

Walmart de México y Centroamérica Reports Results for the Second Quarter 2017

FREE TRANSLATION, NOT TO THE LETTER

Mexico City, July 27th, 2017

Changes in the management team

Wal-Mart de México, S.A.B. de C.V. (BMV: WALMEX) announces to its shareholders as well as to the public in general that Todd Harbaugh, current EVP and COO for the self-service division, concludes his period as an expat in our country and returns to Walmart US as Executive Vice President of the Neighborhood Markets division to continue leading the growth of this segment.

Todd is an executive with a lot of experience and a very successful professional career. He joined Walmart US operations division in the early 90's and thanks to his leadership and focus on results, he was promoted to Sam's Club US operations, and in 2014 he joined the International Division with the purpose of leading wholesale and club operations throughout Latin America.

In May 2014, he joined Walmart Mexico as Vice President for Sam's Club, where he led the turnaround of the business, achieving solid and consistent growth. As of 2016, he took the lead of the self-service division as EVP and COO where he obtained robust results, posting 7.4% comp growth.

Todd's new role will be effective as of August 7th.

For now, the operations division will report directly to Guilherme Loureiro, CEO of the Company. Later we will announce who will substitute Todd.

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Financial Results

Today **Wal-Mart de México, S.A.B. de C.V. (BMV: WALMEX)** reported financial results for the second quarter of 2017. Total revenues increased **9.1%**. EBITDA for the year amounted to **\$12.4 billion pesos**, which represented **9.2%** of total revenues, a growth of **13.2%** over last year's levels.

Main figures are:

| Results April – June | 2017 | | 2016 | | Growth |
|---|----------------|-------|----------------|-------|-------------|
| | Million \$ | % | Million \$ | % | % |
| Net Sales | 134,792 | | 123,428 | | 9.2 |
| Other Income | 932 | | 924 | | 0.8 |
| Total Revenues | 135,724 | 100.0 | 124,352 | 100.0 | 9.1 |
| Cost of Sales | 105,688 | 77.9 | 97,166 | 78.1 | 8.8 |
| Gross Profit | 30,036 | 22.1 | 27,186 | 21.9 | 10.5 |
| General Expenses | 20,351 | 15.0 | 18,812 | 15.1 | 8.2 |
| Income before Other Expenses - Net | 9,685 | 7.1 | 8,374 | 6.7 | 15.7 |
| Other Income - Net | (28) | 0.0 | 25 | 0.0 | (210.4) |
| Operating Income | 9,657 | 7.1 | 8,399 | 6.8 | 15.0 |
| Expenses - Net | (135) | (0.1) | (239) | (0.2) | (43.4) |
| Taxes | 2,775 | 2.0 | 2,289 | 1.8 | 21.2 |
| Net income from Continuing Op. | 6,747 | 5.0 | 5,871 | 4.7 | 14.9 |
| Discontinued Operations | 6,732 | 5.0 | 315 | 0.3 | 20.4T |
| Net Income | 13,479 | 9.9 | 6,186 | 5.0 | 117.9 |
| EBITDA | 12,466 | 9.2 | 11,008 | 8.9 | 13.2 |
| EPS (pesos) | 0.772 | | 0.354 | | 118.1 |

T = Times

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| Results January – June | 2017 | | 2016 | | Growth |
|---|----------------|-------|----------------|-------|-------------|
| | Million \$ | % | Million \$ | % | % |
| Net Sales | 266,502 | | 246,182 | | 8.3 |
| Other Income | 1,786 | | 1,842 | | (3.0) |
| Total Revenues | 268,288 | 100.0 | 248,024 | 100.0 | 8.2 |
| Cost of Sales | 208,512 | 77.7 | 193,661 | 78.1 | 7.7 |
| Gross Profit | 59,776 | 22.3 | 54,363 | 21.9 | 10.0 |
| General Expenses | 40,360 | 15.0 | 36,785 | 14.8 | 9.7 |
| Income before Other Expenses - Net | 19,416 | 7.2 | 17,578 | 7.1 | 10.5 |
| Other Income - Net | 137 | 0.1 | 96 | 0.0 | 43.4 |
| Operating Income | 19,553 | 7.3 | 17,674 | 7.1 | 10.6 |
| Expenses - Net | (324) | (0.1) | (236) | (0.1) | 37.5 |
| Taxes | 5,421 | 2.0 | 5,028 | 2.0 | 7.8 |
| Net income from Continuing Op. | 13,808 | 5.1 | 12,410 | 5.0 | 11.3 |
| Discontinued Operations | 6,801 | 2.5 | 495 | 0.2 | 12.7T |
| Net Income | 20,609 | 7.7 | 12,905 | 5.2 | 59.7 |
| EBITDA | 25,243 | 9.4 | 22,881 | 9.2 | 10.3 |
| EPS (pesos) | 1.180 | | 0.739 | | 59.7 |

