is in the best interest of the Company and its shareholders, with no distinction whatsoever.

- c. The Board of Directors granted no dispensation whatsoever to any Director, executive, or anyone with a position of authority, as indicated under article 28, section III, paragraph f) of the LMV.

## II. Audit:

- a. We analyze the status of the internal control system, and were informed in detail of the programs and development of internal and independent audit work done, as well of the primary aspects requiring improvement and follow-up on the preventive and corrective measures implemented by Management. Therefore, it is our opinion that the effectiveness required for the Company to function with an appropriate level of control is being accomplished.
- b. We evaluated the performance of the independent auditors, who are responsible for issuing an opinion on the reasonability of the Company financial statements and their adherence to International Financial Information Standards. With regards to the same, we consider that the partners at Mancera, S.C. (a member of EY Global) comply with all necessary requirements regarding the professional quality and independence of intellectual and economic action, thus they were recommended as examiners and issuers of the report

on the Company financial statements. On the other hand, the additional or complementary services that the aforementioned auditors rendered for the Company throughout 2017, did neither impair their independence nor were they substantial.

- c. We attended different meetings to review the quarterly and annual financial statements for the Company and, at the time, we recommended publishing said financial information.
- d. We were informed about the accounting policies that were approved and put into practice throughout 2017 and its modifications, the elimination of the accounting policies of Suburbia, S. de R.L. of C.V. and other companies related to Suburbia clothing stores as a result of their sale.
- e. Follow-up was given to any and all relevant observations made by the shareholders, directors, relevant officers, employees and any third party in general, regarding the accounting, internal controls, and subjects related to internal or independent audits.
- f. Follow-up was also given to all agreements made by shareholders and members of the board of directors for the Company.
- g. Information was provided on the progress made regarding investment plans and the impact on the results sent to the Mexican Stock Exchange, as a result of adjustments made to store-opening processes.
- h. Information was provided on the legal contingencies to which the Company is exposed, and which are

recognized in the financial statements as per the probability of occurring,

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

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

Due to all the aforementioned, we recommend that the Board of Directors present the financial statements for Wal-Mart de México, S.A.B. de C.V. and subsidiaries for the period ending Dec. 31, 2017, to the General Annual Shareholders Assembly for their approval.

Sincerely,



**Adolfo Cerezo**

Chairman of the Audit and  
Corporate Practices Committees

Mexico City, February 15, 2018



# 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 (hereinafter "the Company"), which comprise the consolidated statement of financial position as at 31 December 2017, 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 as at 31 December 2017 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 audits 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 matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide 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 our audit on these discounts since they comprise a significant portion of the Company's cost of sales for the year ended 31 December 2017 and to the 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 discount.

To respond to the risk identified in this area, we assessed the Company's internal controls over its discounts process and based on our sample, we asked the Company's suppliers for confirmations regarding the discount agreements entered into with the Company and we reviewed some of these agreements to verify that they were duly approved and recorded in the Company's accounting in the correct accounting period.

We conducted analytical testing of the discounts. This testing consisting primarily of observing the monthly behavior of all supplier discounts compared to the amount of total purchases and we conducted a month-to-month comparison of the discounts that the Company obtained compared to the prior year. We analyzed any differences identified and assessed the differences against the explanations and supporting documentation provided to us by the Company.

## II. Sale of the clothing store division (Suburbia)

As discussed in Notes 1b) and 8 to the accompanying consolidated financial statements, on April 4 2017, the Company sold 100% of the shares of its subsidiary Suburbia. This transaction required the Company to recognize its clothing store business segment as a discontinued operation. We focused on this area because this was a significant transaction for the Company in 2017 and since, due to the complexity of the accounting requirements applicable to the sale of this subsidiary, it required special attention from us during our audit.

We reviewed the calculation of the Company's net income from the discontinued operations and we compared the sale price of the subsidiary agreed on with the buyer (fair value) with the book value of the net assets of the division. We also reviewed the respective sale purchase agreement and verified that the discontinued operations are presented in the Company's financial statements and accompanying notes in accordance with applicable accounting standards.

## Other information

The other information comprises the financial and non-financial information (other than the financial statements and our audit report) presented in the annual report by the Company submitted to the National Banking and Securities Commission (the Commission) and in the annual report submitted to the shareholders for the year ended as at 31 December 2017. Management is responsible for the other information. We expect to obtain the other information after the date of this auditor's 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 consolidated financial statements, our responsibility is to read the other information when we have access to it and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we conclude that there is a material misstatement of the other information contained in the Annual Report filed with the Commission and/or in the annual report submitted to the Company's shareholders, we are required to report that fact to those charged with governance and to describe the matter in our statement on the Annual Report required by the Commission.

## 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 corporate governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

The 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 consolidated 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 consolidated 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 corporate 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 corporate 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 corporate governance, we determine those matters that were of most significance in the audit of the 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 David Sitt.

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**

Mexico City, February 15, 2018

## 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	
	2017	2016
Net sales	\$ 569,366,181	\$ 528,571,376
Other revenues (Note 20)	3,898,839	3,812,707
Total revenues	573,265,020	532,384,083
Cost of sales	( 445,569,672)	( 414,900,193)
Gross profit	127,695,348	117,483,890
General expenses (Note 21)	( 83,684,158)	( 77,833,627)
Income before other income and expenses	44,011,190	39,650,263
Other income	861,066	578,707
Other expenses	( 1,034,717)	( 773,835)
Operating income	43,837,539	39,455,135
Financial income (Note 22)	1,385,836	1,321,139
Financial expenses (Note 22)	( 1,933,375)	( 1,644,004)
Income before income taxes	43,290,000	39,132,270
Income taxes (Note 17)	( 10,899,663)	( 10,622,996)
Net Income from continuing operations	32,390,337	28,509,274
Income from discontinued operations net of income taxes (Note 8)	7,474,618	4,842,597
Consolidated net income	\$ 39,864,955	\$ 33,351,871

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

	Year ended December 31	
	2017	2016
Other comprehensive income items:		
Items that do not reclassify to profit and loss of the year:		
Actuarial (loss) gain on employee benefits net of income taxes	\$ ( 260,303)	\$ 222,015
Items that may be reclassified subsequently to profit and loss:		
Cumulative translation adjustment	( 4,103,030)	10,324,721
Other comprehensive (loss) income	( 4,363,333)	10,546,736
Comprehensive income	\$ 35,501,622	\$ 43,898,607
Net income attributable to:		
Controlling interest	\$ 39,864,955	\$ 33,352,298
Non-controlling interest	–	( 427)
	\$ 39,864,955	\$ 33,351,871
Comprehensive income attributable to:		
Controlling interest	\$ 35,501,622	\$ 43,899,034
Non-controlling interest	–	( 427)
	\$ 35,501,622	\$ 43,898,607
Basic earnings per share from continuing operations attributable to controlling interest (in pesos)	\$ 1.855	\$ 1.633
Basic earnings per share attributable to Controlling interest (in pesos)	\$ 2.283	\$ 1.910

## 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, 2017	December 31, 2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 5)	\$ 35,596,117	\$ 27,975,536
Accounts receivable, net (Note 6 and 13)	10,834,460	9,817,878
Inventories (Note 7)	59,463,255	53,665,239
Advanced payments and others	982,374	935,125
Total current assets	106,876,206	92,393,778
Assets held for sale (Note 8)	–	11,628,894
Non-current assets:		
Property and equipment, net (Note 9)	122,252,752	121,690,306
Financial leases, net (Note 10)	12,709,974	12,344,104
Investment properties, net (Note 11)	5,118,707	2,315,193
Intangible assets, net (Note 12)	39,368,028	41,339,532
Deferred tax assets (Note 17)	6,882,422	4,699,729
Other non-current assets	2,047,575	1,880,075
Total assets	\$ 295,255,664	\$ 288,291,611

