WAL-MART DE MÉXICO, S.A.B. DE C.V.

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Walmart México y Centroamérica

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TICKERS SYMBOL:
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ANNUAL REPORT PRESENTED IN KEEPING WITH GENERAL PROVISIONS APPLICABLE TO SECURITIES ISSUERS AND OTHER MARKET PLAYERS: **YEAR ENDING DECEMBER 31, 2014**.

This document may contain certain references concerning Wal-Mart de Mexico S.A.B. de C.V.'s future performance that should be considered as good faith estimates made by the Company. These references are a reflection of Managements' expectations about the Company and are based upon currently available data. Actual results are always subject to future events, risks and uncertainties, which could materially impact the Company's actual performance.

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1) GENERAL INFORMATION

a) Glossary of Terms and Definitions

ADR	American Depositary Receipts
ANTAD	National Association of Self-service and Department Stores
Associate	Employee who works at Walmart de México y Centroamérica
Banco Walmart	Universal banking institution aimed at Walmart de México customers, with an initial offering of basic banking and financial products and services (Banco Wal-Mart de México Adelante, S.A., Institución de Banca Múltiple)
Bodegas & Discount stores	Austere stores offering basic merchandise, food and household items at the best prices
Center	Consisting of the following states: Aguascalientes, Colima, Hidalgo, State of Mexico, Guanajuato, Jalisco, Michoacán, Morelos, Puebla, Queretaro, San Luis Potosi and Tlaxcala
Clubs	Membership warehouse clubs focused on businesses and consumers who seek the best possible prices
CNBV	Mexican National Banking and Securities Commission
CO_2eq	Carbon dioxide equivalent
Department store	Offering the best in fashion for the whole family at the best possible price
Distribution Center	Location for the receipt of goods from suppliers and store distribution
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
Every Day Low Prices	Permanent philosophy of Walmart de México y Centroamérica, in order to contribute towards improving the quality of life for the region
Fonacot	National Fund for Workers' Consumption
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
IPC	Mexico's Consumer Price Index
ISR	Income Tax
IVA	Value Added Tax
ISSSTE Stores	Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (Social Security and Services Institute for Government Employees).
Metropolitan Area	Consisting of the following: Mexico City Federal District and the Metropolitan Area
MSE	Mexican Stock Exchange
Net sales	Income from the goods sold in our stores
North	Consisting of the following states: Coahuila, Chihuahua, Durango and Zacatecas
Northeast	Consisting of the following states: Nuevo Leon and Tamaulipas
Northwest	Consisting of the following states: Baja California Norte, Baja California Sur, Nayarit, Sinaloa and Sonora
SMEs	Small and Medium-sized Business

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Sales floor	Surface area set aside for merchandise retail
Southeast	Consisting of the following states: Campeche, Quintana Roo, Tabasco, Veracruz and Yucatán
Southwest	Consisting of the following states: Guerrero, Chiapas and Oaxaca
Supermarkets	Self-service stores located in residential areas
Total income	Net sales plus other income
UNAM Stores	Universidad Nacional Autónoma de México (National Autonomous University of Mexico)
Walmart	Self-service stores providing the widest assortment of goods from groceries and fresh, to apparel and general merchandise
Walmart de México y Centroamérica	Wal-Mart de México, S.A.B de C.V.
WALMEX	Stock Symbol for Wal-Mart de México S.A.B. de C.V.

b) Executive Summary

Walmart de México y Centroamérica is one of the most important retail chains in the region with operations in 571 cities located in six countries: Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua. As of December 31, 2014 it operates 2,979 units, including self-service stores, warehouse membership clubs, apparel stores, as well as 130 bank branches.

During 2014, Walmart de México y Centroamérica achieved once again, soundness results.

Financial Data

	Million pesos		Growth
	2014	**2013**	**(%)**
RESULTS			
Net sales	Ps. 437,659	Ps. 420,577	4.1
Other income	3,329	3,246	2.6
Total income	440,988	423,823	4.1
Gross profit	97,619	92,948	5.0
General expenses	64,010	61,318	4.4
Operating income	34,716	31,636	9.7
EBITDA	42,854	40,305	6.3
Income before income tax	34,562	31,620	9.3
Income Tax	9,521	9,632	-1.1
Consolidated net income attributable to the parent	**Ps. 30,426**	**Ps. 22,717**	**33.9**
FINANCIAL POSITION			
Cash	Ps. 28,048	Ps. 21,129	32.7
Inventories	47,175	43,795	7.7
Other assets	16,842	19,510	-13.7
Fixed assets	125,996	121,083	4.1
Goodwill	28,020	24,745	13.2
Total assets	**Ps. 246,081**	**Ps. 230,262**	**6.9**
Suppliers	Ps. 52,710	Ps. 47,609	10.7
Other liabilities	43,125	39,702	8.6
Equity	150,223	142,931	5.1
Non-controlling interests	23	20	14.1
Total Liabilities, Equity and Non- Controlling Interest	**Ps. 246,081**	**Ps. 230,262**	**6.9**

Under International Financial Reporting Standards

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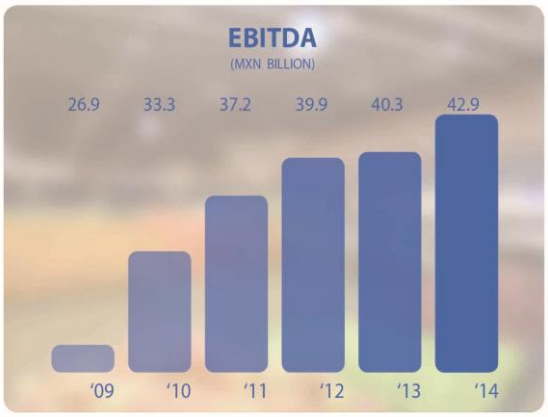
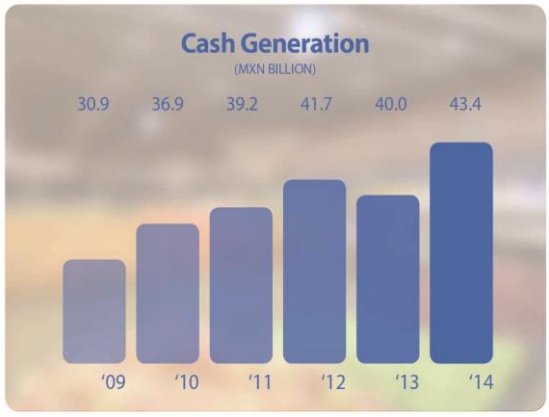
1. Financial strength

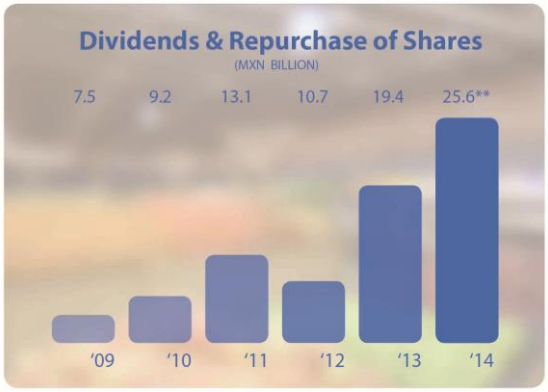
At Walmart de México y Centroamérica we reinforced our standing as a sound company within the retail industry. We managed to grow our sales, income and EBITDA, despite a year as challenging as 2014. We continued investing in the expansion of our installed capacity, the maintenance and modernization of our existing store base, resources were earmarked for elements of future growth such as eCommerce and, of course, we compensated the confidence of our shareholders through the payment of dividends and the repurchase of shares.



* Excluding Banco Walmart & Vips







** Excluding $0.13 pesos per share dividend to be paid in 2015



* Excluding Vips



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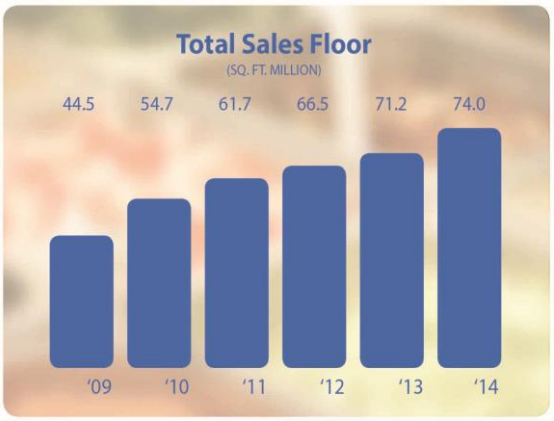

Consolidated Results:

- Total income amounted to 441.0 billion pesos, an increase of 4.1%.
- Gross margin of 22.1%, an increase of 20 basis points as a percentage of total income, as compared to the previous year.
- General expenses, 14.5% as a percentage of total income, were kept at the same level as last year; as a result of disciplined control throughout the year.
- Operating income achieved 9.7% growth, with a 40-basis point improvement over 2013.
- EBITDA grew to 42.9 billion pesos, 20 basis points higher than the previous year, as a percentage of total income.
- Investments in fixed assets totaled 12.7 billion pesos, primarily for the opening of 132 new units, and remodeling and maintenance of our installed capacity.
- 2,912,620 square feet of installed capacity were added during 2014, totaling 3.9% growth in total sales floor.
- A record figure in the history of Walmex, with a dividend decree of 23.9 billion pesos in 2014: 1.38 pesos per share, of which 0.13 pesos per share will be paid in 2015; and the repurchase od own shares in the amount of 4.0 billion pesos, for a total payment to our shareholders of 27.9 billion pesos.
- Our cash-on-hand balance closed at 28.0 billion pesos on December 31, 2014.

Mexico:

- Total income grew 3.4%, totaling 378.8 billion pesos.
- EBITDA posted an increase of 4.5% vs. 2013, totaling 38.5 billion pesos, equivalent to 10.2% as a percentage of total income.
- Installed capacity increased 3.6%, with the opening of 100 units and adding 2,432,083 square feet of sales floor.
- This year's results for Mexico were driven by the Self-service division, with comp sales growth of 2.0%, some 2.4 percentage points higher than overall market growth (ANTAD Self-service). Weak sales in Sam's Club represented our primary challenge, and therefore measures were taken that have produced gradual improvements.

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Central America:

- Total income grew 8.3%, which is 7.3% on a constant currency basis, totaling 62.2 billion pesos.
- Gross margin increased 8.5% in pesos and 7.4% on a constant currency basis, equivalent to 22.4% of total income.
- General expenses underwent a considerable improvement, growing a mere 2.1% on a constant currency basis, dropping from 18.6% of sales in 2013, to 17.7% this year.
- Operating income grew 36.0% in pesos, totaling 2.9 billion pesos and 34.7% on a constant currency basis.
- EBITDA totaled 4.3 billion pesos, growing 25.7%, that is, 24.5% on a constant currency basis. This was possible due to the growth in sales, maintaining gross margin growth at the pace of sales, and reductions in expenses.
- Installed capacity grew 7.1%, thanks to the opening of 32 new units, adding 480,537 square feet of sales floor in 2014.

Our increased cash generation from our operations and the prudent management of financial policies place us in a privileged position for future growth, paying dividends and repurchasing own shares. In 2014, the generation of cash amounted to 43.4 billion pesos, enabling us to fund investments in fixed assets, pay dividends, repurchase own shares, and pay taxes.

In addition to the considerable capacity of the Company to generate cash, we have a sound financial structure, as reflected in our debt-free balance statement and our favorable working capital.

