



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

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED
DECEMBER 31,
2023 AND 2022

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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 of December 31, 2023, and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a material 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 of December 31, 2023, and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 International Code of Ethics for Accounting Professionals (included the of the International Ethics Standards) (“Code of Ethics of 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.



IMPAIRMENT ASSESSMENT OF PROPERTY AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLES

Description and why it was considered a key audit matter

We have considered as a key audit matter the impairment analysis of property and equipment, right of use assets and intangibles, because the determination of the recovery value is complex, it involves a high degree of judgment from the Company's management and requires significant judgments and assumptions to be made that are affected by future conditions, such as profitability and economic conditions, discount rates, operating margins, the weighted average cost of capital, capitalization rate and others, which are sensitive and are affected by economic changes and market conditions, among other factors. Additionally, the calculation of the recoverable value carries the risk that the future cash flows used in its determination differ from expectations, or that the results are different from the originally estimated values. In addition, the balances of long-lived assets subject to the determination of the recovery value for impairment tests are significant as of December 31, 2023.

Notes 3, 9, 10 and 12 of the accompanying consolidated financial statements include the disclosures on the impairment assessment of property and equipment, right-of-use assets and intangibles.

How we responded to the key audit matter

We evaluated the design and tested the effectiveness of significant controls with respect to the impairment analysis process for long-lived assets as of December 31, 2023.

We analyze the assumptions and hypotheses used by the Company's management for the identification and grouping of long-lived assets in each cash-generating unit (CGU).

We evaluated the financial projections of future cash flows used by the Company's management in the impairment analysis of each CGU that we consider within our scope, verifying the information with which said projections were prepared and analyzing their

consistency with historical trends and future business plans. We evaluated the composition of the CGUs and the assets subject to impairment analysis assigned within each CGU. We analyzed the key assumptions, considering the sensitivity of those assumptions. We involved our valuation specialists to assist us in evaluating the reasonableness of the key assumptions and the methodology used by the Company's Management in its impairment analysis according to International Accounting Standard ("IAS") 36, Impairment of assets. We independently recalculated the arithmetic calculations of the valuation models used and analyzed the uniformity of the definition of CGU applied by the Company.

We obtained evidence from the impairment study prepared by the Company's management on its long-lived assets, and we evaluated the competence, technical capabilities and objectivity of the management's external valuation specialist.

We also evaluated the adequacy of the disclosures related to the identification and determination of the recoverable value of property and equipment, right-of-use assets and intangibles of the accompanying consolidated financial statements as of December 31, 2023.

OTHER INFORMATION

The Company is responsible of the other information. The other information comprises the financial information presented in the Annual Report by the Company submitted to the National Banking and Securities Commission (the Commission) and in the annual report submitted but is not included the consolidated financial statements in our auditors' report. 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.

When we read and consider the Annual Report submitted to the Commission and the Stakeholders', 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 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, 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.

The Company's governance is 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 Company’s 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 the Company’s 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 the responsible of Company’s 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 partner in charge of the audit resulting in this independent auditor’s report is who signs it.

Mancera, S.C.
A Member Practice of
Ernst & Young Global Limited

José Refugio Vázquez

Mexico City
February 14, 2024



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

Consolidated Statements of Comprehensive Income

(Amounts in thousands of Mexican pesos)

	For the years ended December 31	
	2023	2022
Net sales	\$ 880,121,761	\$ 813,060,445
Other revenues (Note 20)	6,401,444	6,108,990
Total revenues	886,523,205	819,169,435
Cost of sales	(675,964,861)	(627,771,101)
Gross profit	210,558,344	191,398,334
General expenses (Note 21)	(136,746,969)	(124,693,340)
Income before other income and expenses	73,811,375	66,704,994
Other income	1,539,395	2,029,722
Other expenses	(2,074,787)	(723,099)
Operating income	73,275,983	68,011,617
Financial income (Note 22)	4,230,598	3,452,199
Financial expenses (Note 22)	(8,899,844)	(8,097,257)
Income before income taxes	68,606,737	63,366,559
Income taxes (Note 17)	(17,016,748)	(14,392,375)
Consolidated net income	\$ 51,589,989	\$ 48,974,184

Other comprehensive income items

Items that do not reclassify to profit or loss of the year

Actuarial results on employee benefits,
net of income taxes

Items that may be reclassified subsequently to profit or loss:

Cumulative translation
adjustment

Other comprehensive income (loss)

Comprehensive income

Basic earnings per share (in pesos)

	For the years ended December 31	
	2023	2022
	\$ (244,672)	\$ (55,862)
	(3,736,149)	(1,661,135)
	(3,980,821)	(1,716,997)
	\$ 47,609,168	\$ 47,257,187
	\$ 2.955	\$ 2.805

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 Financial Position

(Amounts in thousands of Mexican pesos)

	December 31,	
	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents (Note 6)	\$ 40,668,985	\$ 47,427,191
Accounts receivable, net (Note 7)	22,960,095	16,719,308
Inventories, net (Note 8)	95,088,332	89,461,735
Prepaid expenses and other assets	1,024,900	924,796
Total current assets	159,742,312	154,533,030
Non-current assets:		
Property and equipment, net (Note 9)	156,127,476	145,533,306
Right-of-use assets (Note 10)	61,483,671	57,621,419
Investment properties, net (Note 11)	4,995,315	5,480,105
Intangible assets, net (Note 12)	38,336,220	39,218,374
Deferred tax assets (Note 17)	14,177,846	14,103,957
Other non-current assets	1,683,776	2,318,180
Total assets	\$ 436,546,616	\$ 418,808,371

	December 31,	
	2023	2022
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 114,430,006	\$ 98,956,251
Short-term lease liability	4,312,123	3,511,546
Other accounts payable (Note 14)	36,262,347	31,356,053
Income taxes payable	1,214,037	3,861,904
Total current liabilities	156,218,513	137,685,754
Long-term liabilities:		
Leases and other long-term liabilities (Note 16)	74,433,405	69,888,054
Income tax liabilities (Note 17)	4,481,551	6,487,624
Employee benefits (Note 18)	2,327,110	2,278,556
Total liabilities	237,460,579	216,339,988
Equity (Note 19)		
Capital stock	45,429,160	45,468,428
Retained earnings	151,020,031	146,727,023
Other comprehensive income items	9,091,711	13,072,532
Premium on sale of shares	5,640,011	5,289,992
Employee stock option plan fund	(12,094,876)	(8,089,592)
Total equity	199,086,037	202,468,383
Total liabilities and equity	\$ 436,546,616	\$ 418,808,371

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, 2023 and 2022
(Amounts in thousands of Mexican pesos)

	Retained earnings						
	Capital stock	Legal Reserve	Retained earnings	Other comprehensive income items	Premium on sale of shares	Employee stock option plan fund	Total equity
Balance at December 31, 2021	\$ 45,468,428	\$ 9,104,745	\$ 118,206,132	\$ 14,789,529	\$ 4,908,573	\$ (6,595,404)	\$ 185,882,003
Movements in employee stock option plan fund					381,419	(1,494,188)	(1,112,769)
Dividends declared			(29,558,038)				(29,558,038)
Comprehensive income			48,974,184	(1,716,997)			47,257,187
Balance at December 31, 2022	45,468,428	9,104,745	137,622,278	13,072,532	5,289,992	(8,089,592)	202,468,383
Movements in employee stock option plan fund					350,019	(4,005,284)	(3,655,265)
Repurchase of shares	(39,268)		(948,374)				(987,642)
Dividends declared			(46,348,607)				(46,348,607)
Comprehensive income			51,589,989	(3,980,821)			47,609,168
Balance at December 31, 2023	\$ 45,429,160	\$ 9,104,745	\$ 141,915,286	\$ 9,091,711	\$ 5,640,011	\$ (12,094,876)	\$ 199,086,037

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

(Amounts in thousands of Mexican pesos)

	For the years ended December 31,	
	2023	2022
Operating activities		
Income before income taxes	\$ 68,606,737	\$ 63,366,559
Items related to investing activities:		
Depreciation and amortization	20,577,439	19,359,205
Loss from disposal of property and equipment and impairment	465,022	117,761
Stock option compensation expenses	478,401	384,953
Interest earned	(3,021,084)	(2,025,182)
Items related to financing activities:		
Interest on lease liabilities	7,836,519	7,049,835
Unrealized, exchange rate fluctuation	355,889	(998,965)
Provision of labor obligations	453,754	531,774
Interest accrued	62,201	44,053
Cash flow from operating activities	95,814,878	87,829,993
Variances in:		
Accounts receivable	(6,191,597)	(155,262)
Inventories	(6,601,890)	(9,425,547)
Prepaid expenses and other assets	766,359	82,478
Accounts payable	16,708,363	(432,441)
Other accounts payable	5,166,658	3,268,202
Income tax paid	(19,949,533)	(16,122,086)
Employee benefits	(591,655)	(575,914)
Net cash flow from operating activities	85,121,583	64,469,423