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

	December 31, 2017	December 31, 2016
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable (Note 13)	\$ 80,099,063	\$ 65,918,998
Other accounts payable (Note 13 and 14)	23,837,886	21,224,627
Income taxes payable	3,890,598	3,222,964
Total current liabilities	107,827,547	90,366,589
Liabilities relating to assets held for sale (Note 8)	–	3,951,542
Long-term liabilities:		
Other long-term liabilities (Note 16)	19,815,114	14,778,703
Deferred tax liabilities (Note 17)	6,087,187	10,483,437
Employee benefits (Note 18)	1,991,863	1,685,324
Total liabilities	135,721,711	121,265,595
Equity (Note 19):		
Capital stock	45,468,428	45,468,428
Retained earnings	96,413,711	99,650,564
Other comprehensive income items	20,011,198	24,374,531
Premium on sale of shares	3,559,058	3,108,097
Employee stock option plan fund	( 5,918,442)	( 5,575,604)
Total equity	159,533,953	167,026,016
Total liabilities and equity	\$ 295,255,664	\$ 288,291,611



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

# Consolidated Statements of Changes In Equity

For the years ended December 31, 2017 and 2016

(Notes 1, 3 and 19)

Amounts in thousands of Mexican pesos

	Capital stock	Retained earnings		Other comprehensive income items	Premium on sale of shares	Employee stock option plan fund	Equity attributable to controlling interest	Non-controlling interest	Total equity
		Legal reserve	Earnings						
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	45,468,428	9,104,745	90,545,819	24,374,531	3,108,097	( 5,575,604)	167,026,016	–	167,026,016
Movements in employee stock option plan fund					450,961	( 342,838)	108,123		108,123
Dividends declared			( 43,101,808)				( 43,101,808)		( 43,101,808)
Comprehensive income			39,864,955	( 4,363,333)			35,501,622		35,501,622
<b>Balance at December 31, 2017</b>	<b>\$ 45,468,428</b>	<b>\$ 9,104,745</b>	<b>\$ 87,308,966</b>	<b>\$ 20,011,198</b>	<b>\$ 3,559,058</b>	<b>\$ ( 5,918,442)</b>	<b>\$ 159,533,953</b>	<b>\$ –</b>	<b>\$ 159,533,953</b>

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	
	2017	2016
<b>Operating activities</b>		
Income before taxes on profits	\$ 43,290,000	\$ 39,132,270
<b>Items related to investing activities:</b>		
Depreciation and amortization	11,644,876	10,693,735
Loss from disposal of property, equipment and impairment	245,619	507,575
Stock option compensation expense	250,513	270,416
Interest earned	( 1,030,317)	( 559,618)
<b>Items related to financing activities:</b>		
Interest payable under finance leases	1,436,653	1,270,826
Discontinued operations	371,824	2,471,145
Cash flow from results of operations	56,209,168	53,786,349
<b>Variances in:</b>		
Accounts receivable	( 1,604,457)	( 1,253,330)
Inventories	( 6,468,291)	( 4,525,586)
Advanced payments and other assets	( 436,377)	( 1,163,455)
Accounts payable	14,925,876	9,345,322
Other accounts payable	2,736,206	1,031,983
Income tax paid	( 15,219,977)	( 7,068,985)
Employee benefits	( 19,674)	106,624
Discontinued operations	( 987,109)	( 3,150,974)
Net cash flow from operating activities	49,135,365	47,107,948

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

	Year ended December 31	
	2017	2016
<b>Investing activities</b>		
Finite useful life non-current assets	( 17,425,635)	( 14,334,781)
Purchase of shares of non-controlling interest	–	( 44,737)
Interest collected	1,030,317	559,618
Proceeds from sale of property and equipment	231,697	275,883
Employee stock option plan fund	( 142,390)	56,523
Business disposal	20,229,114	–
Discontinued operations	( 35,945)	( 313,400)
Net cash flow from (used in) investing activities	3,887,158	( 13,800,894)
<b>Financing activities</b>		
Dividends paid	( 42,755,604)	( 28,972,332)
Payment of finance leases	( 1,609,939)	( 1,550,479)
Discontinued operations	( 15,583)	( 69,841)
Net cash flow used in financing activities	( 44,381,126)	( 30,592,652)
Effect of changes in the value of cash	( 1,020,816)	470,296
Net increase in cash and cash equivalents	7,620,581	3,184,698
Cash and cash equivalents at beginning of year	27,975,536	24,790,838
Cash and cash equivalents at end of year	\$ 35,596,117	\$ 27,975,536

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

# Notes to Consolidated Financial Statements

At December 31, 2017 and 2016

Amounts in thousands of Mexican pesos, except where otherwise indicated

## 1.- DESCRIPTION OF THE BUSINESS AND RELEVANT EVENTS

### a. Corporate information

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, Santa Cruz Acayucan, 02770, in Mexico City. The principal shareholder of **WALMEX** is Walmart Inc. (formerly 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 equity interest in the following groups of companies in Mexico and Central America, as are shown below:

Group	Line of business
Nueva Walmart	Operation of 1,820 (1,763 in 2016) Bodega Aurrerá discount stores, 270 (262 in 2016) Walmart hypermarkets 94 (96 in 2016) Superama supermarkets, 162 (160 in 2016) Sam's Club membership self-service wholesale stores, and 10 Medimart pharmacies, in both years.
Import companies	Import goods for sale.

Group	Line of business
Real estate	Property developments and management of real estate companies.
Service companies	Rendering of professional services to Group companies and non-for-profit services to the community at large, and shareholding.
Walmart Central America	Operation of 522 (495 in 2016) discount stores (Despensa Familiar and Palí), 94 (92 in 2016) supermarkets (Paiz, La Despensa de Don Juan, La Unión and Más x Menos), 133 (117 in 2016) Bodegas, Maxi Bodega and Maxi Palí, 29 (27 in 2016) Walmart hypermarkets. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

### b. Relevant events

#### Sale of Suburbia stores (Note 8)

On April 4, 2017, after receiving the approval from the competent authorities, **WALMEX** completed the sale to El Puerto de Liverpool, S.A.B. de C.V. (Liverpool) of 100% of the shares held by **WALMEX** in the legal entities comprising Suburbia. Additionally, this transaction included the sale of certain intangible assets, furniture and **WALMEX**'s interest in owned and leased assets for the net amount of \$16,269,000.



## 2.- NEW ACCOUNTING PRONOUNCEMENTS

### a. Amendments effective as from January 1, 2017

- Amendments to International Accounting Standard (IAS), *Income Taxes*. The IAS 12 established the requirement over recognition and measure of liabilities and assets for current and deferred taxes. This amendment clarify about the recognition of deferred tax assets for unrealized losses. They did not have impact in the financial statements of the Company.
- Amendments to IAS 7, *Statement of cash flow*. The modifications that require disclosure has the objective that the entities provide disclosures that allow the users of the financial statements to evaluate the changes in the liabilities derived from the financing activities. To achieve this objective, it is required that the following changes arising from financing activities be disclosed (if it is necessary): (i) changes in financing cash flows; (ii) changes from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of exchange rate variations; (iv) changes in fair value; and (v) other changes. There were no significant impacts as a result of these modifications.

### b. Standards that will be effective in 2018

- International Financial Reporting Standard (IFRS) 9, *Financial instruments*. Outlines the new requirements for classification, measurement, impairment and hedge accounting. The Company has evaluated this standard and concluded it will not have a material effect in the consolidated financial statements.
- IFRS 15, *Revenue from contracts with customers*. According to IFRS 15, an entity recognizes the revenue when the obligation is satisfied, that is, when the "control" of the goods or services

underlying the performance obligation has been transferred to the customer. Likewise, guides have been included to deal with specific situations. In addition, the number of disclosures required is increased. The Company concluded that the application of this standard will not have a material effect in the consolidated financial statements. The adoption of this standard was made on January 1, 2018 under the modified retrospective method.

- Amendments to IFRS 2 - *Classification and measurement of share-based payments* - The amendments contain clarifications and modifications related to accounting for transactions share-based payment paid in cash; the classification of this kind of transactions with net settlement characteristics; and accounting for changes in share-based payments transactions settled in cash and payable through equity instruments. The Company's Management expects that there may be some impacts as a result of these modifications.