Consolidated	2014	%	2013	%	% Inc.
Total income	441.0	100.0	423.8	100.0	4.1
Gross margin	97.6	22.1	92.9	21.9	5.0
General expenses	64.0	14.5	61.3	14.5	4.4
Operating income	34.7	7.9	31.6	7.5	9.7
EBITDA	42.9	9.7	40.3	9.5	6.3

Financial Information under International Financial Reporting Standards



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2. The customer/ member is first

Given that our customers are the reason why we are in the business, this year we centered our efforts on meeting their needs. In fact, when running various business formats, having presence in 571 cities in the 6 countries where we operate, and dealing with the changing needs of our over 2 billion customers a year, all represent a challenge in obtaining customer insight and opening efficient communication channels aimed at addressing their concerns in an efficient, clear and transparent way. As part of a continuous improvement process, we were able to offer them the lowest prices in the market and the widest assortment, without sacrificing quality or service, thanks to our multi-format approach and in-depth knowledge of their habits and preferences.

Our Every Day Low Prices business strategy aims to help our customers save every time they buy in our stores, thus following through on our mission of improving the quality of life of their families. Throughout the year we completed various pricing programs in our formats, highlighting our commitment of offering them the best value for their money.

Price

Bodega Aurrerá held its *Precio Bodega* (Bodega Price) campaign to have an aggressive price differentiation vis-à-vis our competitors, benefiting our customers considerably. Its *Morralla* (Small Change) campaign also drove sales by selling clusters of products at the same low price-point so our customers may restock their pantries for less money, helping them during the challenging economic year.

Walmart Supercenter had its *Rebajas* (Markdowns) campaign as a response to our customers' need to pay lower prices for a great variety of items throughout the year, and kept its *Martes de Frescura* (Fresh Tuesday) sale, attracting customers to our stores with appealing prices for Produce. To top it all, and in order to drive online sales, we launched a campaign highlighting our walmart.com.mx site as a shopping alternative for our customers.

Superama had a very successful year after re-launching the format through its *Decidimos ser tu Tienda* (We Decided to Become Your Store) campaign, by permanently lowering the prices of thousands of products; offering freshness and quality guarantees; improving Perishables, Bakery and the selection of gourmet and organic products; and enhancing service. With this, the value proposition of the format evolved and considerably drove traffic and sales.

Suburbia continued offering apparel with the best value, price and quality through its *Ponte Algo Nuevo, Ponte Feliz* (Wear Something New, Be Happy) campaign, which recalls the feeling people get when wearing something new for the first time. The big challenge this year was offering our customers credit alternatives, and therefore we entered into an alliance with Banco Bradesco to launch a private label credit card.

Our emblematic *Mamá Lucha* character was taken to Central America to reinforce our price leadership image in the region. It immediately positioned itself in the minds of our customers as the *Low Price Champion* and the banner for our different discount formats in the region. This was coupled with comprehensive price reductions and wider price gaps regarding our competitors.

Scope

After opening 132 new units in 2014, at the closing of the year we had 2,979 units and 24 distribution centers throughout the 6 countries where we operate. With this extensive coverage network, we are able to meet our customers' shopping needs. Some 100 new stores were opened: 26 Bodega Aurrerá units; 18 Mi Bodega units; 35 Bodega Aurrerá Express stores; 8 Walmart Supercenters; 4 Sam's Clubs; 8 Suburbias; and 1 Superama. Our installed capacity in Mexico grew by 3.6% vs. the previous year. In addition, Suburbia opened several units in strategic areas of different cities under a new prototype that reached more customers by offering them a differentiated assortment. At the same time, 32 new units were opened in Central America: 19 Bodega stores; 10 Discount units; 2 Hypermarkets and 1 Supermarket, with which we increased our sales floor by 7.1%.

We not only grew our traditional brick-and-mortar base, but we also offered our customers internet platforms and online applications to buy General Merchandise and Groceries through our walmart.com.mx, superama.com.mx and sams.com.mx websites, offering a greater assortment of products and alternatives to our customers.

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Assortment

Throughout the year, our Customer Insight and Analytics department evolved by creating better customer research and communication capabilities, allowing for the alignment with a more suitable assortment and the creation of differentiated, solid business plans per format, yielding great benefits for our customers. We have developed charts that compare demographic and consumption habits at store level. We have also been able to segment our stores per market niche and therefore understand the competitive environment we face with each channel, and in consequence offer our customers the merchandise they need.

We improved the product catalogs in 2014. After reviewing them, we changed them to include the items that meet our customers' characteristics and preferences, especially in key areas such as Perishables, Electronics and Babies.

To complement the initiatives above, we improved our modular program within our Self-service division in Mexico that allows us to select the assortment and stock the shelves in a way that better addresses our customers' needs and drives sales, while regionalizing our products.

An example of how to better address our customers' needs with an enhanced assortment is a campaign focused on healthy items in Food, Fruits & Vegetables in our Walmart Supercenter format, in response to a trend to change to a healthier life style. Several events were also held in the stores to offer customers a wide selection of specialized products, such as items for the *Feria de la Belleza* (Beauty Fair). We enhanced our alliance with Gandhi bookstores to have their selection in 187 Walmart Supercenter stores; and with Lumen Stationery stores to have their business in 5 of our stores, thus meeting our customers' need for certain solutions.

At Sam's Club we centered our efforts on various actions that allowed us to have the products, quality, quantity, and novelty that our members expected. We reincorporated in our assortment those items that were right for the members and that had been deleted from the system; we displayed items in a sustainable package suitable for the club; we corrected inventory levels per item; we focused on the most relevant brands; and we introduced novelty items with greater frequency.

Medimart, our brand of generic medical products, has an extensive catalog to help cure both chronic and acute illnesses. In 2014, Medimart increased its price differentiation vs. patent medicine -benefitting customers who shop in all our formats and launched 32 new drugs for nervous system disorders, inflammation and cardiovascular ailments.

In Central America, we continue improving our value proposition as we gain ever more insight into the shopping habits and needs of the people in the region. As a result, we have enhanced our General Merchandise assortment and boosted Food & Consumables. Also, we improved the supply to our stores and continue working on implementing a comprehensive modular process while increasing the sales of imported products, as compared to 2013.

We increased the catalog of our walmart.com.mx site by adding new categories this year. Moreover, apart from providing the service of home delivery for General Merchandise, we now also deliver Groceries and Consumables. We continue working to offer our customers flexible and time saving options through our call center, internet site and mobile applications. Due to the constant improvement of our superama.com.mx mobile application, visits to the site have increased 47%, whereas Sam's Club advantage and business members have found more options for shipping and home delivery, making sams.com.mx a site used by over 400,000 people. Walmart.com.mx visitors increased 92% in 2014 vs. the previous year, thanks to a wider item catalog and an increase in the number of kiosks in our stores, that went from 65 to 156.

Service

In order to deliver on our business vision, we need to continuously invest in service initiatives that build our customers' trust and enhance their shopping experience. Based on our multi-format approach, we have developed a variety of programs to address our customers' needs, depending on the format.

At Walmart Supercenter, we devoted our efforts to delivering on our commitment of having associates available for fast service at checkouts during rush hours. Also, we retrofitted more stores with service kiosks for our walmart.com.mx customers, thus helping them obtain better understanding of our eCommerce business.

At Superama, we implemented service protocols to enhance our customers' shopping experience from the moment they enter our stores, by having associates handing them shopping carts in optimum conditions. Also, we placed 6

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shopping basket stations at strategic areas throughout the stores, and committed to reducing the time our customers have to wait on the checkout line.

At Bodega Aurrerá, we went above and beyond conventional standards, and created activities to have a good time with our customers both inside and outside our stores, in order to build a connection with them and their families, and make them feel at home during every visit.

At Suburbia, we provided continuity for our *I Love to Serve* program by training over 5,000 associates. As part of this initiative, we developed a new customer service protocol to be conducted at checkouts, and created the position of *Fitting Room Greeter*, who helps our customers with their shopping decisions.

At Sam's Club, we focused our efforts on faster service for our members at checkouts, and on properly cleaned and illuminated clubs. We also worked on having all our associates show the friendliness and skills our members expect when they ask questions about the products they wish to buy. As a consequence, our *Members' Experience Indicator* (IES per its acronym in Spanish) fared better after a quantitative monthly survey was applied and answered by members who had made a purchase during that period, to measure their level of satisfaction with our service. This year we scored the highest since we started applying the survey. This year we created 20 *Centers of Excellence*, that is, clubs operating under high levels of service standards and in all the areas of the club, aimed at building the foundations for a future Sam's Club model. This model mainly considers a high level of execution and member service standards.

Additionally, we introduced improvement programs to our home delivery service for Superama and Walmart Supercenter.

We monitored execution standards at points of sale to ensure an increasingly better shopping experience for our customers, which is a key factor in growing sales, by making use of our *mystery shopper and corporate call center* tools, whose purpose are to make sure service processes in place are followed and thus help Operations implement continuous improvement processes for customer service and item display. These tools work as points of contact with our customers, allowing us to address the issues they raise.

Our customers can reach us at the corporate call center or by e-mailing us at miopinion@walmart.com (if in Mexico) or sac@walmart.com (if in Central America). This information is posted at the customer service area in all our units and on our corporate website.

On the other hand, *mystery shopper* is a means by which to measure compliance with service standards at the point of sale, by applying questionnaires to a random sample, assessing issues such as cleanliness, atmosphere, checkout, service, freshness, assortment, and variety.

We also permanently assess our customers' perception of their shopping experience and value with a monthly monitoring of brand positioning and price perception, compliance level, and characteristics of the value proposition per format.

Safety

Customers currently demand that companies be held accountable for the sourcing of the products they sell. Since we are living in an age of transparent communication, and since we have full confidence in our operations, we have kept a step ahead of issues that concern our customers by executing several agreements with the Secretary of Health in Mexico:

- Agreement for the timely detection of clenbuterol in meat. We committed to participating in a program that entails consistent monitoring of meat products.
- Agreement to deliver medication in case of an emergency, so that our pharmacies can function as fast, timely, and free distribution channels for medication against influenza.

In addition to the agreements above, a health promotion agreement was executed with the Federal Commission for the Protection Against Health Risks (Cofepris, per its acronym in Spanish) to govern Pharmacy operations and the adjacent physician's office.

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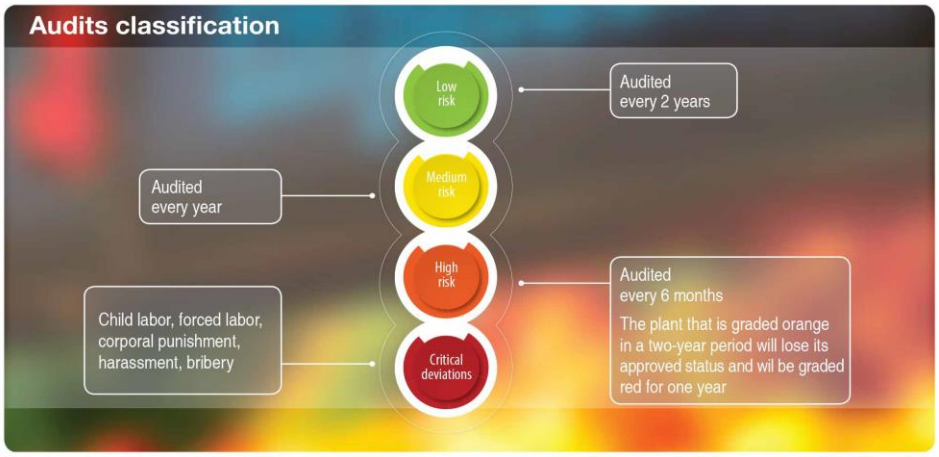
In Mexico, we work hand in hand with the Consumer Protection Agency (Profeco, per its acronym in Spanish), in charge of taking care of consumers' interests, and have become the only selfservice company that has executed the following:

- A cooperation agreement was signed since 2013 to implement better business practices in our stores for customers to be able to buy safe products that won't pose any risks to their safety, health or even life.
- An agreement to cooperate with Concilianet [a conciliation institution] was signed since 2012 to set up the basis for the use of this institution's internet site. We agreed to receive all citations and information stemming from conciliation proceedings, via our e-mail address.