Investing activities

Long-lived assets with defined useful lives	(28,792,178)	(21,303,739)
Interest collected	3,021,084	2,025,182
Proceeds from sale of property and equipment	312,968	459,402
Employee stock option plan fund	(4,133,666)	(1,497,722)
Business acquisition (Note 4)	(169,800)	-
Net cash flow used in investing activities	(29,761,592)	(20,316,877)

Financing activities

Dividends paid	(46,348,607)	(29,558,038)
Repurchase of shares	(987,642)	-
Interest paid	(62,201)	(44,053)
Payment of leases liability	(11,153,474)	(10,039,198)
Net cash flow used in investing activities	(58,551,924)	(39,641,289)
Effect of changes in the value of cash	(3,566,273)	99,399
Net (decrease) increase in cash and cash equivalents	(6,758,206)	4,610,656
Cash and cash equivalents at beginning of year	47,427,191	42,816,535
Cash and cash equivalents at end of year	\$ 40,668,985	\$ 47,427,191

Non-cash transactions:

Additions of right of use assets	\$ 6,196,845	\$ 2,591,724
Right of use assets remeasurements	\$ 3,141,926	\$ 5,920,509

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



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

Notes to Consolidated Financial Statements

At December 31, 2023 and 2022

(Amounts in thousands of Mexican pesos, except where otherwise indicated)

1. DESCRIPTION OF THE BUSINESS

Wal-Mart de Mexico, S.A.B. de C.V. (**WALMEX**, “the Company” or “the Group”) 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., a U.S. Corporation, through Intersalt, S. de R.L. de C.V., a Mexican company that holds equity interest of 70.57% in the Company.

WALMEX holds 100% of equity interest in the following groups of companies in Mexico and Central America:

Group	Activity
Nueva Walmart	Operation in 2023 of 2,419 Bodega Aurrerá discount stores, 316 Walmart hypermarkets, 102 Walmart Express supermarkets and 170 Sam’s Club memberships self-service wholesale stores.
Other businesses	Provide mobile internet connectivity services and sale of airtime recharges (BAIT); advertising services (Walmart Connect); financial services through digital wallet (Cashi).
Import companies	Import of goods for resale.
Real estate	Property developments and management of real estate companies.
Corporate companies	Not-for-profit services to the community at large, as well as shareholding.
Walmart Central America	Operation in 2023 of 595 discount stores (Despensa Familiar and Palí), 98 supermarkets (Paiz, La Despensa de Don Juan, La Unión and Mas x Menos), 167 Bodegas (Maxi Bodegas and Maxi Palí), and 36 Walmart hypermarkets. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

2. NEW ACCOUNTING PRONOUNCEMENTS

IFRS 17, “Insurance Contracts”

This IFRS will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is effective for reporting periods beginning on or after January 1st, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company’s management estimates that the adoption of this standard has no impact on the consolidated financial statements.

Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”

In January 2020, the International Accounting Standards Board (IASB) issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- Changes in criteria to classify a liability as current or non-current
- Considerations about substantial right to defer the liability settlement
- Settlement definition and possibility of settling liabilities in cash, other economic resources, or entity’s equity instruments
- New disclosures by liabilities deferrals



Classification as current or non-current liability will not be affected by the probability that the entity exercises or not its deferral right.

The amendments are effective for annual reporting periods beginning on or after January 1st, 2023 and must be applied retrospectively. The Company's management considers that adoption of this standard has no material impact on the consolidated financial statements.

IAS 12 – “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments to IAS 12 “Income Taxes” require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities, and
- Decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets.

The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

The amendment is effective for annual periods beginning on or after January 1st, 2023. The Company's management considers that adoption of this standard has no material impact on the consolidated financial statements.

Amendments to IAS 8, Accounting policies, changes in accounting and errors estimations – Definition of accounting estimate

On February 2021, IASB issued amendments to IAS 8 that introduce a new definition of “accounting estimate”. The change that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they are not the result of correcting an error from prior periods. The previous definition of a change in accounting estimate specified that changes in accounting estimates may be the result of new information; therefore, such changes are not bug fixes. The IASB retained this consideration in the definition.

The amendments to IAS 8 are applicable for annual periods beginning on or after January 1st, 2023. The Company's management considers that adoption of this standard has no material impact on the consolidated financial statements.

IAS 1, “Presentation of financial statements” – Materiality in accounting policy disclosures.

In February 2021, the IASB issued amendments to IAS 1 “Presentation of Financial Statements”, which provide guidance and examples to help entities when applying materiality judgments to accounting policy disclosures. The IASB also issued amendments to the IFRS 2 Practice Statement to support the amendments in IAS 1 by explaining and exemplifying the application of the “four-step process” to accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1st, 2023. Because the amendments to the IFRS 2 Practice Statement provide non-mandatory guidance on applying the definition of materiality to accounting information, the IASB concluded that transition requirements and an effective date for these amendments were not necessary.

The Company's management considers that adoption of this standard has no material impact on the consolidated financial statements.



Amendments to IAS 12: International Tax Reform—Pillar Two Model Rules.

In December 2021, the Organization for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two), and various governments around the world have issued, or are in the process of issuing, legislation on this.

In response to the introduction of Pillar Two, the IASB issued amendments to IAS 12, “Taxes on Profits.” These modifications introduce a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and some disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1st 2023, but not for any interim periods ending on or before December 31, 2023.

As of December 31, 2023, the Company has reviewed the detail of its corporate structure in light of the introduction of the Pillar Two rules and it was concluded that the effective tax rate in each jurisdiction where **WALMEX** operates is above the 15% which is the minimum rate to not be subject to the rules of Pillar Two. At this time, none of the jurisdictions where **WALMEX** operates have enacted or substantially enacted Pillar Two rules. Since Pillar Two legislation was not effective at the reporting date, the group has no related tax exposure. The group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

IFRS issued but not yet effective

Amendments to IFRS 16, Lease liability in a sale and leaseback transaction

This amendment requires a lessee-seller to subsequently measure the liabilities for a lease that arises from a sale and leaseback transaction so that it does not recognize any amount of profit or loss related to the right of use that retains.

The new requirements introduced by the amendment do not prevent a lessee-seller from recognizing in income any profit or loss related to the partial or total termination of a lease.

Although it had previously been proposed that a lessee-seller initially measures the right-of-use asset and lease liability arising from a return lease using the present value of expected lease payments at the inception date, the final amendments do not eliminate specific measurement requirements for lease liabilities that arise from a return lease.

This amendment will be effective for annual periods beginning on or after January 1st, 2024, and early adoption of this amendment is permitted.

The Company’s management considers that adoption of this standard will not have material impact on the consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

On May 25, 2023, the IASB issued these amendments that were initiated as a result of the December 2020 agenda decision by the IFRS Interpretations Committee.

The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including:

- Terms and conditions.
- The carrying amounts of supplier finance arrangement financial liabilities at the beginning and end of the reporting period and the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements.
- The type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities.

The amendments will be effective for annual reporting periods beginning on or after January 1st, 2024. Early adoption is permitted but will need to be disclosed.



The Company's management considers that adoption of this standard will not have material impact on the consolidated financial statements.

IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information

In June 2023 the International Sustainability Standards Board (ISSB) issued IFRS S1, "General Requirements for Disclosure of Sustainability-related Financial Information". The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general-purpose financial reports.

IFRS S1 sets out the requirements for disclosing information about an entity's sustainability-related risks and opportunities. In particular, an entity is required to provide disclosures about:

- The governance processes, controls and procedures the entity uses to identify, assess, prioritize, monitor, manage and oversee sustainability-related risks and opportunities.
- The entity's strategy for managing sustainability-related risks and opportunities.
- The entity's performance in relation to sustainability-related risks and opportunities, including progress towards any targets the entity has set or is required to meet by law or regulation.

IFRS S1 is effective for annual reporting periods beginning on or after January 1st, 2024 with earlier adoption permitted as long as IFRS S2, "Climate-related Disclosures" is also applied.

The Company's management is analyzing the possible impact that this standard will have on the consolidated financial statements.

IFRS S2, Climate-related Disclosures

In June 2023, the International Sustainability Standards Board (ISSB) issued IFRS S2, "Climate-related Disclosures".

IFRS S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, and/or its access to

financing over the short, medium or long term (collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects'). IFRS S2 applies to:

- a) Climate-related risks to which the entity is exposed, which are:
 - i. climate-related physical risks; and
 - ii. climate-related transition risks; and
- b) Climate-related opportunities available to the entity.