### c. Standards that will be effective on 2019

- IFRS 16, *Leases*. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires use a model similar to the accounting for finance leases. The Company is in process to quantify and evaluate the impacts of the adoption of this standard, which are considered material in the consolidated financial statements and disclosures.
- IFRIC 23, *Uncertainty over income tax treatments*. The Company is in process quantifying the impact in the consolidated financial statements, and taking into consideration that **WALMEX** operates in a complex multinational tax environment. The Company may require the implementation of processes and procedures to obtain on timely basis all the information that is necessary to apply the requirements of this interpretation.

### 3.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies is described below. These policies have been applied consistently with those applied in the year ended December 31, 2016, except where otherwise indicated.

#### a. Basis of preparation

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

The consolidated statements of comprehensive income were prepared based on the function of its components, which allows disclosure of cost of sales separately from other costs, operating and administrative expenses, both expenses are recognized in the statement of income at the time they are incurred. The consolidated statement of comprehensive income also shows the amount of operating income separately to provide a better understanding of the Company's business performance.

Prior to the consolidation process, the financial statements of the Company's foreign subsidiaries 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.

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 statement of cash flows is prepared using the indirect method.

The preparation of consolidated financial statements requires the use of accounting estimates and assumptions based on historical experience and other factors and therefore the actual results may differ from estimates. The estimates and assumptions are reviewed periodically and are as follows:

- Accounting estimates for inventory shrinkage; impairment of property and equipment, investment properties and goodwill.
- Assumptions used like the discount rates to determine finance leases; useful lives for property and equipment and intangible assets with definite-lives; labor obligation present value factors determined through actuarial valuations using economic assumptions such discount rate, inflation rate, salary increase rate and minimum salary increase rate; and determination of the recoverable value involves significant judgments such as future cash flows, the discount rate and the interest rate; fair value of derivative financial instruments.

**WALMEX** has sufficient resources to continue operating as a going concern. The accompanying consolidated financial statements have been prepared on a going-concern basis and on a historical-cost basis, except for financial assets and liabilities, derivative financial instruments and assets held for sale, which are fair valued as of the end of every period. The Mexican peso is the Company's functional and reporting currency.

#### b. Consolidation

The accompanying consolidated financial statements include the financial statements of **WALMEX** and those of its Mexican and foreign subsidiaries in which has control, which are grouped as described in Note 1, and prepared considering the same accounting period.

Subsidiaries are consolidated from the date on which control is assumed by **WALMEX**, and until such 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.

Transactions and related party balances are eliminated in the consolidation.

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

### c. Financial assets and liabilities and fair value measurement

The Company determines the classification of financial assets and liabilities at initial recognition 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 of cash and cash equivalents, 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 would be sold in an ordinary transaction with third parties.
- II. **Financial liabilities.** These liabilities are classified in accounts payable, other accounts payable and financial leases; these liabilities are initially recognized at fair value and subsequently valued to amortized cost using effective interest rate method. The liabilities from derivatives are recognized initially and subsequently 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.** Quoted prices for identical instruments in active markets,
- **Level 2.** Other valuations included quoted prices for similar instruments in active markets that are directly or indirectly observable, and
- **Level 3.** Unobservable data inputs, so that the Company develops its own assumptions and valuations.

Subsequent measurement of the Company's financial assets and liabilities is determined based on 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. The maximum length of these contracts is six months.

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 as a part of the financial income (expense) line in the consolidated statement of comprehensive income.

In accordance with our standards of corporate governance, the Company manages only Fx-forwards derivative financial instruments.

### f. Accounts receivable and provision for impairment of other accounts receivable

**WALMEX** recognizes a reserve for bad debts when there is objective evidence that the receivables will not be recovered at the amounts initially agreed or will be recovered in a different period.



#### g. Inventories

Inventories are valued using the retail method, except for merchandise for the Sam's Club, distribution centers, Agro-Industrial development (grains, edibles and meat) and perishable division, which are stated using the average-cost method. These methods are consistent with those applied in the prior year. Inventories, including obsolete, slow-moving and defective items or items in poor condition, are stated at the lower of cost and net realizable value.

Freight and buying allowances 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. Advanced payments

Advanced payments are recorded at cost and recognized as current assets in the consolidated statement of financial position as from the date the prepayments are made. Once the goods or services related to the advanced payments are received, they should be 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 are 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	12.5%	to	33.3%
Transport equipment	10.0%	to	33.3%

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

#### j. Investment properties

Investment properties (land, building and constructions and facilities in properties that are given in lease) are maintained to obtain economic benefits through the collection of rents. Investment properties are measured initially at cost, including transaction costs. After the initial recognition, they continue being valued at cost less depreciation and accumulated losses due to impairment.

Depreciation of investment properties is computed on a straight-line method at the following annual rates:

- Constructions and structure	2.5%	to	5.0%
- Facilities and adaptations	5.0%	to	12.5%
- Finishes of construction	10.0%	to	25.0%

## k. Leases

The Company classifies its property lease agreements as either finance or operating leases.

### WALMEX as a lessee

WALMEX considers as finance leases those where substantially all of the risks and rewards of ownership are substantially transferred. Finance leases are recorded at the lower of the fair value of the leased property and the present value of the minimum lease payments, and are amortized over the term of the lease agreement and considering the renewals contemplated in each lease agreement.

Lease agreements that do not qualify as finance leases are treated as operating leases. Payments made under operated leases are recognized in the income statement on a straight-line method over the lease term. The starting date of a lease is considered the possession 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 analyzes its service agreements that do not have the legal form of a lease, but which involve obtaining the right of use of an asset in exchange for payment.

### WALMEX as a lessor

WALMEX obtains rental income from investment properties: the variable rent income is recognized as revenue in the period in which they are earned and; the fixed rent income is recognized on a straight-line method over the lease term. Such revenues are presented as a part of other revenues line within the consolidated statement of comprehensive income.

## l. Impairment of long term finite useful life assets

The long term finite useful life assets are subject to impairment tests only when there is objective evidence of impairment.

The Company recognizes impairment in the value of this type of assets 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, if necessary, are projected beyond five years using an expected growth percentage.

Impairment losses are recognized in the consolidated statement of comprehensive income as a part of other expenses.

## m. Intangible assets

Intangible assets are recognized when they have the following characteristics: they are identifiable, they give future economic benefits and the Company has control over such benefits.

Intangible assets are valued at the lower of acquisition cost or fair value at the acquisition date and are classified based on their useful lives, which may be finite or indefinite. Indefinite-life assets are not amortized; however, they are subject to annual impairment tests. Finite life assets are amortized using the straight-line method at rates between 7.69% and 33.33%.

#### n. 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 and is not amortized.

Goodwill was assigned 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.

Goodwill is tested for impairment annually. The Company engages the services of an independent expert to test its goodwill for impairment. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of value of money over time and the specific risks affecting such assets.

Future cash flows consider the business plan and projections used by management in its decision making for the following five years.

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

#### o. Assets and liabilities held for sale and discontinued operations

The Company classifies as assets 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 the 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.

Revenues, expenses and costs related to such transactions are separately disclosed and recognized as part of the discontinued operations line in the consolidated statement of comprehensive income. The results must be comparable in both years.

#### p. Liabilities and provisions

Accrued liabilities represent current obligations (legal or assumed) for past events where outflow of economic resources is possible and that can be reasonably estimated. These provisions have been recorded based on management's best estimation. Reimbursements are recognized net of any 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.

#### q. Income taxes

Income taxes are classified as 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 income taxes are determined based on the tax laws approved in the countries where **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 income taxes result from applying the applicable enacted or substantively enacted income tax rate at the reporting date to all temporary differences between financial reporting and tax values of assets and liabilities.