T = Times

Openings 2017

México: 19 units

- 14 Bodegas Aurrerá
 - 3 Bodegas Aurrerá
 - 10 Bodegas Aurrerá Express
 - 1 Mi Bodegas
- 4 Walmarts
- 1 Sam's Club

Centroamérica: 15 units

- 6 Discount Stores
- 8 Bodegas
- 1 Supermarket

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Installed Capacity

| Sales Area (June 30 th , 2017) | | | | |
|---|------------------|-------------------|-----------------|------------------|
| Format | Mexico | | Central America | |
| | Sq.mt. | Sq.ft. | Sq.mt. | Sq.ft. |
| Bodegas and Discount Stores | 2,682,718 | 28,876,771 | 416,038 | 4,478,233 |
| Walmarts | 2,050,697 | 22,073,703 | 146,099 | 1,572,610 |
| Sam's Clubs | 1,146,376 | 12,339,589 | | |
| Supermarkets | 152,725 | 1,643,932 | 127,683 | 1,374,383 |
| Pharmacies | 2,665 | 28,686 | | |
| Total | 6,035,180 | 64,962,682 | 689,820 | 7,425,225 |

Conference Call

Walmart de México y Centroamérica will hold a webcast today at 3:30 PM (CT), regarding second quarter 2017 results. Access to the webcast is through the investor relations website www.walmex.mx

You can join the audio only by dialing +1 (847) 585-4405 15 minutes before the conference begins:

- For English: Access code 4425 3332
- For Spanish: Access code 4525 3334

The presentation and the transcript will be available both in English and in Spanish at our website.

Company Description

WALMEX is a Retail Sector company whose shares are traded in the Mexican Stock Exchange since 1977. As of **June 30, 2017**, it operated **3,046** units, broken down as follows:

| 2,300 Mexico | 746 Central America |
|------------------------|----------------------------|
| 1,769 Bodegas Aurrerá: | 501 Discount Stores |
| 492 Bodegas | 93 Supermarkets |
| 332 Mi Bodegas | 27 Walmarts |
| 945 Bodegas Express | 125 Bodegas |
| 266 Walmarts | |
| 161 Sam's Clubs | |
| 94 Superamas | |
| 10 Medimart Pharmacies | |

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Ticker Symbols

| Mexican Stock Exchange: | Bloomberg: | Reuters: | ADR's sponsored program: |
|-------------------------|------------------------|------------------------|--------------------------|
| Walmex | WalmexV MM WMMVY US | WalmexV.Mx WMMVY.Pk | WMMVY |

Websites

Investor Relations: www.walmex.mx

Corporate: www.walmartmexicoycam.com.mx

From the different formats:

www.walmart.com.mx

www.sams.com.mx

www.superama.com.mx

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Appendix 1: Quarterly Income Statements (millions of pesos)