IFRS S2 is effective for annual reporting periods beginning on or after January 1st 2024 with earlier adoption permitted as long as IFRS S1, "General Requirements for Disclosure of Sustainability-related Financial Information" is also applied.

The Company's management is analyzing the possible impact that this standard will have on the consolidated financial statements.

Amendments to IAS 21, Effects of Changes in Foreign Exchange Rates: Lack of exchangeability.

In August 2023, the IASB published 'Lack of Exchangeability (Amendments to IAS 21), that contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The pronouncement also includes a new appendix with application guidance on exchangeability and a new illustrative example.

The amendments also extend to conforming amendments to IFRS 1 which previously referred to, but did not define, exchangeability.

The entity applies the amendments for annual reporting periods beginning on or after January 1st, 2025. Earlier application is permitted.



3. INFORMATION OF MATERIAL ACCOUNTING POLICIES

A summary of the material accounting policies is described below. These policies have been applied consistently with those applied in the year ended December 31, 2022.

a) Basis of preparation

The accompanying consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), including those issued previously by the former Standard 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, with both expenses recognized in the statement of income at the time they are incurred.

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 as part of other comprehensive income items.

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 mainly include the following:

- Accounting estimates for impairment of accounts receivable, inventory, property and equipment, right of use assets, investment properties, goodwill and the successful probability of legal and tax contingencies.
- Assumptions such as discount rates used to determine leases liabilities; annually, the Company reviews the useful lives for property and equipment and intangible assets with definite lives; determination of the recoverable value involving significant judgments such as future cash flows, the discount rate and the interest rate; labor obligation present value factors determined through actuarial valuations using economic assumptions, such as discount rate, inflation rate, salary increase rate and minimum salary increase rate; and fair value of derivative financial instruments and investment properties.

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 and derivative financial instruments, which are fair valued as of the end of each 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**, entities in which the Company was deemed the primary beneficiary and those of its Mexican and foreign subsidiaries or investee in which has control, which are grouped as described in Note 1, and prepared considering the same accounting period.

Subsidiaries or investees are consolidated from the date on which control is assumed by **WALMEX**, and until such control is lost. The results of subsidiaries or investee 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.



Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e. the existing rights that give it the current ability to conduct the relevant activities of the investee),
- Exposure to, or rights to, variable returns from its participation in the investee
- The ability to use its power over the investee to affect its returns

Transactions and related party balances are eliminated in the consolidation.

The Company consolidates in its financial statements the balances and operations of the investee Cargill Protein S. de R.L. de C.V., according to the agreement established with them to provide services for meat processing, through which the Company obtains control solely and exclusively from the accounting point of view and applying accounting principles but not legal ones, through the right to variable returns for its participation in this entity. Net income for the consolidated year considers a remaining attributable to the results of the investee of \$61,008 in 2023 and \$63,541 in 2022; and the statement of financial position as of December 31, 2023 and 2022, contains a remaining attributable of the investee of \$6,273 and \$(54,735), respectively.

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 and investments held to maturity. 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, capable of participating in the transaction.
- II. Financial liabilities. These liabilities are classified in accounts payable, other accounts payable and lease liabilities; these liabilities are initially recognized at fair value and subsequently valued to amortized cost using the 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 including quoted prices for similar instruments in active markets that are directly or indirectly observable, and
- Level 3.** Unobservable data inputs, for which the Company develops its own assumptions and valuations.

Subsequent measurement of the Company's financial assets and liabilities is determined based on their classification.

The Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position if there is currently a legally enforceable right to offset the recognized amounts and there is an intention to settle them for the net amount, or to realize the assets and settle liabilities simultaneously.

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 7 days, and highly liquid investments with maturities of less than 90 days, plus accrued interest. Cash is stated at fair value.



Cash that is restricted and cannot be exchanged or used to settle a liability for a minimum period of twelve months is presented in a separate line item in the statement of financial position and is excluded from cash and cash equivalents in the cash flow statement.

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 as derivative financial instruments.

f) Accounts receivable and provision for impairment of other accounts receivable

WALMEX recognizes the impairment of its receivables by applying the simplified approach allowed by IFRS 9 “Financial Instruments”, recognizing the expected credit losses as of the creation of the account receivable. These assets are grouped according to the characteristics of credit risk and the days past due, with the expected loss provision for each risk group determined based on the historical credit loss and experience of the Company, adjusted for specific factors for debtors and effects in the economic environment.

g) Inventories

Inventories are valued using the retail method, except for merchandise for Sam’s Clubs, distribution centers, Agro-Industrial development (grains, edibles and meat) and perishable division, which are stated using the weighted 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 or 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) Prepaid expenses

Prepaid expenses are recorded at cost and recognized as current assets in the consolidated statement of financial position as of the date the prepayments are made. Once the goods or services related to the prepayments 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 by the straight-line method at the following annual rates:

Buildings, facilities and leasehold improvements:			
Constructions and structures	2.5%	to	5.0%
Facilities and adaptations	5.0%	to	12.5%
Construction finishes	10.0%	to	25.0%
Furniture and equipment	5.0%	to	33.3%
Computer equipment	12.5%	to	33.3%
Transportation equipment	10.0%	to	33.3%



Construction in progress mostly consists of investments made by the Company, mainly for the construction of new stores and improvements; they are recognized at cost, and once complete, the Company reclassifies them to property and the depreciation begins.

j) Investment properties

Investment properties consist of land, buildings and constructions and facilities in properties that are leased to others and are maintained to obtain economic benefits through the collection of rent. Investment properties are measured initially at cost. After initial recognition, they continue to be valued at cost less depreciation and accumulated losses due to impairment.

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

Buildings, facilities and leasehold improvements:			
Constructions and structures	2.5%	a	5.0%
Facilities and adaptations	5.0%	a	12.5%
Construction finishes	10.0%	a	25.0%

k) Leases

The Company assesses whether a contract is or contains a lease at inception date of the contract. This assessment involves the exercises of judgement about whether it implies the use of a specific asset, or if the Company obtains substantially all the economics benefits from the use of that asset, and whether the Company has the right to direct the use of the asset.

WALMEX as a lessee

WALMEX recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental interest rate of **WALMEX**.

After initial recognition, the lease liability is measured at amortized cost using the effective interest method. These liabilities are re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if **WALMEX** changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

WALMEX as a lessor

The Company obtains rental income from investment properties. Fixed and variable rental income is recognized when accrued and such revenue is presented as a part of other revenues line within the consolidated statement of comprehensive income.

l) Impairment of long term definite useful life assets

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

The impairment in the value of this type of assets is recognized 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 where the assets are located. These budgets generally cover 5 years and, in case of a longer period, an expected growth rate is applied.

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

When an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased by the reviewed estimate of the recoverable amount, not exceeding the carrying amount that would have been determined if no impairment loss had been recognized in prior years. The reversal of an impairment loss is recognized immediately in the comprehensive income statement.

m) Intangible assets

Intangible assets are recognized when they have the following characteristics: they are identifiable, they give rise to 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 definite or indefinite. Indefinite-lived assets are not amortized; however, they are subject to annual impairment tests. Definite lived assets are amortized using the straight-line method at rates between 7.7% and 33.3%.

n) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of Walmart Central America and Cartera Digital (see Note 4) at the acquisition date and is not subject to amortization.

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 such translation is recognized in other comprehensive income.

o) Liabilities and provisions

Accrued liabilities represent current obligations (legal or assumed) for past events where outflow of economic resources is possible and can be reasonably estimated. 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.

p) Income taxes

Current and deferred income

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 are 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. Current income taxes are 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 the financial reporting and tax values of assets and liabilities in the consolidated balance sheet. 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 is 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 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.

The Company offsets tax assets and liabilities only if it has a legally enforceable right to offset tax assets and liabilities and deferred tax assets and liabilities relating to income taxes that pertain to the same authority.

Uncertain tax positions

The Company reviews its criteria for the recognition and measurement of income taxes when there are uncertain tax positions. Uncertain tax positions are those tax positions where there is uncertainty about whether the competent tax authority of each of the countries where **WALMEX** operates will accept the tax position under current tax laws.

If the Company concludes that a particular tax treatment is likely to be accepted, it determines the taxable profit (tax loss), tax basis, unused tax losses, unused tax credits, or tax rates consistent with the tax treatment included in its tax return. If the Company concludes that a particular tax treatment is unlikely to be accepted, the entity uses the most probable amount or expected value of the tax treatment that the authority would

accept when determining the tax profit (tax loss), tax basis, non-tax losses used, unused tax credits or tax rates.

q) Employee benefits

Employees in Mexico are entitled to a seniority premium in accordance with the Mexican Federal Labor Law. Also, **WALMEX**'s 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 15 years of seniority. The amount paid to the associate is equivalent to 12 days for each year worked, without exceeding the amount for each day of twice the minimum wage, in addition, **WALMEX** pays a retirement compensation based on years of service and position of each associate, as long as they have been in service for more than 5 years at the date of retirement. 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 required in case of unjustified dismissal or death, in accordance with the Labor Law of each country where the Company operates. The benefits range from 20 days to one month of salary for each year of uninterrupted service.