Deferred tax assets are only recognized when it is probable that sufficient taxable profit will be available against which the deductions for temporary differences can be taken. The deferred tax liabilities are generally recognized for all taxable temporary differences.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred assets to be used. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized, unless the period of reversal of temporary differences is controlled by **WALMEX** and it is probable that the temporary differences will not reverse in the near future.

Deferred tax assets and liabilities are offset when a legal right exists and when the taxes are levied by the same tax authority.

#### r. Employee benefits

Employees in Mexico are entitled to a seniority premium in accordance with the Mexican Federal Labor Law. **WALMEX** employees in each of the six countries are entitled to termination benefits to be paid in accordance to each country's respective labor laws. 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 Mexico, the seniority premium is granted to employees who retire from the Company with a minimum of fifteen years of seniority. The amount paid to the associate is equivalent to twelve days for each year worked, without exceeding the amount for each day of twice the minimum wage. The Company has set up a defined benefits trust fund to cover seniority premiums accruing to employees. Employees make no contributions to this fund.

In Central America, the termination benefits for associates are paid when in case of unjustified dismissal or death, in accordance with the Labor Law of each country where it operates. The benefits range from 20 days to one month of salary for each year of uninterrupted service.

All other payments to which employees or their beneficiaries are entitled to in the event of involuntary retirement or death are expensed as incurred, in accordance with federal labor laws of each country.

Actuarial gains and losses are recognized as they accrue directly in the consolidated statement of comprehensive income, and in the statement of change in equity.

#### s. Equity

##### Legal reserve:

At December 31, 2017, the legal reserve of the Company amounts to \$ 9,104,745 that represents 20% of the equity, which accordingly to the Mexican Corporations Act is the maximum level it can reach.

##### Employee stock option plan fund and stock option compensation:

The employee stock option plan fund is comprised of **WALMEX** shares which are acquired in the secondary market and are 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.

The shares subject to the plan are assigned, taking as a reference the weighted average price of the purchase and sale transactions in the secondary market of such shares.

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 from the grant date or after sixty days following the date of the employee's termination.

The compensation cost of stock options is recognized in the consolidated statement of comprehensive income at fair value through the Black-Scholes financial valuation technique.

#### 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.

#### t. Revenue recognition

Revenue from merchandise sales is recognized in the consolidated statement of comprehensive income at the time ownership and risks of the products sold are transferred to the customer. Revenue from services is recognized at the time the service is provided.

Extended warranties, service commissions and cell phone airtime are recognized in the net sales line in the consolidated statement of comprehensive income at time the service is provided.

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

Revenues from the sale of waste 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.

#### u. Basic earnings per share attributable to controlling interest

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. Diluted earnings per share are the same as basic earnings per share since there is currently no potentially dilutive common stock.

#### v. 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.

#### w. 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 in the financial income (expenses) lines.

### 4.- RISK MANAGEMENT

#### a. General risk factors:

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. **Changes in exchange rates.** Exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power, which could ultimately adversely affect the Company's sales, in particular, due to the purchase of import of goods.
- II. **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.

**III. Inflation.** 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, as well as employment and salaries.

**IV. 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.

**b. Financial risk factors:**

The Company's activities are exposed to various financial risks such as market risk, exchange rate risk and interest rate risk. The Company's risk management plan seeks to minimize the potential negative effects of these risks.

**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.

At December 31, 2017, the exchange rate used to translate assets and liabilities denominated in US dollars was \$19.65 per dollar (\$20.73 in 2016). At the date of issuance of these financial statements, the exchange rate is \$18.66 per dollar.

Considering the net monetary position in dollars at December 31, 2017, whether an increase or decrease in the exchange rate of the US dollar against the Mexican peso of \$0.50 pesos arose, a favorable or unfavorable effect would be taken into the financial income (expenses) of the Company of \$24,635.

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 related to the purchase of imported 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 fair value hierarchy level 2.

At December 31, 2017 and 2016, the Company has Fx-forward contracts with a term of no more than two months as shown below:

	2017	2016
Current contracts	39	38
Notional amount (millions of USD)	US\$ 62.32	US\$ 47.42
Fair value (millions of pesos)	\$ 25.45	\$ 9.76

**Interest rate risk:**

The Company has temporary investments which generate financial income. By reducing the interest rate the financial income of the Company also decreases. The interest rate of these investments fluctuated during the year between 3.0% and 7.2%. At December 31, 2017 the financial income amounted to \$1,030,317 (\$559,618 in 2016).

Considering the highly liquid instruments at December 31, 2017, 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 \$74,875.



## 5.- CASH AND CASH EQUIVALENTS

An analysis of cash and cash equivalents at December 31, 2017 and 2016, is as follows:

	2017	2016
Cash and cash in banks	\$ 16,690,567	\$ 15,193,486
Highly marketable investments	18,905,550	12,782,050
	<u>\$ 35,596,117</u>	<u>\$ 27,975,536</u>

## 6.- ACCOUNTS RECEIVABLE

An analysis of accounts receivable at December 31, 2017 and 2016, is as follows:

	2017	2016
Recoverable taxes	\$ 6,878,768	\$ 6,727,164
Trade receivables	2,414,224	2,197,981
Other accounts receivable	1,628,462	1,133,909
Related parties (Note 13)	108,052	93,841
Provision for impairment of other receivables	( 195,046)	( 335,017)
	<u>\$ 10,834,460</u>	<u>\$ 9,817,878</u>

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

## 7.- INVENTORIES

An analysis of inventories at December 31, 2017 and 2016, is as follows:

	2017	2016
Merchandise for sale	\$ 56,640,916	\$ 51,211,160
Agro-industrial development	909,313	777,056
	<u>57,550,229</u>	<u>51,988,216</u>
Merchandise in transit	1,913,026	1,677,023
	<u>\$ 59,463,255</u>	<u>\$ 53,665,239</u>

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

On April 4, 2017, **WALMEX** sold to Liverpool 100% of the shares held by **WALMEX** in the legal entities comprising the Suburbia group, as well as certain intangible assets, furniture and **WALMEX**'s interest in own and leased assets for the net amount of \$ 16,269,000. As part of this transaction, Liverpool assumed debt of \$1,392,000 under finance leases. In addition, Suburbia (now subsidiary of Liverpool) paid to **WALMEX** \$ 3,293,000 in dividends and a capital reduction.

In 2017 and 2016, the Company obtained a net result by discontinued operations of \$7,474,618 (includes the gain on the sale of Suburbia of \$7,225,000) and \$4,842,597, respectively. Additionally, \$5,047,000 were recognized as deferred revenue, which will be recognized in income through rental agreements for approximately 20 years (Notes 14 and 16).

The summary of discontinued operations reported in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016, that includes the results of operations of the Suburbia stores are as follows:

	2017	2016
Total revenue	\$ 12,688,568	\$ 14,495,607
Costs and expenses	( 2,658,436)	( 12,177,161)
Income tax	( 2,555,514)	2,524,151
Net income from discontinued operations	<u>\$ 7,474,618</u>	<u>\$ 4,842,597</u>

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

An analysis of Suburbia's assets and liabilities classified as held for sale were as follows:

	April 4, 2017	December 31, 2016
Current assets	\$ 4,899,000	\$ 5,652,160
Property and equipment, net	3,323,911	2,463,592
Deferred tax assets	258,535	3,476,882
Other non-current assets	56,220	36,260
Total assets held for sale	<u>\$ 8,537,666</u>	<u>\$ 11,628,894</u>
Accounts payable	\$ 1,411,611	\$ 2,220,993
Other current liabilities	911,536	678,725
Non-current liabilities	985,494	1,051,824
Total liabilities associated with assets held for sale	<u>\$ 3,308,641</u>	<u>\$ 3,951,542</u>

The Company applied tax benefits of \$3,063,000 that had been recognized in deferred tax assets as of December 31, 2016.

The net cash flows of Suburbia for the period from January 1 to April 4, 2017 and the year ended December 31, 2016 were \$(666,813) and \$(1,063,070), respectively.