| | I Quarter | | | | | II Quarter | | | | | III Quarter | | | | IV Quarter | | | | Year to Date | | | |
|--|---------------|-------------|---------------|-------------|-------------|---------------|-------------|---------------|-------------|--------------|-------------|---|---------------|-------------|------------|---|---------------|-------------|--------------|---|----------------|-------------|
| | 2017 | | 2016 | | % of Growth | 2017 | | 2016 | | % de Crec. | 2017 | | 2016 | | 2017 | | 2016 | | 2017 | | 2016 | |
| | \$ | % | \$ | % | | \$ | % | \$ | % | | \$ | % | \$ | % | \$ | % | \$ | % | \$ | % | \$ | % |
| Net Sales | 131,710 | | 122,754 | | 7.3 | 134,792 | | 123,428 | | 9.2 | | | 125,875 | | | | 156,515 | | | | 528,571 | |
| Other Revenues | 854 | | 918 | | (6.9) | 932 | | 924 | | 0.8 | | | 988 | | | | 982 | | | | 3,813 | |
| Total Revenues | 132,564 | 100.0 | 123,672 | 100.0 | 7.2 | 135,724 | 100.0 | 124,352 | 100.0 | 9.1 | | | 126,863 | 100.0 | | | 157,497 | 100.0 | | | 532,384 | 100.0 |
| Cost of Sales | 102,824 | 77.6 | 96,495 | 78.0 | 6.6 | 105,688 | 77.9 | 97,166 | 78.1 | 8.8 | | | 98,348 | 77.5 | | | 122,891 | 78.0 | | | 414,900 | 77.9 |
| Gross Profit | 29,740 | 22.4 | 27,177 | 22.0 | 9.4 | 30,036 | 22.1 | 27,186 | 21.9 | 10.5 | | | 28,515 | 22.5 | | | 34,606 | 22.0 | | | 117,484 | 22.1 |
| General Expenses | 20,008 | 15.1 | 17,973 | 14.5 | 11.3 | 20,351 | 15.0 | 18,812 | 15.1 | 8.2 | | | 19,248 | 15.2 | | | 21,801 | 13.8 | | | 77,834 | 14.6 |
| Income before other income (expenses) - Net | 9,732 | 7.3 | 9,204 | 7.4 | 5.7 | 9,685 | 7.1 | 8,374 | 6.7 | 15.7 | | | 9,267 | 7.3 | | | 12,805 | 8.1 | | | 39,650 | 7.4 |
| Other income (expenses) - Net | 165 | 0.1 | 70 | 0.1 | 135.4 | (28) | (0.0) | 25 | 0.0 | (210.4) | | | (133) | (0.1) | | | (157) | (0.1) | | | (195) | (0.0) |
| Operating Income | 9,897 | 7.5 | 9,274 | 7.5 | 6.7 | 9,657 | 7.1 | 8,399 | 6.8 | 15.0 | | | 9,134 | 7.2 | | | 12,648 | 8.0 | | | 39,455 | 7.4 |
| Financial (Expenses) Income - Net | (189) | (0.1) | 4 | 0.0 | (49.3) T | (135) | (0.1) | (239) | (0.2) | (43.4) | | | 170 | 0.1 | | | (257) | (0.2) | | | (323) | (0.1) |
| Income before taxes on profits | 9,708 | 7.3 | 9,278 | 7.5 | 4.6 | 9,522 | 7.0 | 8,160 | 6.6 | 16.7 | | | 9,304 | 7.3 | | | 12,391 | 7.9 | | | 39,132 | 7.4 |
| Taxes on profits | 2,647 | 2.0 | 2,739 | 2.2 | (3.4) | 2,775 | 2.0 | 2,289 | 1.8 | 21.2 | | | 2,609 | 2.1 | | | 2,987 | 1.9 | | | 10,623 | 2.0 |
| Net income from continuing operations | 7,061 | 5.3 | 6,539 | 5.3 | 8.0 | 6,747 | 5.0 | 5,871 | 4.7 | 14.9 | | | 6,695 | 5.3 | | | 9,404 | 6.0 | | | 28,509 | 5.4 |
| Discontinued Operations | 69 | 0.1 | 180 | 0.1 | (62.0) | 6,732 | 5.0 | 315 | 0.3 | 20.4T | | | 3,355 | 2.6 | | | 992 | 0.6 | | | 4,842 | 0.9 |
| Consolidated Net Income | 7,130 | 5.4 | 6,719 | 5.4 | 6.1 | 13,479 | 9.9 | 6,186 | 5.0 | 117.9 | | | 10,050 | 7.9 | | | 10,396 | 6.6 | | | 33,351 | 6.3 |
| Noncontrolling interest | - | | 1 | 0.0 | (100.0) | - | | 1 | 0.0 | (100.0) | | | 1 | 0.0 | | | (4) | 0.0 | | | (1) | 0.0 |
| Net income attributable to Owners of the Parent | 7,130 | 5.4 | 6,718 | 5.4 | 6.1 | 13,479 | 9.9 | 6,185 | 5.0 | 117.9 | | | 10,049 | 7.9 | | | 10,400 | 6.6 | | | 33,352 | 6.3 |
| EBITDA | 12,778 | 9.6 | 11,872 | 9.6 | 7.6 | 12,466 | 9.2 | 11,008 | 8.9 | 13.2 | | | 11,792 | 9.3 | | | 15,476 | 9.8 | | | 50,149 | 9.4 |
| Earnings per share (in pesos) | 0.408 | | 0.385 | | 6.0 | 0.772 | | 0.354 | | 118.1 | | | 0.575 | | | | 0.596 | | | | 1.910 | |