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

WALMEX recognizes the actuarial gains and losses as they accrue directly in the consolidated statement of comprehensive income, and in the statement of changes in equity.



r) Equity

Legal reserve:

As of December 31, 2022, the Company's legal reserve amounts to \$9,104,745, which represents 20% of its capital stock, which under the Mexican Corporations Act is the maximum level the balance of the reserve can reach.

Dividends:

The Company recognizes a liability to pay dividends when these are decreed and are approved through a shareholders meeting. The corresponding accrual is recognized as a decrease in the stockholders' equity directly.

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 of 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.

The current policy has two grant plans to executives; the first one grants stock options and the second one grants restricted shares (the last one is offered only to certain executive levels).

In the stock option plan, the vesting period for a third portion of the granted options is one year, and on the other hand under the restricted share plan these are granted within a 3 year-period since assignment. The right to exercise the options is 10 years since assignment date or 60 days after the executive leaves the Company, such term may be extended in certain circumstances when non-competition obligations are assumed by the executive that exits the Company, without exceeding 10 years from the assignment date.

Regards of the restricted shares plan, the amount was subject to compliance with certain metrics that are evaluated against the performance of the year following the allocation, and which may cause the original allocation to be decreased or increased, ranging from 0% to 212.5%.

According to the previous policies, until 2017 the executives may exercise their option to acquire shares in equal parts over five years. And from 2018 to 2021 the executives may exercise their option to acquire shares in 4 years, 50% in year 2 and the other 50% in the year 4.

The compensation cost of stock options is recognized in general expenses in the consolidated statement of comprehensive income at fair value.

Premium on sale of shares:

The premium on sale of shares represents the difference between the cost of shares and the value at which such shares were sold, net of the corresponding income tax.

s) Revenue recognition

Revenue from merchandise sales, including online sales ("e-Commerce") is recognized in the consolidated statement of comprehensive income at the time the obligation is satisfied (when "control" of the goods has been 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 net 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 revenue line in the consolidated statement of comprehensive income.

Rental income is recognized as it accrues over the terms of the lease agreements entered with third parties and presented in the other revenue line in the consolidated statement of comprehensive income.



Revenues from the sale of waste and parking lots are recognized in other revenue line at the time the property is transferred upon delivery of the goods or at the time the services are provided.

t) Basic earnings per share

Basic earnings per share is the result of dividing the net income of the year attributable to the controlling interest 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.

The effect on earnings per share, which represents the remaining attributable to the results of the investees in 2023 and 2022 is of \$0.003 and \$0.004 pesos per share, respectively.

u) Operating segments

Segment financial information is prepared based on the information used by the Chief Operating Decision Maker (CODM) to make business decisions and assess the Company’s performance. Segment information is presented based on the geographical zones in which the Company operates.

v) Foreign currency transactions

The Company’s foreign currency denominated assets and liabilities are translated to the 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. BUSINESS ACQUISITION

On April 10, 2023, the Company acquired 100% of shares of Trafalgar Digital, S.A. de C.V., Institución de Fondos de Pago Electrónico, date on which **WALMEX** acquired the assets and assumed the liabilities of said company. Likewise, on that date, it was formalized the change in its corporate name to Cartera Digital Walmart, S.A. de C.V., Institución de

Fondos de Pago Electrónico(Cartera Digital) , as well as the change of its bylaws and the appointment of officials. The operation was settled with the Company’s own resources for an amount of \$176,744 (USD\$9.8M).

The Company acquired qualified as business acquisition; and was recognized accounting according to the methodology indicated in IFRS 3, “Business Combinations”. For such purpose, the Company determined the fair values of the net assets acquired, considering the valuation rules of this IFRS.

As part of determination and subsequent recognition of the fair value of the net assets acquired, an intangible assets mainly was identified related to the authorization granted by the National Banking and Securities Commission (CNBV per its acronym in Spanish) to Trafalgar Digital, S.A. de C.V. (now Cartera Digital) to operates as IFPE (Institución de Fondos de Pago Electrónico per its acronym in Spanish), recognizing the fair value of such intangible asset as part of net assets acquired.

On April 10, 2023, the amount of goodwill, as well as the net assets acquired are shown below:

Total consideration paid		\$ 176,744	
	Balance as of April 10, 2023	PPA Adjustments	Adjusted balances as of April 10, 2023
Assets	\$ 19,194	\$ 52,300	\$ 71,494
Liabilities	\$ 4,914		\$ 4,914
Net assets acquired			66,580
Subtotal			\$ 110,164
Deferred taxes liability			15,690
Goodwill recognized			\$ 125,854

The cash flow by business acquisition, presented in the Consolidated Statements of Cash Flows, was determined considering the total consideration payment net of cash and cash equivalents that the Company received from acquired Company on April 10.



In order to provide a broader view of the Operating performance of the acquired Company, the effect on results that would have had if the acquisition had taken place from January 1, 2023 is presented below:

	Year ended December 31, 2023		
	Consolidated	Cartera Digital	%
General expenses	\$ (136,746,969)	\$ (37,621)	0.03%
Operating income	\$ 73,811,375	\$ (37,621)	(0.05)%
Income before income taxes	\$ 68,606,737	\$ (37,621)	(0.05)%
Consolidated net income	\$ 51,589,989	\$ (23,378)	(0.05)%

5. RISK MANAGEMENT

a) General risk factors

The Company is exposed to facts or events that could affect the purchasing power and/or buying habits of the population. These facts or 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 imported goods. Likewise, the revaluation of the exchange rate may mean that individuals receiving remittances from abroad obtain less domestic currency, which may also adversely affect the Company’s sales.
- 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. Likewise, the new activities carried out by the Company that it did not carry out before - BAI, Connect, Cashi, to mention a few - face very strong competition from participants that have a greater participation than the Company in those market segments.

- 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 and in the prices of the goods and services supplied by the Company. Although the Company always seeks to keep costs low in order to offer low prices, there are circumstances in which it is not possible to defer price increases, even though the Company always seeks to do so.
- IV. Changes in government regulations. The Company is exposed to the changes in different laws and regulations, which, after becoming effective, 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 and other regulatory authorities has increased considerably.
- V. Certain events. International events involving Ukraine and Israel, together with the effects of the pandemic, have caused disruptions in the markets, prices of many products and price increases or shortages of many products and disruptions, delays, and cost increases in the international supply logistics chain.

These risks and their impacts are difficult to predict and could adversely affect our operations and our financial performance. As of the date of this report, the financial effect of the combination of these events has not had a significant adverse impact on the financial statements taken as a whole.

b) Financial risk factors

The Company’s activities are exposed to various financial risks such as exchange rate, interest rate and liquidity risk. The Company manages those risks that impede or endanger its financial objectives, seeking to minimize potential negative effects through different strategies.



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 (“USD”).

As of December 31, 2023, the exchange rate used to translate assets and liabilities denominated in US dollars was \$16.97 per dollar (\$19.50 in 2022).

Considering the net monetary position in dollars at December 31, 2023, if there was an increase or decrease in the exchange rate of the US dollar against the Mexican peso of 5%, there would be a favorable or unfavorable effect on the financial income (expenses) and equity of the Company of \$253,462.

The Company has entered into Fx-forward contracts for 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. (See Note 3 “Information of material accounting policies – Financial assets and liabilities and fair value measurement”).

As of December 31, 2023 and 2022, Fx-Forward contracts have a term of no more than four months, which are shown below:

	2023		2022	
Current contracts		258		271
Notional amount (millions of USD)	US\$	234	US\$	177
Notional amount (millions of Mexican pesos)	MXN\$	4,129.06	MXN\$	3,517.82
Fair value, net (millions of pesos)	MXN\$	(130.58)	MXN\$	(29.74)

Each Fx-forwards operation contracted with the banking institutions is agreed by means of a confirmation letter and consists in the exchange in kind of currencies with the same counterpart that occurs simultaneously at the settlement date agreed in the confirmation letter.

Interest rate risk:

The Company has temporary investments in government paper 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 2023 between 2.38% and 11.12%. As of December 31, 2023 the financial income amounted to \$3,021,084 (\$2,025,182 in 2022).

Considering the highly liquid instruments as of December 31, 2023, if there was an increase or decrease in the interest rate of 0.50%, there would be a favorable or unfavorable effect on the financial income of the Company of \$114,807.