## 9.- PROPERTY AND EQUIPMENT

An analysis of property and equipment at December 31, 2017 and 2016, is as follows:

	December 31 2015	Additions	Disposals	Transfers	Translation effect	December 31, 2016	Additions	Disposals	Transfers	Translation effect	December 31, 2017
Land	\$ 31,409,287	\$ 219,303	\$ ( 94,511)	\$ ( 1,227,809)	\$ 717,108	\$ 31,023,378	\$ 306,878	\$ ( 203,763)	\$ ( 774,690)	\$ ( 420,098)	\$ 29,931,705
Buildings	45,432,517	1,912,719	( 164,395)	( 53,853)	1,746,305	48,873,293	2,489,449	( 221,205)	9,430,500	( 937,869)	59,634,168
Facilities and leasehold improvements	51,381,858	2,263,358	( 543,049)	( 203,717)	821,654	53,720,104	2,245,950	( 747,229)	( 11,337,835)	( 311,966)	43,569,024
Furniture and equipment	58,449,102	5,472,626	( 2,022,861)	( 321,657)	2,093,722	63,670,932	6,776,701	( 2,283,249)	1,508,929	( 943,481)	68,729,832
Subtotal	186,672,764	9,868,006	( 2,824,816)	( 1,807,036)	5,378,789	197,287,707	11,818,978	( 3,455,446)	( 1,173,096)	( 2,613,414)	201,864,729
Accumulated depreciation	( 71,635,340)	( 9,813,395)	1,984,913	2,315,321	( 1,734,524)	( 78,883,025)	( 10,510,223)	2,696,170	1,943,700	620,159	( 84,133,219)
Construction in progress	3,230,045	3,717,299	( 297,503)	( 3,347,657)	( 16,560)	3,285,624	5,124,437	( 237,638)	( 3,981,714)	330,533	4,521,242
Total	\$ 118,267,469	\$ 3,771,910	\$ ( 1,137,406)	\$ ( 2,839,372)	\$ 3,627,705	\$ 121,690,306	\$ 6,433,192	\$ ( 996,914)	\$ ( 3,211,110)	\$ ( 1,662,722)	\$ 122,252,752

Depreciation expense for the years ended December 31, 2017 and 2016, was \$10,396,379, and \$9,713,707, respectively, and it is included in general expenses line in the consolidated statement of comprehensive income.

Property and equipment impairment for the years ended December 31, 2017 and 2016, was \$11,251 and \$267,576, respectively, and is presented in the disposals column. Also impairment reversed amounted \$14,503 and \$20,961, for the years ended December 31, 2017 and 2016, respectively.

At December 31, 2016, transfers column includes the reclassification of beginning balance of fixed assets held for sale of Suburbia by \$2,129,746.



## 10.- FINANCE LEASES

An analysis of finance leases as of December 31, 2017 and 2016, is as follows:

	December 31, 2015	Additions	Disposals	Transfer	Translation effect	December 31, 2016	Additions	Disposals	Transfer	Translation effect	December 31, 2017
Buildings	\$ 13,676,118	\$ 1,216,928	\$ ( 123,614)	\$ ( 922,005)	\$ 321,262	\$ 14,168,689	\$ 1,071,885	\$ ( 205,285)	\$ ( 25,875)	\$ ( 121,250)	\$ 14,888,164
Furniture and equipment	2,236,292	241,621	( 98,042)	( 131,276)	–	2,248,595	128,733	( 19,409)	( 23,918)	–	2,334,001
Subtotal	15,912,410	1,458,549	( 221,656)	( 1,053,281)	321,262	16,417,284	1,200,618	( 224,694)	( 49,793)	( 121,250)	17,222,165
Accumulated Depreciation	( 3,957,523)	( 662,412)	202,153	466,001	( 121,399)	( 4,073,180)	( 697,522)	59,727	168,660	30,124	( 4,512,191)
Total	\$ 11,954,887	\$ 796,137	\$ ( 19,503)	\$ ( 587,280)	\$ 199,863	\$ 12,344,104	\$ 503,096	\$ ( 164,967)	\$ 118,867	\$ ( 91,126)	\$ 12,709,974

Amortization expense for the years ended December 31, 2017 and 2016, was \$697,522 and \$662,412, respectively, and it is included in the general expenses line in the consolidated statement of comprehensive income.

## 11.- INVESTMENT PROPERTIES

Investment properties as of December 31, 2017 and 2016 is as follows:

	December 31, 2016	Depreciation	Disposals	Transfers	December 31, 2017
Land	\$ 1,353,370	–	\$ ( 5,580)	\$ 1,244,990	\$ 2,592,780
Buildings	810,646	–	( 59,783)	1,929,137	2,680,000
Facilities and improvements	489,603	–	( 215)	1,861,807	2,351,195
Subtotal	2,653,619	–	( 65,578)	5,035,934	7,623,975
Accumulated depreciation	( 338,426)	( 215,274)	–	( 1,951,568)	( 2,505,268)
Total	\$ 2,315,193	\$ ( 215,274)	\$ ( 65,578)	\$ 3,084,366	\$ 5,118,707

Depreciation expense for the years ended December 31, 2017 and 2016, was \$215,274, and \$35,603, respectively, and it is included in the general expenses line in the consolidated statement of comprehensive income.

The fair value of investment properties as of December 31, 2017 is \$8,325,199. This fair value has been determined by applying an appropriate rental approach to the rental earned by the investment property. A valuation has not been performed by an independent expert.

## 12.- INTANGIBLE ASSETS

An analysis of intangible assets at December 31, 2017 and 2016, is as follows:

	December 31, 2015	Additions	Disposals	Transfers	Translation effect	December 31, 2016	Additions	Disposals	Transfers	Translation effect	December 31, 2017
Goodwill	\$ 33,057,328	\$ –	\$ –	\$ –	\$ 6,363,220	\$ 39,420,548	\$ –	\$ –	\$ –	\$ ( 2,047,352)	\$ 37,373,196
Trademarks	832,324	–	–	–	141,802	974,126	–	–	–	( 59,853)	914,273
Licences and software	1,498,004	746,315	( 15,120)	( 128,728)	59,478	2,159,949	482,220	( 1,353)	14,533	( 33,094)	2,622,255
Trade receivables	214,916	–	–	–	35,450	250,366	–	–	–	( 20,576)	229,790
Patents	38,320	3,161	–	( 40,485)	( 996)	–	–	–	–	–	–
Subtotal	35,640,892	749,476	( 15,120)	( 169,213)	6,598,954	42,804,989	482,220	( 1,353)	14,533	( 2,160,875)	41,139,514
Accumulated amortization	( 1,184,673)	( 282,337)	23,088	55,768	( 77,303)	( 1,465,457)	( 335,701)	1,871	( 6,566)	34,367	( 1,771,486)
Total	\$ 34,456,219	\$ 467,139	\$ 7,968	\$ ( 113,445)	\$ 6,521,651	\$ 41,339,532	\$ 146,519	\$ 518	\$ 7,967	\$ ( 2,126,508)	\$ 39,368,028

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

As a result of impairment test, the Company concluded that there was no impairment in the value of the Company's Goodwill as of December 31, 2017 and 2016.

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, 2017 and 2016, was \$335,701 and \$282,014, respectively, and it is included in general expenses line of the consolidated statement of comprehensive income.