We have a global program in place that entails having independent third-party auditors validate our compliance with labor, safety and environment standards, pursuant to local legislation. The program includes subject matter experts who will classify factories as per risks found during audits. There are 4 kinds of classifications, with differing frequency for a second audit to be scheduled, depending on the risks involved in each of them:



Adherence to quality and compliance standards for the products that we sell our customers is ensured by checking the safety, the source of the supplies, and compliance with the law.

We also verify that absolutely all suppliers for our private label products and internal supplies for our stores, and their production centers have timely audits regarding the following items:

- Good manufacturing practices
- Quality systems
- Process controls
- Training
- Pest control
- Facilities
- Risk analysis and control of critical points

Moreover, we created the Consumer Protection and Privacy areas, reporting to the Vice President for Compliance, who must design related policies, procedures, and programs to be in compliance with the law. Each area in the company has a *Privacy Ambassador* in charge of defining its action plans.

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3. Business simplification and productivity

Walmart de México y Centroamérica focuses on building an increasingly efficient operation with the goal of responding to the changing and growing needs of the market. Our efforts this year have translated into the simplification of store, distribution center and office processes. Likewise, we were able to achieve considerable savings in labor expenses and in energy use. These initiatives, together with the sale of our restaurant division and Banco Walmart, have enabled us to cut operation costs and concentrate all our efforts on the retail business and therefore follow through on our commercial strategy and offer our customers Every Day Low Prices.

The low prices we offer our customers are a reflection of the initiatives we implement each year to achieve greater efficiency in the execution and operation of our activities.

Productivity

Our stores have a series of projects that were developed to improve headcount management and distribution, making changes in the number of hours per activity so as to better meet demand. These projects have brought about enhanced efficiency in our units. At the store level we have accomplished improvements in several indicators. We grew 4.2% in units per labor hour, as compared to 2013; this is equivalent to more than 27 million hours in savings. Moreover, on-shelf availability increased 80 basis points more than last year.

In 2014 we simplified processes to increase productivity in Logistics, thus reducing the number of empty hauls by 16.2%, lowering our cost per case transported below national inflation levels and at the same time reducing the environmental impact of our operations. As a result, we are among the 3 companies recognized in Mexico by Semarnat –the Secretary of the Environment and Natural Resources– and by the SCT –the Secretary of Communication and Transportation– with the *Clean Transportation* award. We transported over 900 million cases through our distribution network, traveling more than 200 million kilometers in over 700,000 hauls.

New refrigeration and lighting technologies have been incorporated to reduce energy use in both new and existing stores. These actions resulted in approximately 42 million kWh in savings.

Different initiatives in Systems have helped to simplify internal processes; once redesigned they are automated so as to achieve operating efficiencies. The technological capacity of our Company has been renovated, with the purpose of offering enhanced services and adapting to the changes in this industry.

This year we worked on a program for equipment replacement in stores, thereby reducing the incidence of device failures by 30%, as compared to last year. The Data Centers in our home offices underwent a 20% improvement in energy efficiency.

This year we received *–ISO 9001:2008–* Quality Management certification from The British Standards Institution, because of the Fonacot Loan Payment Compliance. With this latest certificate, we now have ISO certifications for a total of 16 processes in the areas of Logistics, Administration and Finance, Accounting, Operational Finance, and Payroll Taxes. Since last year, 6 more processes have migrated to our Shared Services Center for Latin America, located in San José, Costa Rica. These accomplishments are in line with our commitment to have efficient and certified processes, making Walmart de México y Centroamérica an increasingly productive company.

Self-service division, Sam's Club, and Central America

In keeping with our stated strategy of simplifying the business, in 2014 we bore the fruits of having centralized Merchandising with the Self-service division in Mexico. With this adjustment we developed expert buyers by category, capable of conducting the best sort of negotiation with suppliers, which translates to more and better savings for our customers. In parallel, we announced pathways towards reinforcing Sam's Club and recouping its value proposition, thus producing visible improvements in this format's results. A strategic plan with sights on the next few years was created in response to the areas of opportunity that were identified. We created solid groundwork, which by the end of this year will resort in enhanced results. The plan is to drive those initiatives that proved effective and to implement them in all our clubs throughout 2015. All this will provide us with the tools needed to innovate and position ourselves as the best warehouse membership club in Mexico. On the other hand, the excellent performance achieved in Central America is a testimony to the successful integration of the region through the unification of processes, systems, and format standardization.

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Our self-service stores were able to increase units per labor hour by 4.8%, equivalent to more than 22 million hours in savings. By the same token, we saved more than 32 million kWh, equivalent to a reduction of 2.3% in energy used during 2013. The implementation of assortment improvements and a more robust modular program served to create efficiencies in inventory management, thus providing a product mix more in line with the needs of our customers.

The organization changes in Sam's Club were performed to support the strategy, by:

- Adding a second Vice President for Merchandising, in charge of Groceries, Consumables, and Perishables, focusing on key traffic-generating areas.
- Creating a position for Director of Membership, so as to drive the attraction and retention of members through aggressive member acquisition programs and increase our member base.
- Implementing a new commercial planning process whose purpose is to better align Merchandising, Membership, Marketing, and Operations. This process will enable us to have the right products for our members through insight on how they think, communicate and execute, and then exceeding their expectations.

Nighttime receiving and storage has been implemented and in this manner our clubs are ready with the merchandise our members want to find, without affecting service. Changes have also been made to our packaging, such that items are been designed especially for us, thereby helping our members, and also our associates in product handling in the clubs.

We are fully aware that Central America has considerable potential for improvement in the field of expense reduction, so we undertook successful productivity initiatives at the store and distribution center levels. Those initiatives which proved useful in matters concerning work management are being implemented, distributing activities when and where needed. There are also programs now in place that reduce energy use, optimizing efficiency. Likewise we invested in the placement of curtains on refrigeration displays, and in new, more energy-efficient technologies for both existing and new stores.

Regarding labor, we have made use of a tool known as *Sister Stores*, whose purpose is to identify improvement opportunities by comparing indicators within similar stores. Efficiency improvements were also achieved at the front-end, with a 4.7% increase in units per labor hour, which represents savings of over 300 thousand hours. Labor and energy-related productivity initiatives have meant more than 80 million pesos in savings, a clear reflection of the excellent performance in expense control for the region.

Sale of the restaurant division and Banco Walmart

This year we devoted resources to adapt our value proposition to the ever changing market. Strategic decisions were made with the intent of concentrating our efforts on the retail sector and providing solutions that our customers currently seek.

In mid-2013 we announced the sale of our restaurant division -comprising Vips, El Portón, Ragazzi, and La Finca- with the transaction approved this year by the corresponding authorities.

Moreover, late in the year, we communicated the agreement reached with Banco Inbursa, concerning the sale of Banco Walmart, and the creation of a commercial alliance that will enable us to have a competitive offering of credit in our business formats. We are convinced that these initiatives will produce an increase in sales and improve the shopping capacity of our customers.

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4. Future growth

Being a company with a broad investment horizon motivates us to continuously make our best effort and provide long-term solutions for our customers. The successful multi-format strategy that serves as the basis for our operation pushed us to continue growing our presence in the region, both in large and small formats. In fact, we are further developing our capacities in the ever expanding business of eCommerce, which will become a crucial element for the growth of our Company and, more importantl, an alternative for our customers when shopping.

Large formats

Mexico and Central America have different demographics, preferences, and income levels. That is why our multi-format platform provides the necessary flexibility to meet the needs of different population sectors. Our large business formats, consisting of self-service stores and membership warehouse clubs, for many years have been the means to take our value proposition to all our customers throughout the region.

One business format that has been around the longest is Bodega Aurrerá, which provides basic, staple goods and household items through a price-based approach. Since 2004 we have been able to take this value proposition to the smaller communities in Mexico under the banner of Mi Bodega. In Central America, *bodegas* are the newest and fastest growing format. During the last year, 19 new units have been opened throughout the 5 countries, thus operating a total of 94 stores. At the close of the year, a total of 863 bodegas are in operation throughout the region.

Our Walmart Supercenter hypermarkets support those customers that look for assortment and low prices, finding a wide variety in Groceries, Perishables, Apparel, and General Merchandise. As of 2013, the value proposition for this format is supplemented though its eCommerce platform walmart.com.mx. We currently have a total of 273 of these units operating in Mexico and Central America.

The supermarket format presents a value proposition based on quality, convenience and service, offering a broad range of basic and differentiated products. Under the banner of Superama in Mexico, Más x Menos in Costa Rica, La Unión in Nicaragua, La Despensa de Don Juan in El Salvador, and Paiz in Guatemala and Honduras, we are always finding new ways to serve our customers. In Mexico we initiated the home delivery of Groceries, through orders made over the phone, with our website superama.com.mx, or via mobile device applications. By the end of 2014 there were a total of 189 supermarkets operating throughout the 6 countries of the region.

Our warehouse membership clubs focus on being leaders in price, volume, and new and differentiated merchandise for businesses and homes. Once again, the eCommerce channel of sams.com.mx serves as an alternative way to shop for our advantage and business members. We closed the year with 160 clubs in operation in the 6 countries of the region.

Small formats

Our small formats respond to our evolving customers and their changing needs. Bodega Aurrerá Express –formally beginning its operations in 2008- is a chain of discount stores aligned with Bodega Aurrerá prices and whose specialized product catalog focuses on providing solutions to our customers regarding their daily pantry replenishment needs. This format has helped us gain market share from the informal sector in the country –representing 52% of the retail channel thanks to the value proposition based on low prices and convenience, features which have clearly driven sales growth above the overall industry. In 2014 alone, we added 45 stores in the regions, making it a total of 1,368 units in full operation.

eCommerce

In Mexico, eCommerce is still small when compared to other markets, however, with ever growing numbers of users online and with mobile platforms. At Walmart de México y Centroamérica we have set the goal of becoming a market leader in this business, leveraging our sound competitive advantages.

During 2014 our customers continued honoring us with their preference via 3 distinct portals: walmart.com.mx, superama.com.mx and sams.com.mx. According to Comscore data, Walmart de México y Centroamérica is the retailer with the largest number of unique visitors in the sector, thus proving the leading position we are building in a strategic market for future growth.

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We reinforced the supply chain used for our eCommerce business, broadening the distribution center currently operated by adding greater storage capacity and infrastructure to support the growth in sales we are experiencing.

In response to the evolution in eCommerce that our country is undergoing, in 2014 we designed metrics capabilities for the digital market and we have progressed in the understanding of purchasing cycles regarding brick-and-mortar and digital stores. This will be key knowledge for the development of insight in the future.

The large physical presence of our stores throughout Mexico is a competitive edge that helps in promoting our business online through more than 150 kiosks set up in our Walmart Supercenters. With these, our customers have the option of selecting the merchandise they want, paying, and then picking up their merchandise at the store, thus constituting yet another way for customers to shop.

Standardized Processes that Generated Productivity: ISO 9001 since 2008

At Walmart de México y Centroamérica we are always seeking ways to make our processes more efficient and maintain and increase the quality of all our operations, thereby benefiting our customers and associates. In recognition of our ongoing pursuit of efficiency and productivity, this year we were awarded the Certificate for Quality Management Systems –ISO 9001:2008–, by the Spanish Standardization and Certification Association (AENOR), for the recovery and saving process of tax documents such as invoices for the purchase of merchandise for sale in our self-service stores, restaurants and membership warehouse clubs; for internal supplies; and payments made to suppliers. With this certification we now have 14 ISO-certified processes in the areas of Logistics, Finance and Management, Accountability, Operating Finance, Tax Compliance and Payroll Tax. Other six ISO 9001:2008 certified processes have been transferred to the GSSLA.