Liquidity risk:

The Company is subject to liquidity risks to meet its payment obligations to suppliers, payment of taxes, acquisitions of fixed assets and other working capital requirements, which are settled through the cash flow generated in the operation. For this reason, in order to avoid the breach of its obligations, the Company has available lines of credit and overdraft with different Banks. As of December 31,2023, the available and unused credit and overdraft lines amounted \$47,414 (\$52,623 en 2022) million pesos (of which \$13,715 (\$18,664 in 2022) corresponding to pre-approved lines of credit and \$33,699 (\$33,959 in 2022) million to contracted lines of credit) that give, if necessary, additional liquidity to that generated by the operating activities.



6. CASH AND CASH EQUIVALENTS

An analysis of cash and cash equivalents as of December 31, 2023 and 2022, is as follow:

	2023	2022
Cash and cash in bank	\$ 35,743,572	\$ 36,008,176
Highly marketable investments	4,925,413	11,419,015
	\$ 40,668,985	\$ 47,427,191

As of December 31, 2023, the Company has no restricted cash, \$199,612 at December 31, 2022 and it is presented in the consolidated statement of financial position in the other non-current assets item.

7. ACCOUNTS RECEIVABLE

An analysis of accounts receivable as of December 31, 2023 and 2022, is as follows:

	2023	2022
Income tax, VAT, IEPS pending to recover	\$ 15,991,944	\$ 12,418,965
Vouchers issuers and trade receivables ⁽¹⁾	3,948,981	2,036,744
Other accounts receivable	3,523,170	2,805,813
Allowance for impairment of other receivables ⁽²⁾	(504,000)	(542,214)
	\$ 22,960,095	\$ 16,719,308

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

⁽¹⁾ Includes vendor allowance to be collected as a consequence of the new reform issued in 2023 by the Supreme Court of Justice in which it is stated that civil compensation is not a method of payment of Value Added Tax (VAT), for which the Company ceased to offset accounts receivable and payable with vendors.

⁽²⁾ Includes \$224 million of allowance for impairment of other receivables corresponding to ATM's services supplier.

8. INVENTORIES

An analysis of inventories as of December 31, 2023 and 2022, is as follows:

	2023	2022
Merchandise for sale	\$ 88,839,145	\$ 83,883,622
Agro-industrial development	1,480,082	1,435,803
	90,319,227	85,319,425
Merchandise in transit	4,769,105	4,142,310
	\$ 95,088,332	\$ 89,461,735

As of December 31, 2023 and 2022, the effect of inventory impairment is \$1,823,228 and \$1,513,303, respectively, which was included in cost of sales in the consolidated comprehensive income statement.



9. PROPERTY AND EQUIPMENT

An analysis of property and equipment as of December 31, 2023 and 2022, is as follows:

	December 31, 2021	Additions	Disposals	Transfers	Translations effect	December 31, 2022	Additions	Disposals	Transfers	Translation effect	December 31, 2023
Cost:											
Land	\$ 32,479,569	\$ 112,523	\$ (105,879)	\$ (61,666)	\$ (37,608)	\$ 32,386,939	\$ 57,450	\$ (20,620)	\$ 464,782	\$ (302,001)	\$ 32,586,550
Buildings	76,203,276	1,270,383	(1,310,664)	2,680,526	(261,839)	78,581,682	2,269,574	(1,150,734)	5,120,326	(1,106,321)	83,714,527
Facilities and leasehold improvements	56,369,859	273,909	(699,060)	5,530,861	(346,161)	61,129,408	441,106	(1,015,868)	6,492,763	(837,994)	66,209,415
Furniture and equipment	77,764,822	4,747,696	(4,274,538)	4,868,126	(596,371)	82,509,735	6,572,325	(3,432,992)	5,571,390	(1,676,029)	89,544,429
Subtotal	242,817,526	6,404,511	(6,390,141)	13,017,847	(1,241,979)	254,607,764	9,340,455	(5,620,214)	17,649,261	(3,922,345)	272,054,921
Accumulated depreciation:											
Buildings	(37,156,657)	(2,996,120)	1,114,985	195,722	109,102	(38,732,968)	(3,008,180)	883,212	6,898	445,651	(40,405,387)
Facilities and leasehold improvements	(28,583,001)	(3,083,156)	553,720	(270,638)	197,545	(31,185,530)	(3,245,045)	785,196	(161,290)	491,791	(33,314,878)
Furniture and equipment	(42,586,304)	(7,726,188)	4,159,797	15,819	348,570	(45,788,306)	(8,013,681)	3,106,123	(16,796)	975,215	(49,737,445)
Subtotal	(108,325,962)	(13,805,464)	5,828,502	(59,097)	655,217	(115,706,804)	(14,266,906)	4,774,531	(171,188)	1,912,657	(123,457,710)
Construction in progress	6,005,034	13,648,144	(10,363)	(13,058,638)	48,169	6,632,346	18,288,972	(22,896)	(17,350,807)	(17,350)	7,530,265
Total	\$ 140,496,598	\$ 6,247,191	\$ (572,002)	\$ (99,888)	\$ (538,593)	\$ 145,533,306	\$ 13,362,521	\$ (868,579)	\$ 127,266	\$ (2,027,038)	\$ 156,127,476

Depreciation expense for the years ended December 31, 2023 and 2022, was \$13,963,678 y \$13,491,000, respectively, and is included in the general expenses line in the consolidated statement of comprehensive income. The depreciation included in cost of sales was \$303,228 and \$314,464, respectively.

Property and equipment impairment for the years ended December 31, 2023 and 2022, was \$56,321 and \$49,005, respectively, and is presented in the disposals column.



10. LEASES

WALMEX has executed property lease agreements. Leases are usually contracted for a period of 15 years. Some leases include a unilateral renewal option for an additional period. The Company evaluates at the beginning of the lease if it is reasonably certain that it will exercise said renewal option.

In addition, the Company has also entered into finance leases for the rental of residual water treatment plants with lease terms of 10 years with purchase option at the end of the agreement; as well as other equipment leases with terms of 3 to 5 years.

WALMEX sub-leases some of its investment properties.

The right of use assets balance is as follows:

	December 31, 2021	Additions	Disposals Modifications and updates	Transfers	Translations effect	December 31, 2022	Additions	Disposals, Modifications and updates	Transfers	Translations effect	December 31, 2023
Cost:											
Property	\$ 66,011,324	\$ 2,343,220	\$ 5,660,844	\$ 3,026	\$ (420,492)	\$ 73,597,922	\$ 2,366,976	\$ 2,832,416	\$ 1,981	\$ (593,998)	\$ 78,205,297
Furniture and equipment	2,697,790	248,504	(289,792)	(282,432)	(1,737)	2,372,333	3,829,869	(791,654)	(268,622)	2,759	5,144,685
Subtotal	68,709,114	2,591,724	5,371,052	(279,406)	(422,229)	75,970,255	6,196,845	2,040,762	(266,641)	(591,239)	83,349,982
Accumulated depreciation											
Property	(13,519,152)	(4,042,270)	204,112	560	166,670	(17,190,080)	(4,426,590)	262,946	7	399,416	(20,954,301)
Furniture and equipment	(1,052,454)	(540,565)	288,551	141,957	3,755	(1,158,756)	(683,684)	786,248	134,308	9,874	(912,010)
Subtotal	(14,571,606)	(4,582,835)	492,663	142,517	170,425	(18,348,836)	(5,110,274)	1,049,194	134,315	409,290	(21,866,311)
Total	\$ 54,137,508	\$ (1,991,111)	\$ 5,863,715	\$ (136,889)	\$ (251,804)	\$ 57,621,419	\$ 1,086,571	\$ 3,089,956	\$ (132,326)	\$ (181,949)	\$ 61,483,671



An analysis of the lease liabilities is as follows:

Year	December 31, 2023
2024	\$ 11,492,238
2025	11,212,772
2026	10,845,005
2027	10,506,446
2028	9,581,577
2029 and thereafter	113,958,730
Nominal lease payments	167,596,768
Contract update effects	(92,342,972)
Lease liabilities - net	\$ 75,253,796

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

The amounts recognized in the consolidated statements of income for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Depreciation expense for the right of use assets, by type of asset:		
Property	\$ 4,426,590	\$ 4,042,270
Equipment	\$ 683,684	\$ 540,565
Interest on lease liabilities	\$ 7,836,519	\$ 7,049,835
Expenses related to short-term leases	\$ 146,527	\$ 194,342
Expenses related to leases of low-value assets	\$ 58,795	\$ 56,045
Variable lease payments (not included in the measurement of lease liabilities)	\$ 4,154,750	\$ 4,860,779
Sub-lease revenue	\$ (1,556,729)	\$ (1,439,050)