### 13.- RELATED PARTIES:

#### a) Related party balances

At December 31, 2017 and 2016, the consolidated statement of financial position includes the following balances with related parties:

	2017	2016
Accounts receivable:		
Walmart Inc (holding company)	\$ 108,052	\$ 93,841
Accounts payable:		
C.M.A. – U.S.A., L.L.C. (affiliate)	\$ 712,442	\$ 786,220
Global George, LTD. (affiliate)	207,225	99,005
	<u>\$ 919,667</u>	<u>\$ 885,225</u>
Other accounts payable:		
Walmart Inc. (holding company)	<u>\$ 716,406</u>	<u>\$ 753,643</u>

At December 31, 2017 and 2016, balances with 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:

- Imports of goods for sale, interest-free and payable monthly.
- Purchase commissions with Global George that are payable on a recurring basis.
- Technical assistance and services with Walmart Inc. that are payable monthly.
- Royalties for trademark use with Walmart Inc., 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, 2017 and 2016:

	2017	2016
Purchases and commissions related to import of goods for sale:		
C.M.A. – U.S.A., L.L.C. (affiliate)	\$ 4,389,784	\$ 4,786,947
Global George, LTD. (affiliate)	218,174	180,379
	<u>\$ 4,607,958</u>	<u>\$ 4,967,326</u>
Costs and expenses related to technical assistance, services and royalties:		
Walmart Inc. (holding company)	<u>\$ 3,284,545</u>	<u>\$ 2,960,241</u>



### c) Remuneration of principal officers

An analysis of remuneration to the Company's principal officers for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Short-term benefits	\$ 1,255,014	\$ 1,281,379
Termination benefits	86,076	185,724
Share-based payments	82,942	77,976
	<u>\$ 1,424,032</u>	<u>\$ 1,545,079</u>

### 14.- OTHER ACCOUNTS PAYABLE

An analysis of other accounts payable at December 31, 2017 and 2016, is as follows:

	2017	2016
Accrued liabilities and others	\$ 16,969,500	\$ 15,221,812
Dividends	2,874,633	2,506,349
Provisions (Note 15)	1,513,403	1,223,328
Deferred revenue	1,382,740	986,448
Related parties (Note 13)	716,406	753,643
Finance lease (Note 16)	381,204	533,047
	<u>\$ 23,837,886</u>	<u>\$ 21,224,627</u>

### 15.- COMMITMENTS AND CONTINGENCIES

#### a) Commitments

At December 31, 2017, the Company has entered into agreements with suppliers for the acquisition of inventories, property and equipment, maintenance services, as well as renewable energy supply services which are shown below:

Year	Amount
2018	\$ 18,390,254
2019	\$ 1,507,681
2020	\$ 1,563,577
2021	\$ 1,621,556
2022	\$ 1,681,697
2023 and thereafter	\$ 33,170,265

The Company has lease commitments as explained in Note 16.

#### b) Contingencies

The company is subject to several lawsuits and contingencies for legal proceedings (labor, civil, commercial and administrative proceedings) and tax proceedings. The Company has recognized a provision of \$1,513,403 as of December 31, 2017 (\$1,223,328 in 2016), which is presented in other accounts payable. In the opinion of the Company, none of the legal proceedings are significant either individually or as a whole.

### c) Legal proceedings

**WALMEX** is a subsidiary of Walmart 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 share 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.

## 16.- OTHER LONG-TERM LIABILITIES

At December 31, 2017 and 2016, the other long-term liabilities line includes the Company's obligations that are due over one year and that are related to its finance leases, and the deferred revenue for rent income of \$5,211,739.

The Company analyzes its services agreements that do not have the legal form of a lease to determine if the supplier transfers to **WALMEX** the use of an asset. After this analysis, **WALMEX** has determined that there are no service agreements that must be classified as a lease.

The Company has entered into property lease agreements with third parties with compulsory terms of 15 years in average.

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 10 years.

Future rental payments are as follows:

Year	Operating leases (compulsory term)	Finance leases (minimum payments)	
		Present value	Future value
2018	\$ 1,179,600	\$ 381,204	\$ 1,790,688
2019	1,123,503	354,719	1,732,761
2020	1,155,379	343,839	1,694,039
2021	1,211,312	386,925	1,706,425
2022	1,170,137	383,638	1,670,738
2023 and thereafter	9,352,859	12,257,059	29,265,701

At December 31, 2017 and 2016, the liability derived from the use of the straight-line method under operating leases was \$927,680 and \$861,659, respectively, from which \$59,320 and \$40,575 are presented in the current liabilities line.

Total rent under operating leases charged to the income statement during the years ended December 31, 2017 and 2016 was \$6,101,990 and \$6,075,341, respectively, and it is included in general expenses line in the statement of consolidated of comprehensive income.



## 17.- INCOME TAXES

**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 income taxes charged to the income statement for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Current year tax	\$ 15,741,002	\$ 11,475,470
Deferred tax	( 4,841,339)	( 852,474)
Total	<u>\$ 10,899,663</u>	<u>\$ 10,622,996</u>

As of December 31, 2017 and 2016, the Company's effective tax rate is 25.2% and 27.1%, respectively. The difference between the statutory tax rate and Company's effective tax rate is due to inflationary effects and other permanent items.

Income tax rates applicable to each country 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, 2017 and 2016, is as follows:

	2017	2016
<u>Deferred tax assets</u>		
Other long-term liabilities	\$ 2,950,192	\$ 939,166
Other accounts payable	2,146,325	2,228,223
Inventories	820,468	767,033
Labor obligations	688,823	505,439
Tax losses carryforward from subsidiaries	253,029	159,543
Provision for impairment of other receivables	23,585	100,325
	<u>\$ 6,882,422</u>	<u>\$ 4,699,729</u>
<u>Deferred tax liabilities</u>		
Property and equipment	\$ 5,472,622	\$ 9,621,766
Prepaid expenses	280,678	290,507
Other items	333,887	571,164
	<u>\$ 6,087,187</u>	<u>\$ 10,483,437</u>

Deferred income tax assets on tax losses carryforwards are recognized to the extent that realization of the related tax benefit through future taxable income is probable.

The Company has the following tax losses from subsidiaries which in conformity with the current Mexican Income Tax Law, may be carried forward against the taxable income generated in future years.

Year of expiration	Amount
2024	\$ 154,469
2025	86,044
2026	202,327
2027	400,589
	<u>\$ 843,429</u>

## 18.- EMPLOYEE BENEFITS

At December 31, 2017 and 2016, an analysis of the Company's assets and liabilities for seniority premiums and retirement benefits is as follows:

	Seniority premiums		Retirement benefits	
	2017	2016	2017	2016
Defined benefit obligations	\$ 1,020,340	\$ 856,129	\$ 1,728,121	\$ 1,538,632
Plan Assets	( 756,598)	( 709,437)	–	–
Net projected liability	<u>\$ 263,742</u>	<u>\$ 146,692</u>	<u>\$ 1,728,121</u>	<u>\$ 1,538,632</u>

Changes in the net present value of the defined benefit obligations (DBO) at December 31, 2017 and 2016, are shown below:

	Seniority premiums		Retirement benefits	
	2017	2016	2017	2016
DBO at beginning of year	\$ 856,129	\$ 935,158	\$ 1,538,632	\$ 1,424,654
Net period cost charged to the results:				
- Labor cost from actual services	128,762	140,223	141,040	226,080
- Interest cost on DBO	66,974	64,535	89,817	130,797
Other comprehensive income items	75,090	( 92,344)	245,110	( 259,389)
Benefits paid	( 106,615)	( 123,483)	( 243,609)	( 226,333)
Translation impacts	–	–	( 42,869)	252,404
Transfers	–	( 67,960)	–	( 9,581)
DBO at year end	<u>\$ 1,020,340</u>	<u>\$ 856,129</u>	<u>\$ 1,728,121</u>	<u>\$ 1,538,632</u>

Changes in the net present value of the plan assets (PA), at December 31, 2017 and 2016, are shown below:

	Seniority premiums	
	2017	2016
PA at beginning of year	\$ ( 709,437)	\$ ( 730,709)
Return on plan assets	( 55,601)	( 50,223)
Other comprehensive income items	41,821	48,465
Plan contributions	( 139,961)	( 145,171)
Benefits paid	106,580	123,438
Transfers	–	44,763
PA at year end	<u>\$ ( 756,598)</u>	<u>\$ ( 709,437)</u>

Valuation techniques used by the Company to determine and disclose the fair value of its financial instruments is based on a level 1 hierarchy.

At December 31, 2017 and 2016, the plan assets have been invested through the trust mostly in money market instruments.