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WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in thousands of Mexican pesos

| | <u>June 30,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> |
|--|--------------------------------|------------------------------------|
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | Ps. 15,975,348 | Ps. 27,975,536 |
| Accounts receivable, net | 6,981,766 | 9,817,878 |
| Inventories | 51,731,721 | 53,665,239 |
| Prepaid expenses and other assets | 843,811 | 935,125 |
| Assets held for sale | - | 11,628,894 |
| Total current assets | <u>75,532,646</u> | <u>104,022,672</u> |
| Non-current assets: | | |
| Property and equipment, net | 127,770,210 | 134,034,410 |
| Investment properties | 5,155,993 | 2,315,193 |
| Intangible assets | 36,039,860 | 41,339,532 |
| Deferred tax assets | 5,133,515 | 4,699,729 |
| Other non-current assets | 1,421,016 | 1,518,766 |
| Total assets | <u>Ps. 251,053,240</u> | <u>Ps. 287,930,302</u> |
| <u>Liabilities and equity</u> | | |
| Current liabilities: | | |
| Accounts payable to suppliers | Ps. 53,118,855 | Ps. 65,557,689 |
| Other accounts payable | 28,818,060 | 17,455,165 |
| Taxes payable | 4,687,026 | 6,992,426 |
| Liabilities relating to assets held for sale | - | 3,951,542 |
| Total current liabilities | <u>86,623,941</u> | <u>93,956,822</u> |
| Long-term liabilities: | | |
| Other long-term liabilities | 19,450,605 | 14,778,703 |
| Deferred tax liabilities | 9,183,635 | 10,483,437 |
| Employee benefits | 1,645,713 | 1,685,324 |
| Total liabilities | <u>116,903,894</u> | <u>120,904,286</u> |
| Equity: | | |
| Capital stock | 45,468,428 | 45,468,428 |
| Legal reserve | 9,104,745 | 9,104,745 |
| Retained earnings | 68,067,876 | 90,545,819 |
| Other comprehensive income items | 14,659,795 | 24,374,531 |
| Premium on sale of shares | 3,347,494 | 3,108,097 |
| Employee stock option plan fund | <u>(6,498,992)</u> | <u>(5,575,604)</u> |
| Total equity | <u>134,149,346</u> | <u>167,026,016</u> |
| Total liabilities and equity | <u>Ps. 251,053,240</u> | <u>Ps. 287,930,302</u> |

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WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in thousands of Mexican pesos