Amounts recognized in consolidated statement of cash flows as well as non-cash transaction, for the years ended December 31, 2023 and 2022, are as follow:

	2023	2022
Rent payments – principal	\$ 3,316,955	\$ 2,989,363
Rent payments – interest	\$ 7,836,519	\$ 7,049,835
Additions of right of use assets	\$ 6,196,845	\$ 2,591,724
Modifications and updates	\$ 3,141,926	\$ 5,920,509



11. INVESTMENT PROPERTIES

An analysis of investment properties as of December 31, 2023 and 2022 is as follows:

	December 31, 2021	Additions	Disposals	Modifications and updates	Transfers	December 31, 2022	Additions	Disposals	Modifications and updates	Transfers	December 31, 2023
Land	\$ 2,569,611	\$ -	\$ -	\$ -	\$ 103,553	\$ 2,673,164	\$ -	\$ -	\$ -	\$ (169,429)	\$ 2,503,735
Buildings	5,416,222	-	(78,909)	116,933	91,227	5,545,473	1,651	(367,215)	142,587	(32,112)	5,290,384
Facilities and improvements	1,135,775	-	(11,101)	-	3,363	1,128,037	-	(121,694)	-	(5,743)	1,000,600
Subtotal	9,121,608	-	(90,010)	116,933	198,143	9,346,674	1,651	(488,909)	142,587	(207,284)	8,794,719
Accumulated depreciation	(3,537,762)	(285,878)	31,775	-	(74,704)	(3,866,569)	(269,540)	384,983	(48,278)	-	(3,799,404)
Total	\$ 5,583,846	\$ (285,878)	\$ (58,235)	\$ 116,933	\$ 123,439	\$ 5,480,105	\$ (267,889)	\$ (103,926)	\$ 94,309	\$ (207,284)	\$ 4,995,315

Depreciation expense for the years ended December 31, 2023 and 2022, was \$269,540 and \$285,878, respectively, and is included in the general expenses line in the consolidated statement of comprehensive income.

The investment properties of the Company consist of commercial properties located in Mexico. The administration determined that the investment properties are grouped according to the nature, characteristics and main client of each property.

As of December 31, 2023 and 2022, the fair values of the properties are based on Management's valuations. To calculate the value of a commercial property, the rental approach was used, applying the corresponding gross rent multiplier (GRM). The Company determines the estimated fair value based on its annual rental income before expenses,

divided by the capitalization rate used in the real estate sector (Cap rate). On the other hand, the capitalization rates used for the year ended December 31, 2023 and 2022, was 9.0% and 8.5%, respectively. Effects on annual income and the update of the capitalization rate were considered in the calculation of the estimated fair value.

The Company's Management determined that there is no impairment in the investment properties as of December 31, 2023 and 2022. The estimated fair value of the investment properties as of December 31, 2023 and 2022 is \$6,439,028 and \$6,701,368, respectively. The Company compares the estimated fair value and the net book value to determine if there are impairment.



12. INTANGIBLE ASSETS

An analysis of intangible assets as of December 31, 2023 and 2022 is as follows:

	December 31, 2021	Additions	Disposals	Transfers	Translations effect and others	December 31, 2022	Additions	Disposals	Transfers	Translations effect	December 31, 2023
Goodwill	\$ 35,767,241	\$ -	\$ -	-	\$ (153,537)	\$ 35,613,704	\$ 125,854	\$ -	-	\$ (1,442,747)	\$ 34,296,811
Trademarks	788,785	-	-	-	(16,286)	772,499	-	-	-	(51,784)	720,715
Licenses and software	4,762,536	1,254,606	(959,543)	123,230	(9,189)	5,171,640	1,213,400	(11,794)	227,306	(66,956)	6,533,596
Subtotal	5,551,321	1,254,606	(959,543)	123,230	(25,475)	5,944,139	1,213,400	(11,794)	227,306	(118,740)	7,254,311
Accumulated amortization	(2,560,513)	(685,028)	906,297	(7,989)	7,764	(2,339,469)	(930,719)	4,838	(715)	51,163	(3,214,902)
Subtotal	2,990,808	569,578	(53,246)	115,241	(17,711)	3,604,670	282,681	(6,956)	226,591	(67,577)	4,039,409
Total	\$ 38,758,049	\$ 569,578	\$ (53,246)	\$ 115,241	\$ (171,248)	\$ 39,218,374	\$ 408,535	\$ (6,956)	\$ 226,591	\$ (1,510,324)	\$ 38,336,220

Trademarks represents the trademarks acquired at the time of the acquisition of Walmart Central America, including Pali, Despensa Familiar, Maxi Bodega, among others. Trademarks are translated at the year-end-exchange rate and the corresponding effect is recognized as a component of other comprehensive income.

Licenses, software and customer amortization expense for the years ended December 31, 2023 and 2022, were \$930,719 and \$685,028, respectively, and is included in the general expenses line of the consolidated statement of comprehensive income.

As a result of its impairment testing, the Company concluded that there was no impairment in the value of the Goodwill as of December 31, 2023 and 2022. The assumptions used in the goodwill impairment test are:

- Net book value of long-lived assets with a defined and indefinite life.

- Projection period of financial and operational assumptions (Revenues, EBITDA, Working Capital and Capex) of 5 years for each cash-generating unit (CGU).
- Estimate of the terminal value in perpetuity based on the latest estimated flow, considering a growth between 2.1% and 5.7% (3.3% and 6.1% in 2022) in nominal terms, which correspond to the estimated average inflation for each CGU.
- Appropriate discount rate, based on the weighted average cost of capital (WACC) methodology, which vary in a range from 8.1% to 13.40% (9.7% to 12.6% in 2022) determined according to the associated risks for each CGU.



13. RELATED PARTIES

a) Related party balances

As of December 31, 2023 and 2022, the consolidated statement of financial position includes the following balances with related parties:

	2023	2022
Accounts payable:		
C.M.A. – U.S.A., L.L.C.	\$ 801,317	\$ 612,659
WMGS Commercial Services Limited	28,257	-
	\$ 829,574	\$ 612,659
Other short-term accounts payable:		
Walmart Inc.	\$ 1,331,668	\$ 1,302,994
WMGS Commercial Services Limited	52,797	134,956
Newgrange Platinum Services LTD	37,742	21,417
	\$ 1,422,207	\$ 1,459,367
Other long-term accounts payable:		
Walmart, Inc. (Note 16)	\$ 133,834	\$ 163,409

Balances with related parties consist of current accounts that bear no interest, are payable in cash and have no guarantees. Balances with related parties are considered recoverable and consequently, for the years ended December 31, 2023 and 2022, there were no uncollectible related party balances.

b) Related party transactions

WALMEX has entered into the following open-ended agreements with related parties:

- Imports of goods for resale, which are interest-free and payable monthly with CMA USA LLC.
- Commissions for procurement services to WMGS Commercial Services Limited that are payable on a recurring basis.
- Technical assistance and services with Walmart, Inc. that are payable monthly.
- Administrative and process services with Newgrange Platinum Service, LTD, that are payable monthly.
- Royalties for trademark use and Know-How with Walmart, Inc., payable quarterly based on a percentage of sales of the retail businesses and Sam’s.

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, 2023 and 2022, respectively:

	2023	2022
Purchases and commissions related to the import of Good for resale:		
C.M.A. – U.S.A., L.L.C.	\$ 5,406,569	\$ 4,822,933
WMGS Commercial Services Limited	874,819	887,463
	\$ 6,281,388	\$ 5,710,396
Costs and expenses related to technical assistance, services and royalties:		
Walmart Inc.	\$ 9,245,998	\$ 8,574,148
Newgrange Platinum Services LTD	551,659	508,630
	\$ 9,797,657	\$ 9,082,778



c) Remuneration of principal officers

Remuneration to the Company’s principal officers and Board of Directors for the years ended December 31, 2023 and 2022, is as follows:

	2023	2022
Short-term benefits	\$ 2,022,879	\$ 1,806,127
Termination benefits	82,857	104,512
Share-based payments	92,303	68,353
\$ 2,198,039	\$ 1,978,992	

14. OTHER ACCOUNTS PAYABLE

An analysis of other accounts payable as of December 31, 2023 and 2022, is as follows:

	2023	2022
Accrued liabilities and others (a)	\$ 30,855,484	\$ 26,227,358
Contingencies (Note 15)	1,977,808	1,924,061
Deferred revenues (b)	1,789,263	1,557,776
Related parties (Note 13)	1,422,207	1,459,367
Dividends	217,585	187,491
\$ 36,262,347	\$ 31,356,053	

(a) Accrued liabilities and others includes an effect due to reforms to the Federal Labor Law in Mexico that have changed the provisions applicable to vacations, and now provides that workers with more than one year of service will enjoy an annual period of paid vacation, which in no case may be less than twelve working days and which will increase by two working days, up to twenty, for each subsequent year of service. Although the entry into force of this reform is January 1, 2023, it concluded that obligation and the corresponding liability was presented at December 31, 2022 with an impact of \$263 million

(b) Includes Sam’s club memberships, unredeemed gift cards and deferred income for rentals related to the sale of Vips and Suburbia.