At December 31, 2017 and 2016, actuarial gains/losses from labor obligations, net of taxes are recognized in the other comprehensive income items by \$412,046 and \$155,662, respectively.

At December 31, 2017, the assumptions used in the actuarial valuations of Mexico and Central America, are as follows:

	Mexico		Central America	
	2017	2016	2017	2016
Financial:				
Discount rate	7.75%	7.75%	6.86% - 11.45%	8.39% - 13.10%
Salary increase rate	5.25%	5.25%	2.50% - 7.66%	2.50% - 7.50%
Minimum salary increase rate	4.00%	4.00%	2.00% - 7.16%	2.00% - 7.00%
Inflation rate	4.00%	4.00%	2.00% - 7.16%	2.00% - 7.00%
Biometrics:				
Mortality	IMSS-97 <sup>(1)</sup>	IMSS-97 <sup>(1)</sup>	RP-2000 <sup>(2)</sup>	RP-2000 <sup>(2)</sup>
Disability	21.07%	21.07%	15.40%	15.40%
Retirement age	60 years	60 years	50-65 years	50-65 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, 2017, is as follows:

	Amount
DBO at December 31, 2017	\$ 2,748,461
DBO at discount rate +1%	2,594,950
DBO at discount rate -1%	3,002,539
Effects over DBO:	
Discount rate +1%	( 188,726)
Discount rate -1%	218,864

The discount rate in Mexico is determined using the curve of government bonds issued by the Federal Government known as M. Bonds. In Central America, the discount rate is determined using the curve of government bonds of United States of America plus the risk of each country.

## 19.- EQUITY

- a. At an ordinary meeting held on March 30, 2017, the shareholders adopted the following resolutions:
1. Approval of a cap of \$ 5,000,000 on the amount the Company would use in 2017 to repurchase its own shares.
  2. The shareholders declared an ordinary cash dividend of \$ 0.64 pesos per share, paid in four installments of \$ 0.16 pesos each on April 26, 2017; August 30, 2017; November 29, 2017; and February 21, 2018. The shareholders also declared an extraordinary cash dividend of \$ 1.86 pesos per share that include \$0.96 pesos per share relate to the sale of Suburbia division that were paid on April 26, 2017; and the amount of \$0.90 pesos to paid out in two installments: one of \$ 0.53 pesos on April 26, 2017 and another of \$ 0.37 pesos on November 29, 2017.

Once the dividend declared is approved by Shareholders' meeting, the Company reduces retained earnings and recognizes the accounts payable in the consolidated statement of financial position.

- b. Capital stock is represented by shares of one series, nominatives, common or ordinary, freely subscribed and registered shares with no par value. The Company's capital stock must be represented by a minimum of three billion shares and a maximum of one hundred billion shares.

At December 31, 2017 and 2016, an analysis of paid-in stock and the number of shares representing it is as follows:

Capital stock	Amount
Fixed minimum capital	\$ 5,591,362
Variable capital	<u>36,935,265</u>
Subtotal	42,526,627
Inflation effects	<u>2,941,801</u>
Total	<u>\$ 45,468,428</u>
Number of freely subscribed common shares	<u>17,461,402,631</u>

During the year ended December 31, 2017 and 2016, **WALMEX** did not repurchase its own shares.

- c. 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, 2017 and 2016, the total balance of the tax accounts related to equity is \$ 71,829,298 and \$ 85,708,979, respectively, in conformity of the current tax laws effective January 1, 2014.

- d. The employee stock option plan fund consists of 198,283,604 **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, 2017 and 2016 was \$ 250,513 and \$ 270,416, respectively, which represented no cash outflow 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, 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
Granted	46,668,006	38.64
Exercised	( 47,228,029)	30.38
Cancelled	( 13,695,569)	37.35
Balance at December 31, 2017	<u>184,962,474</u>	35.73
Shares available for option grant:		
At December 31, 2017	<u>13,321,130</u>	
At December 31, 2016	<u>5,789,567</u>	

At December 31, 2017, the granted and exercisable share under the stock option plan fund is 184,962,474 and 76,664,906, respectively.

## 20.- OTHER REVENUES

For the years ended on December 31, 2017 and 2016, an analysis of other revenues related to the Company's primary business activities is as follows:

	2017	2016
Memberships	\$ 1,480,819	\$ 1,312,042
Rental	1,681,103	1,289,258
Sale of waste	665,430	452,804
Parking	71,487	87,596
Others	—	671,007
Total	<u>\$ 3,898,839</u>	<u>\$ 3,812,707</u>

As of January 1, 2017, service commissions and extended warranties are recognized in net sales item in the consolidated statement of comprehensive income. Until to December 31, 2016, such revenues were presented as other income item in the consolidated statement of comprehensive income.

As of December 31, 2017, rental item includes \$465,546 (\$282,635 in 2016) of investment properties.

## 21.- COST AND GENERAL EXPENSES

Cost of sales and general expenses are presented in the consolidated statement of comprehensive income and mainly include the purchase of merchandise, personnel expenses, depreciation and amortization, rent, advertising, maintenance, utilities, royalties, and technical assistance.

## 22.- FINANCIAL INCOME (EXPENSES)

An analysis of financial income (expenses) for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
<b>Financial income</b>		
Financial income	\$ 1,052,093	\$ 601,577
Currency exchange gain	201,452	559,390
Income on changes in fair value of derivatives	132,291	160,172
	<u>\$ 1,385,836</u>	<u>\$ 1,321,139</u>
<b>Financial expenses</b>		
Interest on finance leases	\$ ( 1,436,653)	\$ ( 1,270,826)
Currency exchange loss	( 192,428)	( 181,216)
Loss on changes in fair value of derivatives	( 116,596)	( 150,863)
Other	( 187,698)	( 41,099)
	<u>\$ ( 1,933,375)</u>	<u>\$ ( 1,644,004)</u>

Financial income primarily consists of interest earned on investments.

## 23.- SEGMENT FINANCIAL INFORMATION

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions.

The Company analyzes and manage it operations through the following geographical segments: Mexico and Central America.

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

Segment	Year ended December 31, 2017			
	Total revenues	Operating income	Financial expenses – net	Income before taxes on profits
Mexico	\$ 465,885,937	\$ 37,221,878	\$ ( 473,024)	\$ 36,748,854
Central America	107,379,083	6,615,661	( 74,515)	6,541,146
Consolidated	<u>\$ 573,265,020</u>	<u>\$ 43,837,539</u>	<u>\$ ( 547,539)</u>	<u>\$ 43,290,000</u>

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

Segment	Year ended December 31, 2017			
	Purchase of long term definite-lived assets	Depreciation and amortization	Total assets	Current liabilities
Mexico	\$ 11,259,484	\$ 9,088,722	\$ 202,122,787	\$ 88,272,139
Central America	6,166,151	2,556,154	55,759,681	19,555,408
Goodwill	–	–	37,373,196	–
Consolidated	\$ 17,425,635	\$ 11,644,876	\$ 295,255,664	\$ 107,827,547

Segment	Year ended December 31, 2016			
	Purchase of long term definite-lived assets	Depreciation and amortization	Total assets	Current liabilities
Mexico	\$ 9,270,784	\$ 8,435,439	\$ 185,542,078	\$ 73,898,816
Central America	5,063,997	2,258,296	51,700,091	16,467,773
Goodwill	–	–	39,420,548	–
Consolidated	\$ 14,334,781	\$ 10,693,735	\$ 276,662,717	\$ 90,366,589

At December 31, 2017, total assets do not include assets held for sale corresponds to the Suburbia stores.

## 24.- RECLASSIFICATION BY PRESENTATION

Due to comparability purposes and to get a better understanding of its financial information, the Company has done certain reclassifications in the consolidated statement of financial position as of December 31, 2016.