5. The best talent

The associates working in our 2,979 units, 24 distribution centers and home offices, share a common culture based on customer service, respect, integrity and striving for excellence, thus enabling us to have a customer-centric operation, achieve the Company's results, encourage innovation, and exert the execution capacity which characterizes the Company.

Associate development

Promoting and developing our associates is a key success factor within *Walmart Culture*. Our efforts begin by attracting the right talent to strengthen the business; our diversity policies allow us to focus on the best candidates, whether they are or not local residents. The hiring process consists of interviews, selection processes, psychometric tests, interviews with the business committee, economic offer, document submittal, candidate file integration, entry into the work force, welcome, and the on boarding process. The most important talent pool initiatives, used to identify future leaders are:

- Trainees: contributes to the acquisition of high-potential undergraduate students. As students complete their studies they work in different areas of the Company.
- MBAs: supports the integration of Mexicans who study an MBA abroad, inviting them to lead a strategic project for 3 months during the summer; after completing their studies the most outstanding students are integrated to different areas of the Company.

Our talent development programs are focused on the following areas:

- Training that targets our Operations and Staff associates throughout all levels of the Company, aimed at developing their leadership, team work, negotiation and technical knowledge skills. We have the Walmart Training Center offering live or onsite training; the Comprehensive On-line Learning Management System, which includes individual and group development plans; and Walmart TV, our internal TV channel covering the entire operation.
- Scholarship programs for undergraduate and graduate students, supporting the development of executives that are identified as *Top Talent*, enabling them to begin or complete their professional studies through these scholarships for up to 4 years or Diploma courses for up to 2 years.

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- Coaching and mentorship programs are aimed at boosting high-potential associate development through an internal or outside expert.
- Compensation and performance evaluation system, especially designed to encourage and acknowledge development of critical competencies for our business, in line with job requirements, and always result-oriented. The evaluation covers annual and six-month individual development; in addition, 360° multidimensional performance evaluations and executive calibrations are carried out, thus being able to identify real talent and design development plans.

In Mexico, we have consolidated the *Merchandising Academy* to help achieve talent specialization devoted to the knowledge of our business and customers, based on *Walmart Culture* principles. This year we conducted:

- Courses for more than 1,300 buyers on leader training, operation compliance, and training for basic merchandising programs, among others. We implemented a new course called "Category Assortment Training" for more than 220 buyers to provide them with tools needed to create appealing merchandise assortments for our customers; and
- Training for 38 Merchandising trainees, who graduated as assistants in Merchandising and in Replenishment, therefore meeting the commitment of generating new talent with high potential and guaranteeing continued availability.

The *Operations Academy*, on the other hand, seeks to develop operators acknowledged for their leadership and professionalism in process execution; customer-satisfaction focus; adherence to business results; and commitment to their comprehensive development and that of their teams. In 2014, new educational models and learning paths were created, as well as the integration of current and new programs, which will be implemented in 2015.

The first generation of Merchandising trainees graduated this year, and the first Operations generation will graduate in 2015 in Central America. In addition, we incorporated 78 talented associates from the Business, Operations, and Replenishment areas to our 2014–2015 trainee programs.

We trained 11,374 associates from Operations and other critical business areas, through our *Operations and Business Academy* and our *Business Foundation* program, thus providing them with the necessary abilities to boost their merchant spirit and align processes, roles, and ways of operating.

Diversity and equal opportunities

Integrating diverse talent is instrumental to encouraging innovation and obtaining better results since diversity itself better represents our customers.

Our 6-year-old Equality and Inclusion Initiative is driven by the Equality and Inclusion Advisory Board. Consequentially, 1,015 executive positions are now held by women. This program uses specific metrics to follow up on its efficiency in each and every vice presidency of the Company, placing special emphasis on:

- Policies and procedures for talent attraction, development, and training.
- Cultural transformation aimed at reinforcing awareness and knowledge.
- Training and development, highlighting our *Special Certificate Program for Female Executives*, offered by the Panamericana University, where our fifth generation graduated in 2014, and the *Taking the Stage* course, given by women in executive positions.

The Company uses a pay band system that rewards the individual performance of each associate who are evaluated each year based on successful behaviors and results. In positions having equal responsibilities, there are no distinctions in pay due to gender, age, religion, sexual preference, or political ideology.

The *Gender Equality Model* of the Company has been assessed since 2009 by the National Institute of Women in Mexico, granting us recertification for 2014.

Noteworthy is the *Women in Retail* program in Mexico, seeking to develop self-management, leadership, and commitment skills and an outstanding attitude in women who participate for a period of 3 years; this program is part of their development plan. Participants obtain comprehensive development, through experience, exposure, education and mentoring. *Women in Retail* has proven to be a key piece in the acceleration of talent development by using tools such as meetings, conferences, lectures and dialogues with leaders, among others.

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In Central America the *Women Leaders Group* is a program aimed at empowering women in leadership positions and supporting home offices; 196 associates graduated from such program. With the participation obtained this year, we achieved approximately 90% coverage of leadership positions at stores. This program will be strengthened next year so that these same women may continue their career path, starting with mentoring circles.



The figures presented in this chapter include Banco Walmart.

Associates

		Mexico			Central America	
		% W	% M		% W	% M
Total	**197,106**	**52**	**48**	**32,218**	**41**	**59**
Executives	2,699	32	68	378	37	63
Non executives	194,407	53	47	31,840	41	59
Trained	240,496	53	47	11,374	41	59
Promotions	22,189	51	49	3,094	34	66



Employment and working conditions

Walmart de México y Centroamérica offers a working environment where associates can work effectively and reach their full potential. We are all responsible for creating an environment of respect and trust, and promote a positive work environment, however it is necessary to have labor standards, which are the basis for the generation of policies, processes and programs that support human resources management and focus on the following aspects:

- A work environment where we encourage a culture of integrity, respect for the individual, customer service and striving for excellence.
- No discrimination whatsoever on grounds of race, color, age, gender, sexual orientation, religion, disability, ethnicity, nationality, marital status or any other status protected by law.
- Total rejection and prohibition of child and/or forced labor.
- Health and safety conditions to ensure the associate safety.
- Salaries higher than the minimum required by law.
- Respect for work schedules, days off, regular and overtime pay, and all fringe benefits to which they are entitled.
- Equal development opportunities.
- Open and confidential channels of internal communication for claims regarding violation of any of the points described in this section.

Dialogue with associates

At Walmart de México y Centroamérica we firmly believe that the growth of a successful company requires active involvement by its associates. We conduct an annual commitment survey that allows our associates to express their opinions on where we need to improve; on its leaders and how they live the Walmart Culture; and on the basic points that build the work experience. The survey is administrated by an independent service provider who takes charge of concentrating the individual responses. These are treated as confidential and results are reported as a group.

The results obtained this year place us above the benchmarks from a study conducted of other companies set up in countries where we operate, and where this survey is also applied. Feedback sessions held in all areas of the company as a result of the survey, allow for open and constructive dialog aimed at achieving better work environments and detecting areas of opportunity. The results from these sessions are then converted into action plans.

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Work-life balance, health and safety

In 2014 we focused on improving work areas with better lighting which, in addition to saving 40% in energy costs, creates a better work environment, reducing fatigue and stress. In addition, we improved the offerings of healthy meals in our dining areas and remodeled all restrooms. Thanks to our program for quality-of-life transfers, we were able to move 7,466 associates to work centers closer to their homes.

Since its inception, the *Work-Life Balance* initiative has focused on promoting a healthy and family-oriented life. This program includes agreements to facilitate or reduce expenses related to education, different services, and entertainment activities for all our associates. Thanks to these negotiations, 207,541 associates were able to save the equivalent to 41 million pesos.

In work-related services, there are different programs, such as:

- *PrevenIMSS*, which offers conferences on different health-related issues, such as smoking, cancer, and HIV, in addition to launching campaigns related to health and influenza vaccines. With this program, 27,164 associates were benefited in Mexico.
- *Walmart in Action*, which focuses on 4 basic themes: physical activity, emotional health, personal finances, and nutrition.
- Distribution of healthy menus created by the Mexican Social Security Institute –IMSS.
- *My Sustainability Program*, which provides staff associates different ideas to improve habits that can lead to a positive change in their quality of life and also help the environment.
- Medical consults in home offices, and nutrition services through which over 21,318 associates in Mexico were benefited.
- Breast-feeding rooms at the home offices.

In 2014, associate support programs during natural disasters assisted 796 associates and their families with 11 million pesos for recovery of belongings. Flex-time programs offer the possibility of improving work-life balance through the following elements:

- Post-natal for mothers and fathers: allowing mothers to phase back into work gradually, through the first 7 months of the newborn's life; foster greater involvement of fathers by allowing them to work a 6-hour day during the first month of the newborn's life.
- Operations associates: this includes different policies such as no changes to the work shift during the nursing period; special working hours for students; quality-of-life transfers; fixed working hours for single parents; additional time off each quarter; and one weekend off each month.

We consider safe working conditions a fundamental responsibility. Accident prevention programs describing the measures and actions to be undertaken in different circumstances have the support of a team of experts in health and safety, and they conduct constant audits and implement any improvements needed in all units and distribution centers. Based on this, we document and disseminate good practices, which are supplemented by training, proper equipment, and communication campaigns aimed at the nature of the work being done.

Human Resources, a business partner

Human Resources is devoted to being a key business partner for the Company through innovation, efficient management of information, and ensuring the proper enforcement of work standards, as per compliance programs.

The *HR Scorecard* was created with this in mind. The purpose is to assist the business in decision-making and in assessing strategies through detailed information, indicators, and by analyzing all HR variables such as: headcount evolution and distribution, mobility, promotions, gender equality, turnover, and labor investment, among others.

As of 2013, organizational redesign was conducted to achieve greater efficiency through horizontal structures that could accelerate decision-making processes. By simplifying procedures and policies, daily operations become more agile and productivity increases in all areas of the Company.

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6. Supplier development

Our 26,653 suppliers, including those of internal supplies and of merchandise for sale in stores, are our business partners, hence their development, customer knowledge and sustainability practices are foundational pillars to provide the best product assortment at the best market prices.

Supplier management

The Senior Vice President for Self-service Merchandising, made up by the Perishable, Apparel, Groceries, General Merchandise, Consumables and Pharmacy Vice Presidents, and Supplier Development Direction, supports relationship with our suppliers. In addition, our Compliance area monitors the quality of products and compliance with regulations in force, as described in *The customer/ member is first* chapter.

Strengthening our merchants' capabilities is critical for the development of a sound relationship with suppliers to have the best products in our stores. In 2014, the Merchants' Academy prepared 1,670 merchants. In addition, *Retail Link* is a platform that allows suppliers analyze their performance on product sell-thru at a national and local level, thus providing information for better planning their business.

The work performed with suppliers on programs for better modulars, packaging efficiencies to increase space productivity and product development of private label leads to a long-term business vision. Consequently, this relationship provides a good pathway to cooperate on other activities such as environmental initiatives to contribute reducing production, packaging, and distribution impacts on environment, as described on the *Environmental care* chapter.

Logistics capacities developed and enhanced by the Company allows suppliers to take their products more efficiently to points of sale in the 6 countries where we operate throughout our 24 distribution centers.

Supplier standards

The relationship with suppliers of services and of merchandise for sale in stores is covered under the agreement governing the commercial relationship, including clauses related to ethical behavior, anticorruption and labor and environmental liabilities as well as the law in force, according to lay the suppliers agree:

- Full compliance with the law and regulations in force, including those governing labor-related issues, immigration, health and safety, and the environmental, among others.
- Ensure voluntary hiring.
- Prohibit child and forced labor.
- Legal compliance regarding the number of hours per shift and days off for workers.
- Implementation of hiring and employment practices that provide information on employees and maintain policies and practices on salaries, terminations, training and work condition.
- Respecting the right of workers to peacefully and legally join the labor unions of their choice, and to collective bargaining.
- Ensure that all that all their practices comply with environmental legislation regarding water, air, and waste, as well as all raw materials come from legal sources.
- Accurate record keeping on all financial information related to commercial ties with the Company.
- Providing all workers a safe and clean working environment and taking the preventive measures needed to mitigate accidents.
- Compliance with the Company right to audit/ or verify at any moment and without prior notice.