15. COMMITMENTS AND CONTINGENCIES

a) Commitments

As of December 31, 2023, 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, as shown below:

Year	Amount
2024	\$ 31,887,892
2025	\$ 5,091,546
2026	\$ 3,332,244
2027	\$ 3,370,866
2028	\$ 3,439,657
2029 and thereafter	\$ 19,991,434

The Company has lease commitments as explained in Note 10.



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 \$1,977,808 as of December 31, 2023, (\$1,924,061 in 2022) 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.

16. LEASES AND OTHER LONG-TERM LIABILITIES

Lease and other long-term liabilities as of December 31, 2023 and 2022, includes:

	2023	2022
Long-term leases (Note 10)	\$ 70,941,673	\$ 66,327,036
Deferred rental incomes	3,350,792	3,389,703
Related parties (Note 13)	133,834	163,409
Others	7,106	7,906
	\$ 74,433,405	\$ 69,888,054

17. INCOME TAXES

The income tax provision includes taxes payable by **WALMEX**'s subsidiaries in Mexico and abroad, determined in accordance with the tax laws in force in each country. On December 31, 2023, companies in Mexico determined and paid their income tax under the general tax law.

An analysis of income taxes charged to the income statement for the years ended December 31, 2023 and 2022, is as follows:

	2023	2022
Current income taxes:		
México	\$ (14,607,290)	\$ (15,312,910)
Central America	(3,774,817)	(2,864,242)
Consolidated	(18,382,107)	(18,177,152)
Deferred income taxes:		
México	1,312,188	3,845,902
Central America	53,171	(61,125)
Consolidated	1,365,359	3,784,777
	\$ (17,016,748)	\$ (14,392,375)

As of December 31, 2023 and 2022, the Company's effective tax rate is 24.8% and 22.7%, respectively. The difference between the statutory tax rate and Company's effective tax rate is mainly due to inflationary effects and other permanent items.



The 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 long term income taxes (assets and liabilities), as of December 31, 2023 and 2022, is as follows:

	2023	2022
Deferred tax assets:		
Other accounts payable	\$ 6,541,803	\$ 5,762,883
Leases and other long-term liabilities	5,082,644	4,949,842
Inventories	1,134,805	1,210,472
Labor obligations	679,298	937,896
Tax losses carryforward from subsidiaries	599,762	1,153,279
Provision for impairment of other receivable	139,534	89,585
	\$ 14,177,846	\$ 14,103,957
Deferred tax liabilities:		
Property and equipment	\$ 3,099,171	\$ 4,973,607
Prepaid expenses	451,805	259,237
Investment in subsidiaries and other items	-	136,755
Deferred income tax	\$ 3,550,976	\$ 5,369,599
Long-term income tax	930,575	1,118,025
Income taxes	\$ 4,481,551	\$ 6,487,624

The deferred income tax asset derived from tax losses not amortized is recognized to the extent that the related tax benefit through future taxable profits is probable.

The Company has the following tax losses from subsidiaries that may be carried forward against future taxable income:

Year of expiration	Amount
2027	\$ 65,817
2028	309
2029	14,564
2030	609
2031	413,614
2032	1,158,807
2033	345,484
	\$ 1,999,204

Changes in the assets and liabilities for long-term income taxes, net as of December 31, 2023 and 2022, is as follows:

	2023	2022
Balances as of beginning of the year	\$ 7,616,333	\$ 3,958,037
Income tax charged in the year	1,449,026	3,739,259
Long-term income taxes	559,797	(171,149)
Other comprehensive income tax by labor obligations	105,141	29,743
Excess of previous years	(83,667)	45,518
Business acquisition effect (Note 4)	(15,690)	-
Translation effect	65,355	14,925
Balance as of end of the year	\$ 9,696,295	\$ 7,616,333



18. EMPLOYEE BENEFITS

As of December 31, 2023 and 2022, an analysis of the Company's assets and liabilities for seniority premiums and retirement benefits is as follows:

	Seniority premiums		Retirement benefits	
	2023	2022	2023	2022
Defined benefit obligations	\$ 2,196,654	\$ 2,057,057	\$ 1,444,745	\$ 1,422,429
Plan assets	(1,314,289)	(1,200,930)	-	-
Net projected liability	\$ 882,365	\$ 856,127	\$ 1,444,745	\$ 1,422,429

Changes in the net present value of the defined benefit obligations (DBO) as of December 31, 2023 and 2022, are shown below:

	Seniority premiums		Retirement benefits	
	2023	2022	2023	2022
DBO at beginning of year	\$ 2,057,057	\$ 1,916,026	\$ 1,422,429	\$ 1,618,477
Net period cost charged to results:				
Labor cost from actual services	230,479	214,600	200,130	169,696
Interest cost on DBO	193,267	156,829	101,067	100,414
Other actuarial items	(290,592)	-	131,176	-
Other comprehensive income items	302,519	23,261	33,332	(65,804)
Benefits paid	(296,076)	(254,074)	(280,031)	(314,472)
Transfers	-	415	-	-
Translation effect	-	-	(163,358)	(85,882)
DBO at end of the year	\$ 2,196,654	\$ 2,057,057	\$ 1,444,745	\$ 1,422,429

Changes in the net present value of the plan assets (PA) as of December 31, 2023 and 2022, are shown below:

	Seniority premiums	
	2023	2022
PA at beginning of year	\$ (1,200,930)	\$ (1,211,960)
Return on plan assets	(111,773)	(109,764)
Other comprehensive income items	13,962	128,148
Plan contributions	(311,211)	(261,197)
Benefits paid	295,663	253,843
PA at the end of the year	\$ (1,314,289)	\$ (1,200,930)

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

As of December 31, 2023 and 2022, the plan assets have been invested through the trust mostly in money market instruments. As of December 31, 2023 and 2022, actuarial gains/losses from labor obligations, net of taxes are recognized as a component of other comprehensive income in the amount of \$1,399,364 and \$1,154,692, respectively.



The assumptions used in the actuarial valuations of Mexico and Central America are as follows:

	Mexico		Central America	
	2023	2022	2023	2022
Financial:				
Discount rate	9.90%	9.52%	5.41% - 11.28%	4.6% - 13.2%
Salary increase rate	5.25%	5.25%	3.5% - 6.3%	3.5% - 6.3%
Minimum salary increase rate	4.75%	4.75%	2.0%	2.00%
Inflation rate	4.00%	4.00%	0.70% - 4.20%	0.70% - 4.70%
Biometrics:				
Mortality	IMSS 2009⁽¹⁾	IMSS 2009 ⁽¹⁾	RP - 2000 ⁽²⁾	RP - 2000 ⁽²⁾
Disability	2.1%	2.1%	Disability study table 1985	Disability study table 1985
Retirement age	65 años	65 años	50 - 60 años	50 - 65 años

⁽¹⁾ Mexican Social Security Institute experience for males and females

⁽²⁾ RP-2000 for Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador

A sensitivity analysis of the DBO as of December 31, 2023, is as follows.

	Amount
DBO December 31, 2023	\$ 3,641,399
DBO at discount rate + 1%	\$ 3,568,368
DBO at discount rate - 1%	\$ 3,849,089
Effects over DBO:	
Discount rate + 1%	\$ (174,781)
Discount rate - 1%	\$ 187,601

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, 2023, the shareholders adopted the following resolutions:

1. Approval of a cap of \$5,000,000 on the amount the Company would use in 2023 to repurchase its own shares.
2. The shareholders declared an ordinary cash dividend of \$1.12 pesos per share, paid in two installments of \$0.56 each, the first one on November 29, 2023 and the second one on December 6, 2023; and an extraordinary dividend to be paid in cash at a rate of \$1.57 pesos per share in three installments: \$0.75 pesos per share on April 11, 2023, \$0.41 pesos per share on November 29, 2023 and \$0.41 pesos per share on December 6, 2023.

b) At an ordinary meeting held on April 7, 2022, the shareholders adopted the following resolutions:

1. Approval of a cap of \$5,000,000 on the amount the Company would use in 2022 to repurchase its own shares. There was no repurchase of its own shares as of December 31, 2022.
2. The shareholders declared an ordinary cash dividend of \$1.00 pesos per share, paid in two installments of \$0.50 each; the first one on November 24, 2022, and the second one on December 27, 2022; and an extraordinary dividend to be paid in cash at a rate of \$0.71 pesos per share in two installments: \$0.35 pesos per shares on November 24, 2022 and \$0.36 pesos per share on December 27, 2022.