## Assets

Non-current assets:

Properties and equipment, net	\$ 136,349,603	\$ ( 14,659,297)	\$ 121,690,306
Finance lease, net	–	12,344,104	12,344,104
Investment properties, net	–	2,315,193	2,315,193
Other non-current assets	1,518,766	361,309	1,880,075
Total assets	287,930,302	361,309	288,291,611

## Liabilities and equity

Short-term liabilities:

Accounts payable	\$ 65,557,689	\$ 361,309	\$ 65,918,998
Other accounts payable	17,455,165	3,769,462	21,224,627
Tax payable	6,992,426	( 6,992,426)	–
Income tax payable	–	3,222,964	3,222,964
Total liabilities	120,904,286	361,309	121,265,595
Equity:			
Legal reserve	9,104,745	( 9,104,745)	–
Retained earnings	90,545,819	9,104,745	99,650,564

## 25.- APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements and accompanying notes for the years ended December 31, 2017 and 2016 were approved by the Company's management and Board of Directors on February 15, 2018, and are subject to approval by the Shareholders meeting. The subsequent events are considered until this date.



# Glossary

<b>ADR</b>	American Depositary Receipt
<b>ANTAD</b>	Mexican Retail Association
<b>Associate</b>	Employee who works at Walmart de México y Centro América
<b>BAE</b>	Bodega Aurrera Express
<b>Bodegas &amp; discount stores</b>	Austere stores offering basic merchandise, food and household items at the best prices
<b>CAM</b>	Central America
<b>CDP</b>	Carbon Disclosure Project
<b>Cetes</b>	Mexican Federal Treasury Certificates
<b>Clubs</b>	Membership warehouse clubs focused on businesses and consumers who seeks the best possible prices
<b>CO<sub>2</sub>eq</b>	Carbon dioxide equivalent
<b>Cofepris</b>	Federal Commission for the Protection Against Health Risks
<b>Distribution center/ DCs</b>	Location for the receipt of goods from suppliers and store distribution
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortization
<b>Every Day Low Prices</b>	Permanent philosophy of Walmart de México y Centroamérica, in order to contribute towards improving the quality of life in the region
<b>GDP</b>	Gross Domestic Product
<b>GhG</b>	Greenhouse Gases
<b>GRI</b>	Global Reporting Initiative
<b>HAP</b>	Hazardous Air Pollutants

IPC	Mexico's Consumer Price Index
ISR	Income Tax
LED	Light-emitting diode
MSE	Mexican Stock Exchange
Net sales	Income from the goods sold in our stores
NFL	National Football League from the United States
NGO	Non-governmental Organization
NOM	Mexican Official Standards
NO <sub>x</sub>	Nitrogen oxides
PM	Particulate matter
POP	Persistent Organic Pollutants
Profeco	Consumer Protection Agency
Sales floor	Surface area set aside for merchandise retail
SME	Small and medium enterprise
SO <sub>x</sub>	Sulphur oxides
SSA	Secretary of Health
Supermarkets	Self-service stores located in residential areas
Total revenues	Net sales plus other income
VOC	Volatile Organic Compounds
Walmart	Self-service stores providing the widest assortment of goods from groceries and perishables, to apparel and general merchandise
Walmex	Ticker symbol for Wal-Mart de México S.A.B. de C.V.



## Assurance letter

To the readers of this letter:

We have conducted a review of the non-financial information contained in the “2017 Financial and Corporate Responsibility Report 2017” of Walmart de México S.A.B. de C.V., hereinafter “Walmart de México y Centroamérica”, for the period January 1 to December 31, 2017 (hereinafter “the Report”). In regards to the financial information contained in such Report, our work was limited to indicate that it comes from the annual Report of Walmart de México y Centroamérica, which has been audited by an independent third party.

Walmart de México y Centroamérica, through its “Corporate Development Direction” (hereinafter the Direction), is responsible for the preparation and presentation of the Report in accordance with the “Guide for the elaboration of Sustainability Reports” of the *Global Reporting Initiative* version 4.0 (G4) as detailed in point G4-32 of its section “General Basic Contents”. Walmart de México y Centroamérica is also responsible of the information and statements contained therein, for the determination of its objective in relation to the selection and presentation of information on the performance in terms of sustainable development and for the establishment and maintenance of the performance management and control systems from which the information is obtained.

It is our responsibility to conduct a limited review and based on the work performed, to issue an Assurance Letter which refers exclusively to the information under our scope and for the Report related to the period January 1 to December 31, 2017.

Our work was carried out in accordance with the Standard ISAE 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the *International Auditing and Assurance Standard Board (IAASB)* of the *International Federation of Accountants (IFAC)* and, in accordance with the Accountability Assurance Standard AA1000 AS (2008). These standards and our assurance methodologies require that we plan and perform our work in such a way that we obtain limited assurance about whether the Report is free from material misstatements and that we comply with ethical requirements, including those of Independence established in the Code of Ethics of the *International Ethics Standards Board for Accountants*.

The scope of the evidence-gathering procedures performed in a limited review engagement is lower than that of a reasonable assurance engagement and consequently the level of assurance that it provides. This Report cannot, under any circumstances, be understood as an audit report.

The information reviewed is limited to the contents identified as “verified” in the section entitled “GRI content Index” of the Report, which are indicated below.

We have applied the following procedures related to gathering evidence for the performance of our work.

- Verify the consistency of the information obtained from the systems and/or internal documentation.
- Analyze sustainability material topics, through both internal and external mechanisms, to identify relevant issues during the exercise covered by the Report.
- Identify the mechanisms of communication and participation of Walmart de México y Centroamérica, with its different stakeholders.

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- Interview relevant staff on the implementation of sustainability policies and strategy.
- Interview relevant staff who is responsible of providing the information contained in the Report.
- Analyze data gathering and internal control processes related to the quantitative data published in the Report. Review the implementation of what is required to declare that the report has been prepared in accordance with the GRI Standards of the *Global Reporting Initiative* (GRI).
- Perform a sampling review of the information and indicators under scope included in the Report. Such review was centralized and performed at Corporate Offices, reviewing selected samples of supporting documentation managed by Walmart de México y Centroamérica.

Based on the procedures performed as previously described, there is no evidence that leads us to believe that the data compiled in the “Financial and Corporate Responsibility Report 2017” of Walmart de México S.A.B. de C.V. (Walmart de México y Centroamérica), for the period of January 1 to December 31, 2017, was not obtained under reliable procedures, that the information is not presented in an adequate manner, or that there are significant deviations or omissions. Furthermore, there is no evidence that the Report was not prepared, in all material aspects, in accordance with the GRI Standards of the *Global Reporting Initiative* (GRI).

As a result of our work, through an internal report, we have provided different findings, observations and suggestions to Walmart de México y Centroamérica.

Without contradiction to the conclusions reached on this document, we briefly summarize the most significant observations and recommendations:

- Perform a review of data collection and consolidation processes, aiming to improve their consistency and control mechanisms.
- Improve consolidation processes through complementary control activities, which in case of deviation, ensure alerts and clarification actions prior to definition of the final version of the information.
- Increase the level of control in the emissions of the final data and for different users and groups, through processes of reconciling information between the different sources and their records.
- Improve the definition and information generation scheme to respond to key performance indicators in sustainability.
- Strengthen the definition of objectives and responsible information providers for communication of environmental and social performance in the medium and long term.
- Strengthen the mechanisms of identification, compilation and disclosure of information that responds to the requirements of the GRI contents.

KPMG Cardenas Dosal, S.C.

Juan Carlos Resendiz Muñoz,  
Ciudad de México, México 30 de abril de 2018.



# Investor Information






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Mexican Stock Exchange  
WALMEX\*

## ADR Sponsored Program

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 WalmartMXyCAM

## International OTCQX

Market TIER  
WMMVY


## Bloomberg

WALMEX\* MM  
WMMVY US

## Reuters

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The report may contain certain references to the future performance of Walmart de México y Centroamérica and thus should be considered estimates made in good faith by the Company. Said references only reflect management's expectations and are based on assumptions and information available at that time. As such, everything shall always be dependent on future events, risks and matters that cannot be analyzed with precision and which could affect Company results.