Small, middle-sized and low-income local suppliers' development

Due to the fact that one of our main strengths lies on our close relationship with customers and the location of our stores, we have become a development channel for most of the suppliers in the countries where we operate, as a consequence, we are a trigger of sales, income and employment throughout the region.

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Derived from our purpose to include more and more small, middle-sized and low-income suppliers, including handmade, industrialized and agricultural products, we have designed in all the countries we are present a training, financing and market access program that allows them to sell their products and have a better understanding of customers, thus strengthening their capability to trade their products in the self-service business and be aware of their competitors. In addition, we foster companies to adopt practices on efficiency and planning, developing their business skills.

As a consequence, we have developed operative platforms to make the sustainable supplier access to make it last long and grow in the Company, as well as increasing their capability to grow in other markets. Based on the supplier nature, such platforms include purchases administration, logistic costs, payment terms and supplier growth, through programs known as *A Hand to Grow*, in Central America, and *Small Producer, You Can Count on Us* in Mexico.

In Mexico *Adopt a SME* is a program that aims at supporting SMEs so they are able to increase their sales and develop their operative, financial and logistics capacities through the Merchandising and Supplier Development areas. The program considers a set of benefits and liabilities for participant suppliers as well as commitments on the side of the areas involved. The goal is to achieve at least a 50% sales growth in 18 months for SMEs at a Company level.

The program *Women Owned Business* is a global initiative that aims at empowering business women, by providing them more access to markets and tools to make their business grow. The goal in Mexico for 2016 is to double the purchase volume made to business women vs. those recorded in 2011.

On the other hand, development programs for agricultural suppliers, *Direct Purchase from the Field*, allows small, middle-sized and social suppliers improve their agricultural practices and business, increase their productivity, boost their quality, favor planning, broaden markups and, as a consequence, grow their business. The additional impact of this project on environmental protection and better work conditions in the field is certainly exponential for producers and their regions.

During SMEs presentations included in *Expo Walmart* in Guatemala and Mexico, associates in the Merchandising areas have the opportunity to know and drive the products of such suppliers.

In addition, the supplier development programs have structures exclusively devoted to work with the Merchandising, Perishable Merchandising, Logistics, Operations and Corporate Affairs areas to accelerate their processes and increase their potential.

Every year suppliers in the region are awarded on account of their outstanding performance under several categories, including SMEs, social corporations and suppliers with exceptional environmental initiatives.

The products that participate in the *Small Producer, You Can Count on Us* program are marked with a seal and receive communication support on the point of sale. In addition we use the social media to communicate the producer's stories. Besides, including these products in our home deliver services has allowed our customers to know the product, hence increasing their sales.

Dialogue

Supplier communication improves our relationships in the benefit of our customers and is an opportunity to know their concerns and ideas. This is the reason why we have developed several permanent communication channels:

The Supplier Advisory Board: made up of 14 companies in Mexico and 64 in Central America, is a space created to exchange ideas and encourage best practices that increase competitiveness.

Supplier and Ethical Hotlines: run by areas not related to merchandising, suppliers can make specific suggestions and file complaints regarding non-compliance ethical standards.

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The supplier survey: this is an annual evaluation mechanism with representation from large, small and middle-sized companies. It evaluates and identifies key aspects to improve commercial relationships, increase efficiency and improve in-store execution.

Dialogue sessions: these *Top to Top* meetings are an open dialogue space with suppliers. In Central America there were 34 additional meetings with executives and 18 global and regional suppliers for the Consumption and Groceries divisions. In Mexico, we coordinate the *Win* institutional program, striving to increase collaboration with our most important suppliers to leverage accelerated commercial growth.

7. Contribution to the community

Walmart de México y Centroamérica is present in 571 cities throughout Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Mexico. Its interaction with local communities leads to close relationships that mainly focus on reducing operations impact and generating value to communities, this becoming a valuable community member.

Donation guidelines

Community support throughout the region consists on providing financial and in-kind support, offering the commercial platform to small producers as well as promoting volunteer work among our associates, their families and our customers. The Company has transparency and anticorruption guidelines and mechanisms that guarantee the compliance of the corporate purpose for which resources are granted.

In Mexico, Fundación Wal-Mart de México, A.C. is a non-profit organization through which community support is channeled. The Foundation has a Board made up of 11 members, 5 of which are independent counsellors who meet every quarter.

Board members of Walmart Mexico Foundation (at March 12, 2015):

Enrique Ostalé (Chairman)
Manuel Álvarez
Mercedes Aragonés*
Karina Awad
Roberto Delgado*
Jorge Familiar*
Rafael Matute
Alberto Sepúlveda
Marinela Servitje*
Martha Smith*
José Luis Torres

*Independent

In Central America, community support is provided in each country under the responsibility of Corporate Affairs areas and the Corporate Responsibility Committee, which meets twice a year.

Donation policies and process in Mexico include:

- Temporary public on-line notice, containing defined criteria on the causes and desired social impact as well as the requirements that organizations likely to receive donations are to meet.
- Project evaluation by a Pre-Selection Committee made up by academy members and company executives not-related to the Foundation.
- Pertaining law accomplishment review and adherence to anticorruption mechanisms.

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- Review and voting rights by the Board of Walmart Mexico Foundation on the projects best evaluated by the Pre-Selection Committee.
- Contract preparation processes, including both anticorruption and project development clauses.
- Social impact indicators follow-up through electronic systems and field visits.

As for in-kind donations, grantee selection is based on installed capacity and social impact generated. In these cases, a review on the compliance of local regulations is performed as well as the application of anticorruption mechanisms and contract.

The donation control electronic system allows us to obtain information on the institution and the project as well as to gather social impact indicators.

In Central America, the process is under the responsibility of the Corporate Affairs area, following the same anticorruption criteria, contracts and project follow-up.

Fighting against hunger

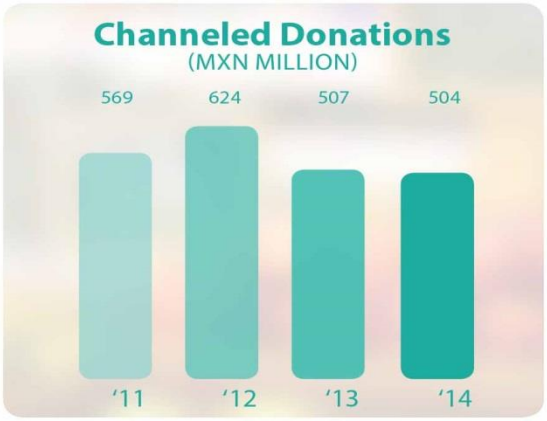
It is somewhat paradoxical to know that despite the fact that around the world a third of food is wasted, there are millions of people who live below the breadline, both in rural and urban areas. Hunger is undoubtedly a reality in the countries we are present, therefore, driving sustainable food access to disadvantaged communities becomes a major responsibility for us. We focus on:

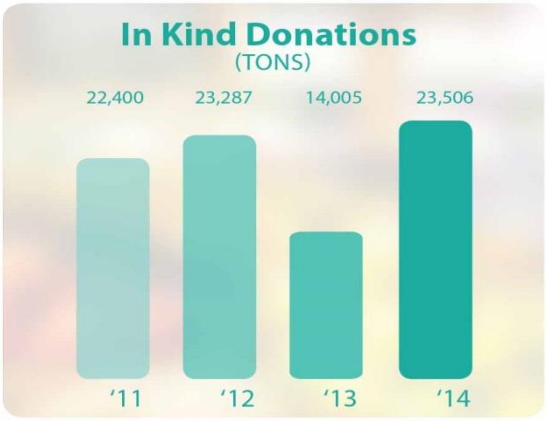
a. Providing in-kind donations, mainly from our stores and distribution centers, to social organizations on the food network.

   In Mexico, we work to strengthen the food banks' capabilities. In Central America we support the consolidation and creation of food banks in Costa Rica, Honduras, Guatemala, El Salvador and Nicaragua. In 2014, the food bank operation in Costa Rica promoted the opening of a new branch in the Northeast part of the country known as Guanacaste, which will supply food for social wellness organizations in the area to eventually benefit over 10,000 people.

   We work to strengthen internal controls in-kind donation processes in all our stores to improve their quality of delivered products.

b. Contribute to food safety in communities that live below the breadline by driving the construction of kitchen gardens, farms and water catchment systems. This program promotes sustainable food access, the increase of available income and women empowerment, creating a development platform of production capabilities.





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Contributing to sustainability of communities through production chain

Undoubtedly, developing production chains that improve the life conditions of communities on a sustainable basis is an efficient mechanism to increase income and employment amongst communities. In addition, the Company supports through people, infrastructure and trade channels to strengthen market focus on producers, the development of trading capacities and access to modern trade, which provides an invaluable experience to produces and varied growth opportunities. As a result, we have incorporated an inclusive vision that not only drives development to fight against poverty but also transform and make sensitive our Company, generating both internal and external value.

Consequently, our efforts are focused on:

a. Funding production infrastructure and training. In 2014, 36 projects were granted funds in Mexico, all of which focus on craft and farm production.

b. Incorporating low-income small producers to the supply chain, as a development mechanism of production capacity, logistics and access to modern markets. The program includes:

- An assessment of the poverty level.
- A Business Case creation and planning of the productive and trade project.
- Production and logistics training as well as providing conditions for sale and delivery.
- Development of soft and hard competencies.

The development of a commercial platform to buy from low-income small producers under preferential pay conditions and distribution costs, as well as the training funding and product development, as described on the *Supplier development* chapter, has played a significant role on the growth of this program and its social impact.

In order to strengthen the program and increase the number of supported suppliers, in Mexico, the *Co-Creation Forum for Inclusive Farming* was developed. Through the Forum, best practices on small producer incorporation and development will be shared with other organizations; this all aims at improving standards and strengthening the relationship between corporations and multiplier organizations in the benefit of more producers.
In Mexico in order to promote the sale of products developed by small producers a campaign called *Small Producer, You Can Count on Us* was launched in 2014. By posting communication on the point of sale, product in-store signage, electronic communication on the social media and the sale of products on line, achieved a 83% on line sales increase of such products, as well as more awareness of the program and the stories built behind each of the 118 products currently traded.





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Local programs

Volunteerism

The pillar of our community work has always being promoting among our associates and customers a sense of citizenship and community involvement. During this year, local activities were promoted in all stores, incorporating community work in store clusters, which improves team work and creates a greater impact. In addition, the specialized volunteer work was developed for staff associates among Merchandising, Fresh and Logistics areas, which are now included in the development of producers, mentorship programs and the selection of projects to be annually funded.

In order to motivate and acknowledge volunteer work, in the most important celebration of the Company we recognize the volunteer of the year, the format of the year, the city of the year, and the distribution center of the year. This is indeed a source of pride for the Company and an example of the service principle that distinguishes us.

Disaster relief program

In case of natural disasters, the Company focuses on providing support to our associates and their families, providing basic supplies to the rest of the affected population -including food, drinkable water and sanitary products-, restoring the operation in our stores and their supply in the area, as well as opening a support channel for our customers through collection center and care campaigns.

In this manner, the Company uses its logistics, operative and immediate reaction capacities through each store, and the Continuity of Operations Center, that represents all the areas and sets the intervention pathways during a disaster. In addition, we are supported by the Mexican Red Cross and company volunteers to take humanitarian aid to the places in need, achieving proper and timely intervention to support affected populations.

