



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



 **Guilherme Loureiro**

President and CEO
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.

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



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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