After the dividend declared is approved at the shareholders' meeting, the Company reduces retained earnings and recognizes the accounts payable in the consolidated statement of financial position.

As of December 31, 2023 and 2022, the decreed dividends are as follows:

	2023	2022
Dividends in cash decreed and paid		
Ordinary dividend \$1.12 per share (\$1.00 in 2022)	\$ 19,285,428	\$ 17,285,400
Extraordinary dividend \$1.57 per share (\$0.71 in 2022)	27,063,179	12,272,638
	\$ 46,348,607	\$ 29,558,038

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

As of December 31, 2023 and 2022, an analysis of paid-in stock and the number of shares representing it is as follows:

Common stock	2023	2022
Fixed minimum capital	\$ 5,591,362	\$ 5,591,362
Variable capital	36,898,537	36,935,265
Subtotal	42,489,899	42,526,627
Inflation effects	2,939,261	2,941,801
Total	\$ 45,429,160	\$ 45,468,428
Number of freely subscribed common shares	17,446,322,177	17,461,402,631

During the year ended as of December 31, 2023, 15,080,454 shares of **WALMEX** were acquired; such repurchase implied reduce the capital as is shown in the Consolidated statements of changes in equity.

d) Distributed earnings and capital reductions that exceed the net taxed profits account (CUFIN per its acronym in Spanish) and restated contributed capital account (CUCA per its acronym in Spanish) balances, are subject to income tax, in conformity with Articles 10 and 78 of the Mexican Income Tax Law.

As of December 31, 2023 and 2022, the total balance of the tax accounts related to equity is \$76,989,724 and \$73,463,886, respectively, in conformity with the current tax laws.

e) The employee stock option plan fund consists of 225,355,288 **WALMEX** shares, which have been placed in a trust created for the plan.

The total compensation cost charged to Operating results during the year ended December 31, 2023 and 2022 was \$478,401 and \$384,953, respectively, which represented no cash outflow for the Company and it is included in the general expenses line in the consolidated comprehensive income statement.



Changes in the stock option plan are as follows:

	Number of shares	Weighted average price per share (pesos)
Balance as of December, 31, 2021	162,689,486	49.76
Granted	40,943,537	76.42
Exercised	(25,227,765)	45.00
Cancelled	(11,742,622)	55.39
Balance as of December 31, 2022	166,662,636	56.64
Granted	47,706,383	71.54
Exercised	(24,209,421)	47.96
Cancelled	(11,067,835)	65.00
Balance as of December 31, 2023	179,091,763	61.48
Shares available for option grant:		
December 31, 2023	46,263,525	
December 31, 2022	8,522,073	

As of December 31, 2023, the granted and exercisable shares under the stock option plan fund are 179,091,763 of which 78,728,817 are available to exercise.

20. OTHER DISCLOSURES OF REVENUE

a) The other revenue that forms part of the main activity of the Company as of December 31, 2023 and 2022 is as follows:

	2023	2022
Memberships	\$ 2,773,213	\$ 2,500,083
Rents	2,746,171	2,571,438
Sale of waste	783,384	943,799
Parking	98,676	93,670
Total	\$ 6,401,444	\$ 6,108,990

As of December 31, 2023, rental income includes investment properties of \$632,294 (\$581,894 in 2022).

b) The Company analyzes and manages its operation through its geographical location and business format.

An analysis of income from contracts with customers for the year ended December 31, 2023 and 2022 is as follows:

	2023	2022
Mexico:		
Self-service	61.70%	61.3%
Price Clubs	22.0%	21.6%
Central America	16.3%	17.1%

Of **WALMEX's** total net sales, approximately \$40.5 billion and \$34.3 billion relates to electronic commerce in Mexico for the years ended December 31, 2023 and 2022, respectively.



In Central America, the net sales related to electronic commerce are \$1.1 billion and \$853 million for the years ended December 31, 2023 and 2022, respectively, and includes the sales made through home delivery platforms.

21. COST OF SALES 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, 2023 and 2022, is as follows:

	2023	2022
Financial income		
Financial income	\$ 3,021,084	\$ 2,025,182
Currency exchange gain	879,535	961,132
Income on changes in fair value of derivatives	329,979	465,885
	\$ 4,230,598	\$ 3,452,199
Financial expenses:		
Interest on Finance leases	\$ (7,836,519)	\$ (7,049,835)
Currency exchange loss	(595,851)	(532,631)
Loss on changes in fair value of derivatives	(430,874)	(389,373)
Other financial expenses	(36,600)	(125,418)
	\$ (8,899,844)	\$ (8,097,257)

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 CODM to make business decisions.

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

Year ended December 31, 2023

Segment	Operating income	Financial expenses, net	Income before income taxes
Mexico	\$ 63,957,761	\$ (4,230,666)	\$ 59,727,095
Central America	9,318,222	(438,580)	8,879,642
Consolidated	\$ 73,275,983	\$ (4,669,246)	\$ 68,606,737

Year ended December 31, 2022

Segment	Operating income	Financial expenses, net	Income before income taxes
Mexico	\$ 59,236,007	\$ (4,004,968)	\$ 55,231,039
Central America	8,775,610	(640,090)	8,135,520
Consolidated	\$ 68,011,617	\$ (4,645,058)	\$ 63,366,559



Year ended December 31, 2023

Segment	Purchase of long term definite-lived assets	Depreciation and amortization	Total assets	Current liabilities
Mexico	\$ 24,896,088	\$ 16,792,478	\$ 334,509,599	\$ 132,465,119
Central America	3,896,090	3,784,961	67,740,206	23,753,394
Goodwill	-	-	34,296,811	-
Consolidated	\$ 28,792,178	\$ 20,577,439	\$ 436,546,616	\$ 156,218,513

Year ended December 31, 2022

Segment	Purchase of long term definite-lived assets	Depreciation and amortization	Total assets	Current liabilities
Mexico	\$ 17,691,399	\$ 15,357,415	\$ 316,184,388	\$ 116,407,749
Central America	3,612,340	4,001,790	67,010,279	21,278,005
Goodwill	-	-	35,613,704	-
Consolidated	\$ 21,303,739	\$ 19,359,205	\$ 418,808,371	\$ 137,685,754

An analysis of income from customer contracts is presented in Note 20.

24. OTHER DISCLOSURES

- a) As a result of the continued negotiations with the fiscal authorities of a country where we operate in Central America, in 2023 the Company reached an agreement regarding tax issues to cover all past tax liabilities by making a payment of \$1,108M, and also the Company got written confirmations of the taxes that will apply going forward. While we believe we had strong legal grounds to uphold our positions, we concluded that the substantial reduction on the amounts claimed and the certainty for the future were the best decision for **WALMEX**.
- b) As of January 24, 2022, the Company informed its shareholders and the investing public at large that, as approved by its Board of Directors, it is considering strategic alternatives regarding its operations in El Salvador, Honduras and Nicaragua as it focuses efforts and capital on its core business and geographies. These alternatives could include, among others, possible joint ventures, strategic partnerships or alliances, a sale or other possible transactions.

The Company gives no assurance that the process will result in a transaction. **WALMEX** will inform its shareholders and the investing public at large as provided under applicable laws and regulations.

- c) On November 23, 2020, **WALMEX** received a notification from the Federal Economic Competition Commission (COFECE), that it has initiated an ex officio investigation in the supply and distribution market to the wholesale of consumer goods, retail marketing of these and related services for the alleged commission of relative monopolistic practices. **WALMEX** responded to four requests for information, beginning on November 23, 2020 and ending on June 2023.

On June 21, 2023, COFECE published the notice through which it formally concluded the investigation stage.

On October 6, 2023, COFECE notified **WALMEX** that COFECE's Investigative Authority had recommended the initiation administrative process followed in the form of trial against **WALMEX**'s main Mexican operating subsidiary. On December 14, 2023, **WALMEX** timely submitted its defense arguments and



offered its evidence with COFECE. A resolution in this administrative stage is expected during the second half of 2024. This is the first opportunity for **WALMEX** to defend itself against the Investigative Authority allegations.

WALMEX is confident that its actions have adhered to the applicable legislation, and that its participation in the Mexican market has resulted in lower prices for consumers, particularly benefiting Mexican families with the lowest incomes, and in remote areas of the country that have not been attended by others, which we will demonstrate in the corresponding instances and in the appropriate forums, in which we will exercise our rights.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements and accompanying notes for the years ended December 31, 2023 and 2022, were approved by the Company's management and Board of Directors on February 14, 2024 and are subject to approval by the Shareholders meeting. Subsequent events are considered through this date.