8. Environmental care

Our sustainability strategy is designed to reduce the environmental impact of our operations and of the products we sell, through innovation and investment in state-of-the art technologies, in collaboration with our business partners and through training of our associates and suppliers. Our size allows us to make a significant difference in the environment and for our business.

Carbon dioxide emissions

Through the use of renewable energy and the implementation of initiatives meant to reduce energy use, we reduce carbon emissions and, as a result, the impact on climate changes.

In 2014, we reduced carbon dioxide emissions per square meter of construction by 6.4% in Mexico and 0.6% in Central America. Energy efficiency initiatives served to reduce CO2eq by 19,174 tons, comp stores.

Absolute emissions of scope 1 and 2 amounted to 15.8%, an improvement less than our sales floor.

Emissions created by the transportation of merchandise from distribution centers to stores were reduced 9.5%, as compared to 2013, thanks to the consolidation of reverse logistics initiatives. In Central America, the Backhauling initiative has saved 525,873 liters of diesel.

In Mexico we disclosed our carbon emissions to *Carbon Disclosure Project* platform for third consecutive year.

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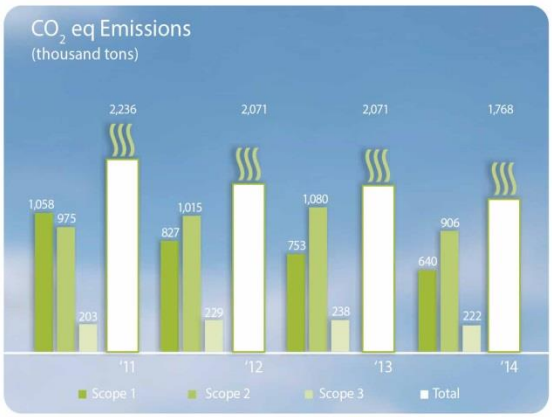
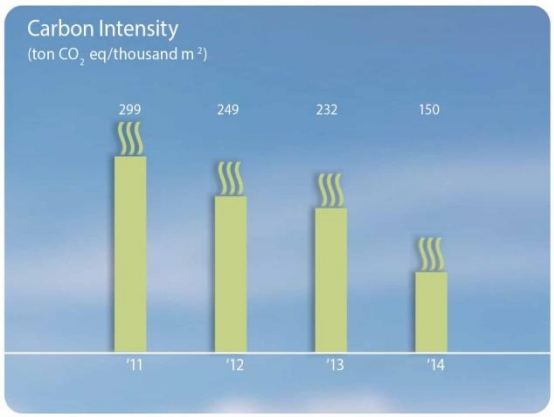


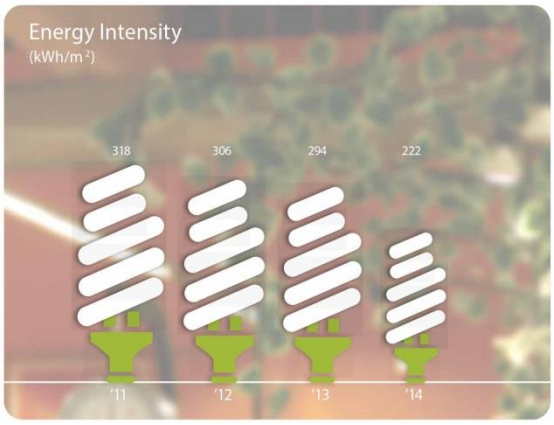


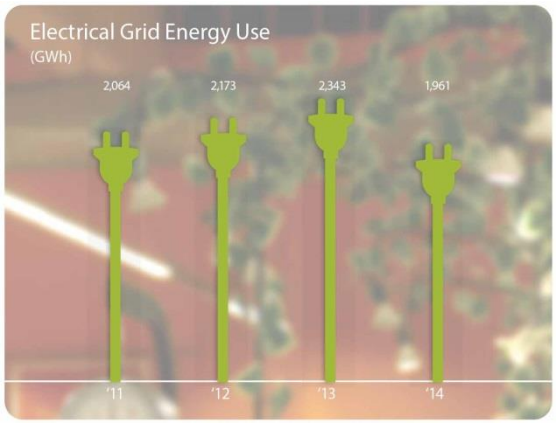
Energy

We reduced energy use in stores and distribution centers by 1.8% in Central America and 1.6% in Mexico, equivalent to 42 million kWh.

In Mexico, we continue working together with teams from Operations, Operational Efficiency, Remodels, Maintenance, Internal Supplies, Projects and IT to take advantage of new technologies and operational practices to take advantage of new technologies and operational practices for efficient use of energy, through:

- Monitoring and optimization of energy management and control systems.
- Replacement of fluorescent lighting with LED.
- Implementation of energy savings operational campaign.
- Installation of open refrigeration doors and control systems for their resistance.
- Dehumidifiers for refrigeration displays.





Renewable energy

Aligned to our objective to have 100% supply of energy from renewable sources, the development and installation of projects with this approach allow us to have lower rates, which help us keep our productivity circle, operate with low costs thus offering low prices to our customers.

We strive to become the most efficient and sustainable retailer chain. Therefore, it is essential to have an efficient use of clean energy and energy from renewable sources.

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In Mexico, we began using a mini hydroelectric power plant in the state of Veracruz and 2 wind farms in the state of Oaxaca. These are added to the 2 already in use, thus completing 5 renewable energy projects. With the above, we now supply clean, renewable energy to 1,114 stores. We currently use 1,196 million kWh, representing 40% of our 2020 goal and 17% of Walmart's global goal to supply 7,000 million kWh.



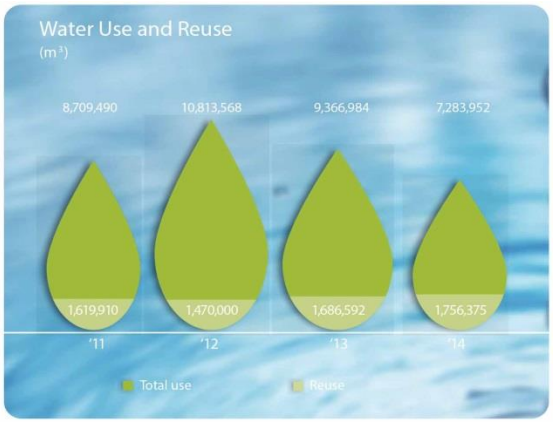
Water

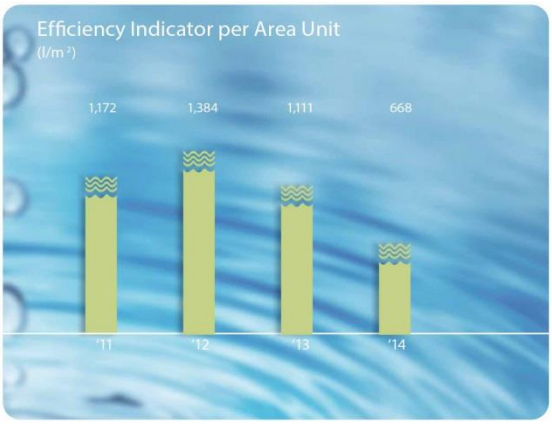
We consolidated our operation with a low water use. In Mexico we were able to use 280 million less liters of water, which equals the water used by 1,280 families a year.

We increased our wastewater treatment plants to 911, thus being able to treat and reuse 1,756,375 m3 of water.

In Mexico we disclosed our water management performance to *Carbon Disclosure Project* platform for third consecutive year.

In Mexico we successfully tested the use of a condensate recovery system in air conditioning equipment, thereby recovering the equivalent of 20% of the total water use per store. Thanks to this initiative, together with water recovered from backwash filters, water used from the municipal system was reduced by almost 30%. Both initiatives were devised for remodeling projects and for new stores.





Waste

We continued with the implementation of initiatives to reduce the amount of waste produced. We launched the *Reduce, Recycle and Win* campaign to adopt the best operating practices with the purpose of reducing the amount of perishable waste, and increasing rates of recovery for recyclable materials.

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We consolidated the operation of a multidisciplinary committee to reduce food waste, developing innovative techniques aimed at controlling and reducing shrink with these products, thereby achieving a reduction of 6%, as compared to 2013.
In Central America 100% of the stores, plants and distribution centers have recycling programs, 94% in Mexico.

In Mexico we extended our *Collection Drive of Expired Drugs*, in conjunction with the National System of Waste Management for Containers and Drugs. Some 193 containers were set up in 10 states, and over 20 tons were collected, thus totaling the collection of over 40 tons of expired drugs since 2012.





Biodiversity

We continue reinforcing policies and procedures aimed at diminishing the impact that our Company may have over biodiversity, both during the construction phase of our units and the use of natural resources in products and materials for our operation.

1. Protecting biodiversity during the construction of units. Policies, procedures and contractual clauses cover the protection of biodiversity and the sustainable use of natural resources, from the acquisition of the property, to the construction of units by third parties and the design of units. Said policies include:

a. Environmental analysis of properties prior to purchase, with the purpose of verifying the existence of any protected flora or fauna, soil contamination, bodies of water as pertains the viability of the project, and the necessary means of mitigation and compensation required.
b. Proper project design as per environmental regulations covering green areas, permeable areas, the use of renewable energy, and plant management.
c. Environmental measures and compensations during the construction phase, including proper waste management, flora and fauna recovery, atmospheric emissions, noise pollution, and measures set forth by environmental authorities.
d. Joint responsibility of third parties, including contractual clauses and bidding stipulations for construction companies and suppliers to provide material from authorized banks, manage waste in keeping with current legislation, wastewater management, and compliance with their responsibilities in these matters.

2. Preventing water pollution and soil degradation during farming and fishery-related activities, and in overexploitation of forestry resources.

a. We use wood products, such as pallets, that come from authorized domestic or foreign sources; pulp products that use recycled, post-consumption fiber; and internal paper supplies having *Forest Stewardship Council* certification.
b. We defined a policy for the use of certified palm oil in the products we sell under our private label, so as to avoid deforestation of tropical forests. Moreover, we are working with other suppliers so that all may have proper certification in 2015.
c. We restated the sustainable fishery strategy upon renewing work plans and policies so that in 2015 all aquaculture products, either domestic or imported, are *Best Aquaculture Products* certified.

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Value chain

Most of our environmental impact is on our supply chain; hence in cooperation with our suppliers, we undertake the commitment to reduce our impact while offering quality products at accessible prices.

The mutual aid from our suppliers and other organizations is fundamental to make greater progress towards a more sustainable supply chain. For us, there are no competitors on sustainability issues, the addition of efforts and resources may lead to more significant changes.

Workshops on exchange of best practices
As a follow up to sustainability forums, *Together for a Better Planet* in 2010 and 2013, we organized 4 workshops to exchange best practices among companies: logistics, sustainable packaging, carbon footprint measurement and the communication of sustainability initiatives to customers.

Eco-Efficient SMEs
In Mexico, a program on *Eco-Efficiency Consultancy* for SMEs was launched. Its objective is to develop eco-efficiency projects that decrease operative costs by means of a more efficient use of energy, water and raw materials. The program was developed and is operated by the Global Institute for Sustainability sponsored by the Technological Institute of Monterrey.

Innovation Award
In cooperation with the Iberoamerican University, we granted the *Walmart + Ibero Sustainable Innovation Award* for the second consecutive year. A total of 231 projects were presented by students throughout 26 states.

The winner project was *Acuaponia* (Aquaponics), a sustainable biomimetic crop, consisting on combining hydroponics with aquaculture, or raising aquatic animals such as fish, to create a highly sustainable system that does not generate waste. The model imitates an ecosystem similar to a *Chinampa* (a method of Mesoamerican agriculture), when biogeochemical cycles are closed the process is self-sustainable and does not require fertilizers, thus generating organic food.

Products
Initiatives developed by our suppliers allow us to offer over 1,500 products that have managed to reduce their impact in one or more of their life cycles. Among others, there are products cultivated through sustainable agricultural practices, those manufactured using less energy or water, those made with recycled materials, and even products that when used required less energy than their previous versions or similar ones.