| | Six months period ended | |
|--|--------------------------------|-----------------|
| | June 30 | |
| | 2017 | 2016 |
| Net sales | Ps. 266,501,404 | Ps. 246,181,681 |
| Other revenues | 1,786,671 | 1,842,562 |
| Total revenues | 268,288,075 | 248,024,243 |
| Cost of sales | (208,512,414) | (193,660,833) |
| Gross profit | 59,775,661 | 54,363,410 |
| General expenses | (40,359,304) | (36,785,168) |
| Income before other income and expenses | 19,416,357 | 17,578,242 |
| Other income | 497,094 | 309,203 |
| Other expenses | (360,060) | (213,622) |
| Operating income | 19,553,391 | 17,673,823 |
| Financial income | 643,420 | 546,855 |
| Financial expenses | (967,305) | (782,439) |
| Income before taxes on profits | 19,229,506 | 17,438,239 |
| Taxes on profits | (5,421,472) | (5,028,238) |
| Net Income from continuing operations | 13,808,034 | 12,410,001 |
| Net income from discontinued operations | 6,800,873 | 495,449 |
| Consolidated net income | Ps. 20,608,907 | Ps. 12,905,450 |
| Other comprehensive income items: <i>Items that do not reclassify to profit and loss of the year:</i> | | |
| Cumulative translation adjustment | Ps. (9,714,736) | Ps. 3,260,547 |
| Comprehensive income | Ps. 10,894,171 | Ps. 16,165,997 |
| <u>Net income attributable to:</u> | | |
| Owners of the parent | Ps. 20,608,907 | Ps. 12,903,453 |
| Non-controlling interests | - | 1,997 |
| | Ps. 20,608,907 | Ps. 12,905,450 |
| <u>Comprehensive income attributable to:</u> | | |
| Owners of the parent | Ps. 10,894,171 | Ps. 16,164,000 |
| Non-controlling interests | - | 1,997 |
| | Ps. 10,894,171 | Ps. 16,165,997 |
| Basic earnings per share from continuing operations attributable to owners of the parent (in pesos) | Ps. 0.791 | Ps. 0.711 |
| Basic earnings per share attributable to owners of the parent (in pesos) | Ps. 1.180 | Ps. 0.739 |

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WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Amounts in thousands of Mexican pesos

| | Six months period ended June 30 | |
|--|------------------------------------|-----------------------|
| | 2017 | 2016 |
| <u>Operating activities</u> | | |
| Income before taxes on profits | Ps. 19,229,506 | Ps. 17,438,239 |
| <u>Items related to investing activities:</u> | | |
| Depreciation and amortization | 5,690,141 | 5,341,891 |
| Loss from disposal of property, equipment and impairment | 29,054 | 161,582 |
| Stock option compensation expense | 140,470 | 144,508 |
| Interest earned | (477,081) | (292,431) |
| <u>Items related to financing activities:</u> | | |
| Interest payable under finance leases | 707,115 | 631,251 |
| Discontinued operations | - | 728,964 |
| Cash flow from results of operations | <u>25,319,205</u> | <u>24,154,004</u> |
| <u>Variances in:</u> | | |
| Accounts receivable | 1,401,147 | (490,372) |
| Inventories | 403,815 | (454,920) |
| Prepaid expenses and other assets | 84,247 | (629,517) |
| Accounts payable to suppliers | (10,915,851) | (4,177,490) |
| Other accounts payable | (1,142,891) | (1,883,299) |
| Taxes on profits paid | (7,067,954) | (2,691,254) |
| Employee benefits | 130,702 | 159,609 |
| Net cash flow from operating activities | <u>8,212,420</u> | <u>13,986,761</u> |
| <u>Investing activities</u> | | |
| Purchase of property, equipment and software | (6,231,894) | (4,911,534) |
| Employee stock option plan fund | (824,461) | (243,984) |
| Interest collected | 477,081 | 292,431 |
| Purchase of shares of non-controlling interests | - | (1,127) |
| Proceeds from sale of property and equipment | 78,575 | 153,747 |
| Cash flow from divestiture business | 19,153,952 | - |
| Net cash flow used in investing activities | <u>12,653,253</u> | <u>(4,710,467)</u> |
| <u>Financing activities</u> | | |
| Dividends paid | (30,847,035) | (15,859,119) |
| Payment of finances leases | (727,080) | (787,130) |
| Net cash flow used in financing activities | <u>(31,574,115)</u> | <u>(16,646,249)</u> |
| Effect of changes in the value of cash | (1,291,746) | 343,153 |
| Net decrease in cash and cash equivalents | (12,000,188) | (7,026,802) |
| Cash and cash equivalents at beginning of period | <u>27,975,536</u> | <u>24,790,838</u> |
| Cash and cash equivalents at end of period | <u>Ps. 15,975,348</u> | <u>Ps. 17,764,036</u> |

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