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	Year ended December 31 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	Year ended December 31 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
Assets		
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

	December 31, 2017	December 31, 2016
Liabilities and equity		
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

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

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

Consolidated Statements of **Changes In Equity**

For the years ended December 31, 2017 and 2016

(Notes 1, 3 and 19)
Amounts in thousands of Mexican pesos

	Capital stock	Retained earnings: Legal reserve	Retained earnings: 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
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
Balance at December 31, 2017	$ 45,468,428	$ 9,104,745	$ 87,308,966	$ 20,011,198	$ 3,559,058	$ (5,918,442)	$ 159,533,953	$ –	$ 159,533,953

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	Year ended December 31 2016
Operating activities		
Income before taxes on profits	$ 43,290,000	$ 39,132,270
Items related to investing activities:		
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)
Items related to financing activities:		
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
Variances in:		
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
Investing activities		
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)
Financing activities		
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

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

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.
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 liabilites 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 entitle 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 reaches.

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
	$ 35,596,117	$ 27,975,536

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)
	$ 10,834,460	$ 9,817,878

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
	57,550,229	51,988,216
Merchandise in transit	1,913,026	1,677,023
	$ 59,463,255	$ 53,665,239

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	$ 7,474,618	$ 4,842,597

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	$ 8,537,666	$ 11,628,894
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	$ 3,308,641	$ 3,951,542

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
	$ 919,667	$ 885,225
Other accounts payable:		
Walmart Inc. (holding company)	$ 716,406	$ 753,643

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
	$ 4,607,958	$ 4,967,326
Costs and expenses related to technical assistance, services and royalties:		
Walmart Inc. (holding company)	$ 3,284,545	$ 2,960,241

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
	$ 1,424,032	$ 1,545,079

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
	$ 23,837,886	$ 21,224,627

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 thereafther	$ 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	Finance leases (minimum payments) 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	$ 10,899,663	$ 10,622,996

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
Deferred tax assets		
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
	$ 6,882,422	$ 4,699,729
Deferred tax liabilities		
Property and equipment	$ 5,472,622	$ 9,621,766
Prepaid expenses	280,678	290,507
Other items	333,887	571,164
	$ 6,087,187	$ 10,483,437

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
	$	843,429

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	$ 263,742	$ 146,692	$ 1,728,121	$ 1,538,632

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	$ 1,020,340	$ 856,129	$ 1,728,121	$ 1,538,632

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	$ (756,598)	$ (709,437)

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(1)	IMSS-97(1)	RP-2000(2)	RP-2000(2)
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	36,935,265
Subtotal	42,526,627
Inflation effects	2,941,801
Total	$ 45,468,428
Number of freely subscribed common shares	17,461,402,631

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	184,962,474	35.73

Shares available for option grant:	
At December 31, 2017	13,321,130
At December 31, 2016	5,789,567

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	$ 3,898,839	$ 3,812,707

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
Financial income		
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
	$ 1,385,836	$ 1,321,139
Financial expenses		
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)
	$ (1,933,375)	$ (1,644,004)

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	$ 573,265,020	$ 43,837,539	$ (547,539)	$ 43,290,000

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	$ 532,384,083	$ 39,455,135	$ (322,865)	$ 39,132,270

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.- RECLASSIFICATIONS 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.

		December 31, 2016		Reclassification		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.