A pilot test on the *Product Sustainability Index* was performed. This is a tool that identifies the most significant environmental impacts of products in their different categories and the actions to reduce such impact. Focusing on the life cycle, the tool aims at achieving improvements in those stages where a significant change can be made for each product category.

The testing stage included 4 categories: coffee, detergents, dairy products and domestic use paper. The participant companies answered a questionnaire related to the environmental impact areas of their products, so as to identify achievements and areas of opportunity.

These types of initiatives allow us to increase our assortment of products with low environmental impact and a similar or better performance than their current versions.

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9. Corporate governance

Our Company is established on the foundations of integrity and the highest standards of ethics, ensuring unwavering adherence to any and all applicable legislation in all the countries where we operate. The structure and responsibilities of our Board of Directors, the Statement of Ethics and, overall, all our activities are performed under the umbrella of the best practices of Corporate Governance.

Board of Directors

Membership:

- The members are appointed each year by the shareholders in their General Ordinary Assembly meeting.
- Independent Directors must represent a minimum of 25% of total Directors.
- Minority shareholders, whose shares are at least 10% of Company shares, that is, owners' equity, have the right to choose a Director and the corresponding Alternate Director, who may be removed only when other Board Directors are removed.
- The Board of Directors must meet a minimum of 4 times a year.

Primary duties:

- Electing the CEO.
- Serving as consultant/ advisor to Top Management.
- Working actively with the CEO to develop general strategies for the Company and for any and all subsidiaries.
- Supervising performance of relevant executives.
- Approving policies on information and communication with shareholders and the market.

Other practices:

- The Board evaluates the performance of each Director.
- Independent directors must have experience in the overall business of the Company.
- The Board has access to independent consultants.
- The Chairman of the Board may neither serve as Secretary nor preside over any Board committees.

The Board of Directors is supported by 3 committees, whose job is to analyze subjects of their competence in detail and make recommendations to the Board so that it may review the information and make any decisions that result in creating value for our shareholders.

Note: Wal-Mart de México, S.A.B. de C.V. held its Annual General Ordinary Shareholders' Assembly on March 24, 2015, where the members of the Board of Directors were ratified and the addition of Richard Mayfield as proprietary Board member was approved.

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Audit and Corporate Practices Committees

These are comprised by 3 Directors, all of them independent.

Primary duties:

- Selecting the independent auditor for the Company and determining fees.
- Ensuring that the internal control scheme for the Company is appropriate; that any and all applicable accounting and legal provisions are strictly followed; and reviewing operations with related parties that the Company conducts.
- Reviewing the financial statements and ensuring they are a true reflection of the financial standing of the Company. There is also a procedure for receiving, keeping and responding to claims regarding accounting controls and audit-related matters. These committees have the authority and the necessary resources to retain legal counsel and any other independent consultant needed in the fulfillment of their duties.
- Reducing the risk of conducting operations that may be disadvantageous for Company wealth or that could provide an added advantage for any specific group of shareholders.
- Approving policies for the use of property pertaining to Company assets.
- Authorizing transactions with related parties, wages, and benefits for the CEO and policies governing wages and benefits for relevant executives.
- Assisting the Board of Directors in the preparation of reports on accounting practices.
- Holding closed meetings and receiving periodic reports from Internal Audit, Legal, and Ethics.
- Calling to meeting of the Shareholders' Meeting, and ensuring the order of business includes those points deemed pertinent.

Primary requirements and practices:

- All members must be Independent Directors, with expertise in finance.
- Independent auditors may not provide consultancy services to the Company.
- The partner from the independent audit firm who renders a decision on the Company financial statements audited must be periodically rotated.

Members of the Audit and Corporate Practices Committees:

Adolfo Cerezo (Chairman)
Ernesto Cervera (Alternate)
Roberto Newell
Blanca Treviño

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Executive Committee

Among its duties is the strategic planning for the Company.

Executive Committee Members as of January 2, 2015:

David Cheesewright
Enrique Ostalé

Statement of Ethics

The values that set us apart from others –integrity, respect for the individual, service to our customers, and the search for excellence- are the cornerstone of our Culture, and we categorically reiterate that under no circumstances are they negotiable. Associates in all areas and all levels of our business are held responsible for understanding and complying with our Statement of Ethics. Therefore, we are always vigilant that our activities are governed by our basic beliefs and values.

Some of the primary subjects covered in our Statement of Ethics:

- Non-discrimination
- Conflicts of Interest
- Gifts Policy
- Confidentiality of Privileged and Trade Information
- Inappropriate Behaviors
- Harassment on the Job
- Proper Use of Company Assets
- Sexual Harassment
- No Repercussions
- Fair Trade
- Financial Integrity
- Anticorruption

We have an Ethics area that reports directly to the Executive Vice President of General Counsel and Institutional Affairs for Mexico and Central America. This area is charged with the responsibility of disseminating and promoting a culture of ethical behavior and strict adherence to all legal regulations in the matter, which we consider one of the most important principles. In addition is the responsibility of handling all inquiries and ethics-related cases. The Audit Committee receives periodic reports from this area.

Compliance

Convinced as we are that our values are of utmost importance in Walmart de México y Centroamérica, we make great efforts in cultivating trust and transparency among all our stakeholders. This is a recurring theme at all levels of leadership because our ongoing success depends on having the commitment of one and all to always do the right thing for our customers, among ourselves, and for the wellbeing of our business. This year we reinforced our Compliance program, focusing on the most important subjects, in terms of their impact and in alignment with international standards:

The 14 areas comprising the Compliance program include:

- Responsible Sourcing
- Anticorruption
- Anti-Money Laundering
- Antitrust
- Trade
- Food Safety

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- Licenses and Permits
- Environment
- Privacy
- Consumer Protection
- Health and Wellness
- Health and Safety
- Product Safety
- Labor and Employment

The Vice President for Compliance reports to the Vice President of Compliance for Latin America and to the Vice President of Compliance –International. The area has a dedicated team of experts for each of the 14 primary subjects listed above. There is also a monitoring area that covers 100% of the business units, which also provides training, follow-up, and designs the remediation plans.

The Matrix of Responsibilities for Compliance, e-certification, and constant training for all associates working in the Company are fundamental aspects towards ensuring the success of the program. This year, compensation for the top executives of the Company is tied to the accomplishment of compliance objectives.

Anticorruption continues to be a primary focus of the Compliance program. The Anticorruption team is led by a Director who reports directly to the Senior Director for Global Anticorruption Compliance, and to the Vice President for Compliance in Mexico. This team is in charge of conducting due diligence, developing and offering anticorruption training, and supervising the implementation of Company policies and procedures. The training offered covers the principles and policies that are part and parcel of the Global Anticorruption Policy, and its procedures. In 2014, courses and workshops were taken by more than 23 thousand associates and 773 suppliers.

Compliance risk assessment was performed, and the resulting information is being used to create a new list of compliance improvements, a priority for 2015.

Corporate Responsibility Committees

In Mexico the Direction of Corporate Responsibility is in charge of the Executive Vice President of General Counsel and Institutional Affairs for Mexico and Central America. In Central America the Corporate Responsibility area is in charge of the Direction of Corporate Affairs, which reports directly to the head of Central America.

Corporate Responsibility Management is aimed at:

1. Involving top management in the accomplishment of stated objectives, the analysis of challenges, in defining plans, and in leading the generation of value.
2. Establishing a long-term vision and strategic priorities.
3. Supporting the consolidation of structural changes, policies, and procedures.
4. Implementing a Corporate Responsibility indicator on the individual performance of top management in their performance evaluations, and which have an effect on pay raises awarded.

Members of the Committees for Corporate Responsibility:

- In México:
  Karina Awad
  Renzo Casillo
  Todd Harbaugh
  Mónica Loaiza
  Rafael Matute
  Enrique Ostalé
  Alberto Sepúlveda
  Adriana Velázquez

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- In Central America:
  Carlos Arroyo
  Ana Teresa Concepción
  Jorge Cordero
  José Alberto Montiel
  José Manuel Rodríguez

For information on Materiality for Walmart de México y Centroamérica, as well on the vision, strategy, primary results achieved in 2014, and the indicators best describing the scope and performance of our Company in each subject, please turn to the *Materiality* chapter.

10. Materiality

Walmart de México y Centroamérica believes that Corporate Responsibility is a commitment to always doing the right thing. We have embarked on this journey of continuous improvement to achieve solid performance in social, environmental and corporate governance matters, with the firm conviction that our Company creates value and is true to its vision of improving the quality of life of families in Mexico and Central America.

Stemming from communication with our stakeholders, a socially responsible company is "one that shows its commitment to economic development and improves the quality of life, generates social programs, and works in favor of the environment, with the ability to identify its risks, be truly transparent in handling information, and holding dialogue with its stakeholders."

Corporate Responsibility Management

In Mexico the Direction of Corporate Responsibility is in charge of the Executive Vice President of General Counsel and Institutional Affairs for Mexico and Central America. In Central America the Corporate Responsibility area is in charge of the Direction of Corporate Affairs, which reports directly to the head of Central America.

The strategy is reviewed in the Corporate Responsibility Committees developed in conjunction with the areas involved in each of the fields of endeavor; the Board of Directors is informed on these activities. It is fundamental to establish work plans, indicators, and policies and procedures so as to involve the organization in building a company with an increasingly robust Corporate Responsibility.

Corporate Responsibility Management is aimed at:

1. Involving top management in the scope of posed objectives, the analysis of challenges, the defining of the plan and in assuming leadership in the promoting of value generation;
2. Establishing long-term vision and strategic priorities;
3. Supporting the consolidation of structural changes, policies, and procedures;
4. Implementing individual performance metrics for top management by integrating the Corporate Responsibility Indicator in their performance evaluations, such that the score obtained and other variables have an impact on salary increase percentages.

Importance of Materiality in defining the strategy

As part of the commitment to align our strategy with the reality of the social and environmental context in which we operate, since 2009 Walmart de México y Centroamérica periodically updates the Materiality Study, as the core of our strategy for Corporate Responsibility.
The purpose of this study is to validate the direction of the strategic actions, as compared to the challenges currently faced, therefore making it possible to establish a long-term vision based on knowledge of the subject, its needs, and expectations.

Moreover, materiality allows for in-depth analysis of the Company's situation in each of the primary subjects of Corporate Responsibility, leading to the proper identification of the challenges, strategic programs, long-term goals, and performance indicators that will enable meeting the highest of standards for social, environmental, and corporate governance issues. This is how we authenticate our interest in helping generate value for our stakeholders.

Materiality as an ongoing process

The materiality study –conducted by a third party in 2009 for Mexico and in 2010 for each of the countries in Central America helped to establish our five strategic pillars: associates, suppliers, communities, the environment, and ethics. Moreover, based on the study results we were able to create programs with key objectives and specific action plans, and have a better approach with improved outcomes.

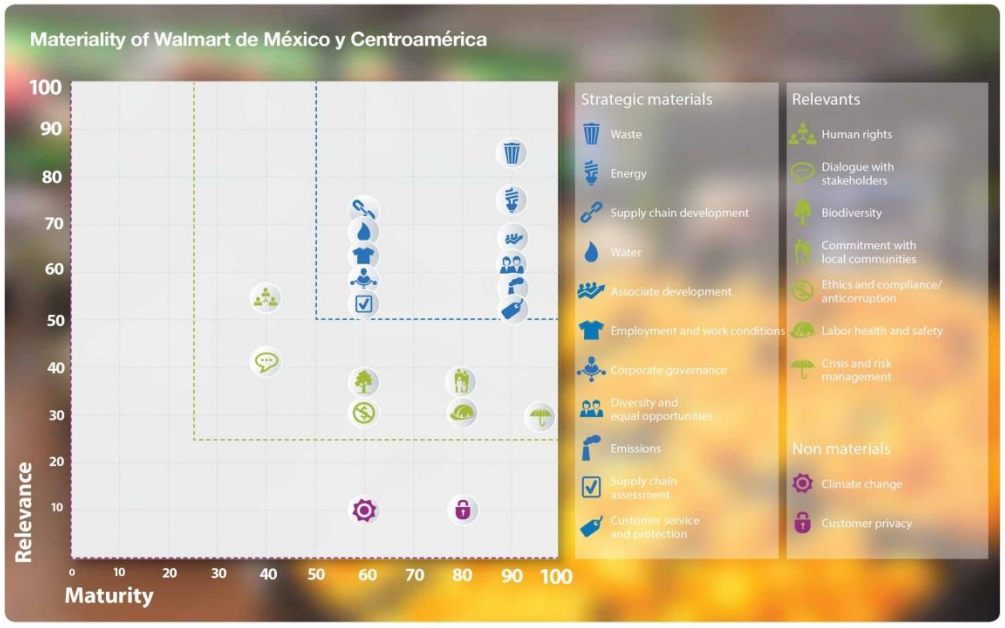
Each year the study is upgraded with internal surveys, measurement tools, and information on the perception and concerns of the most important stakeholders for the Company – our customers, suppliers, associates, communities and sustainable investors. All of this allows us to monitor the impact of Corporate Responsibility and its primary challenges.

In 2014 we requested to a third party firm to conduct a new materiality study, incorporating the following subjects:

- Internal self-service sector trends
- Context in the 6 countries where we operate
- Stakeholder expectations and concerns

This updating process included the following stages:

1. Sector Materiality to identify maturity and importance of subjects managed by leading companies, and their future commitments;
2. Evaluation of current approaches for the Company;
3. Dialogue with customers, associates, suppliers, nongovernmental organizations, opinion leaders and sustainable investors, conducted by third parties through surveys, one-on-one interviews and feedback sessions; and
4. Materiality of Walmart de México y Centroamérica, resulting in the validation of 11 strategic material aspects, 7 relevant aspects and 2 non-material ones.



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11. Walmex in the stock market

Walmart de México y Centroamérica (**WALMEX**) is listed in the Mexican Stock Exchange since 1977. It is one of the most important companies in the Mexican Stock Exchange index and in capitalization value. Its market value as of December 31, 2014 was 555.3 billion pesos, represented by 17,507 million shares.

Wal-Mart Stores, Inc., through one of its subsidiaries (Intersalt, S. de R.L. de C.V.), is the majority shareholder of Wal-Mart de México S.A.B. de C.V. and as of December 31, 2014, its equity interest represented 70.3% of the capital stock.

Top ten Companies in the MSE[1]

			Million pesos		
		Stock Symbol	Market Capitalization	Total Revenues 2014	Employees
1.	América Móvil	AMX	Ps. 1,117,844	Ps. 848,262	192,139
2.	**Walmart de México y Centroamérica**	**WALMEX**	**555,322**	**440,988**	**228,063**
3.	Fomento Económico Mexicano	FEMSA	468,318	263,449	111,816
4.	Grupo México	GMEXICO	333,354	137,231	29,998
5.	Grupo Televisa	TLEVISA	290,916	80,118	39,615
6.	Coca Cola Femsa	KOF	262,515	147,298	83,371
7.	Grupo Financiero Inbursa	GFINBUR	253,880	37,136	7,113
8.	Grupo Financiero Banorte	GFNORTE	225,227	91,271	27,943
9.	Grupo Financiero Santander	SANMEX	209,292	57,124	16,428
10.	El Puerto de Liverpool	LIVEPOL	198,444	81,027	50,315

c) Risk Factors

The risks described herein could have a material and adverse effect on our business, our business results, our financial standing and liquidity. They are not the only risks we face. Our business operations could also be affected by additional factors that apply to all the companies operating in Mexico and around the world, in addition to risks yet unknown that may arise and affect our operations.

Both domestic and international macroeconomic factors that could adversely affect our financial performance

The overall economic conditions, both global and in one or more countries where we operate, could have an adverse effect on our financial performance. In Mexico and Central America the list includes stock market fluctuations, volatility in the price of our shares, increases in interest rates, in the costs for fuel and other energy sources, the plummeting of the real estate market, inflation/deflation, rising costs for basic services, higher unemployment rates, reduced income for consumers, consumer credit restrictions, greater consumer indebtedness, exchange rate fluctuations, higher tax rates, new taxes, changes to tax legislation, other regulatory changes, economic slowdowns, and other economic factors could adversely affect consumer demand for the products and services offered in all our formats and markets where we operate, with the possibility of over demand or excess supply. The aforementioned conditions could have an adverse effect on our gross margins, sales costs, inventory sell-thru, and markdown policies. The factors that could affect our operations could also have repercussions on the operations and economic performance of our suppliers, both in Mexico as well as Central America. Said factors could possibly lead to cost increases for the products we sell our customers or, even worse, could cause problems for certain suppliers, making them unable to provide us with the volumes needed in our units.

[1] Source: Mexican Stock Exchange. Figures as of December 31, 2014.

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Our current commercial strategy may not identify and respond effectively to consumer trends in a timely manner, whether involving physical retail, eCommerce retail or a combination of retail offerings, which could negatively affect our relationship with our customer, the demand for our products and services, and our market share

It is difficult to predict consistently and successfully the products and services our customer will demand. The success of our business depends in part on how accurately we predict consumer demand, availability of merchandise, the related impact on the demand for existing products and the competitive environment, whether for customers purchasing products at our stores and clubs, through our eCommerce businesses or through the combination of both retail offerings. A critical piece of identifying consumer preferences involves price transparency, assortment of products, customer experience and convenience. These factors are of primary importance to customers and they continue to increase in importance, particularly as a result of digital tools and social media available to consumers and the choices available to consumers for purchasing products online, at physical locations or through a combination of both retail offerings.

Failure to timely identify or effectively respond to changing consumer tastes, preferences (including key factors described above)and spending patterns, whether for our physical retail offerings, eCommerce offerings or through a combination of these retail offerings, could negatively affect our relationship with our customers, the demand for our products and services and our market share.

If we are not sufficiently able to properly manage our trademarks, it could affect our image, operations and financial performance

All commercial names for our different business formats -both in Mexico and in Central America- and all the commercial notices used in the advertising of our different private labels found on labels and products are duly registered by Wal-Mart de México, S.A.B. de C.V., and other companies of the group, rights that are used directly by the holders of the same and by the companies operating the different business formats under indefinite licensing and/or sublicensing agreements. Registered trademarks belonging to third parties are also used in Mexico, for which there are licensing agreements executed so as to guarantee the legal use of the same and to comply with applicable legislation regarding the subject of brands. Said property rights are protected and in use, pursuant to applicable legislation on brands and copyrights. The legal and proper use of the aforementioned copyrights is of crucial importance to the company, any violation of the same could generate harmful effects to our prestige, corporate wealth, and financial performance.

Delays and/or commercial expansion obstacles for our operations could affect our financial performance

In both Mexico and the Central American nations where we operate, our capacity to open new units, perform remodels, and relocate existing units depend largely on our ability to identify, hire and retain qualified personnel and on our capacity to locate, lease and/or acquire sites with acceptable terms. Compliance with municipal, state and federal legislation can affect and/or delay commercial expansion processes. Adherence to zoning and construction regulations, in addition to local opposition to the building of certain units at specific sites can affect our ability of opening new units, converting existing units to new formats, and/or relocating and expanding units in certain cities and states. Our growth opportunities could be limited by increases in real estate prices and construction/development costs. If we are kept from opening new units in our different formats, our financial performance, growth in net sales, and our operating income could be adversely affected. Moreover, if consumers in the markets where we expand our business are not receptive to our value proposition and to our self-service, club and apparel store concepts, or do not want us in their communities, then our financial performance could suffer.

Access to certain types of product and service suppliers could limit our ability to increase the number of units or to expand our selection of products in existing units in certain regions, particularly markets with consumers wanting to buy locally-produced goods. In addition, cultural differences in certain regions where we operate, or where we expand our self-service units, clubs and apparel stores could impact those consumers unable to respond as positively to our commercial proposition as we would have expected, thus potentially affecting our financial performance.

We may be unable to continue to identify suitable acquisition candidates at acceptable prices and may not be successful in completing the acquisition of any such candidate identified.

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Although we ultimately believe we will be able to successfully integrate any newly acquired operations into our existing operations, no certainty exists that future acquisitions o alliances will be successfully integrated into our operations or can be successfully integrated in a reasonable time. Our failure to identify appropriate candidates for acquisition or alliances or to integrate effectively future acquisitions and alliances into our existing operations could adversely affect our growth and our future financial performance.

The inability to attract and retain qualified associated, changed to laws and labor matters could have an adverse effect on our financial performance

The capacity to continue expanding our operations hinges on our ability to attract and retain a growing number of qualified associates. The capacity to cover our needs for labor, including our ability to find talent to cover vacant positions in our existing stores, clubs, apparel stores and distribution centers while maintaining the nominal structure and other controlled labor-related costs are generally contingent on numerous external factors, including the availability of a sufficient number of qualified people within the set of the economically active population in the markets where we operate –labor force-, unemployment levels, salary levels in effect, changes in the demography, health and other related insurance costs, the implementation of new and/or amended labor laws, and applicable regulations. If we are incapable of identifying, attracting and retaining talent, if labor and related costs increase significantly or if new and/or amended labor and labor safety laws and regulations are adopted or enforced, our labor performance could be adversely affected.

We face fierce competition from existing and/or new market players (whether through physical retail, eCommerce retail or through a combination of both offers), which could have an adverse effect on our financial performance

The retail, club and apparel store sectors are highly competitive. Each one of our business segments competes for customers, employees, store sites, products, services and in other important aspects of its business with many other local, regional and international market players, which could increase in the future. Our competitors consist of companies from the retail, price club and apparel store sectors. They operate discount, department, pharmacy, single-price, convenience, specialty, supermarket, hypermart, price club, eCommerce and catalog segments. These operators compete in a variety of ways including merchandise assortment and availability, by offering added-value services, location site, operating hours and price. Our ability to respond effectively to these competitive pressures, the arrival of new market players, and changes in the retail, club and apparel store sectors could affect our financial performance.

Risks associated with suppliers providing products and the safety of said products could adversely affect our financial performance

The products we sell are sourced from a variety of national and international suppliers. The supply of products we sell is an important factor for our financial performance. All our suppliers must comply with applicable legislation, including labor, safety and environmental laws; they must also be certified regarding compliance with our quality and performance standards. Our ability to find qualified suppliers who meet our standards and who can access products efficiently and in time constitutes a significant challenge, especially in the case of suppliers and products sourced outside of Mexico and Central America. Political and economic instability in countries where our suppliers are located, financial instability, the inability to meet our quality and performance standards, access and availability of raw materials, merchandise quality issues, exchange rates, transportation availability, costs, and safety, inflation rates, and other factors related to suppliers and the countries where they are located are factors outside of our control.

In addition, regulations governing foreign trade, tariffs and other taxes on imported goods, commercial sanctions applied in certain countries, limitations regarding the importing of certain types of goods, or goods containing specific materials from certain counties, and other factors related to foreign trade are all beyond our control. These and other factors affecting our suppliers and the access we may have to products could adversely affect our financial performance.

Our customers trust that we will offer safe products. Therefore, matters concerning food safety and safe non-food products that we later sell could lead customer refusal to purchase certain products in our units, or that they seek out other alternatives to meet their food and non-food needs, especially if the entire matter is out of our control. Any loss of customer confidence could prove difficult and costly to regain.

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Therefore, any matter pertaining to the safety of food and non-food products sold by us –regardless of the cause- could have a negative impact on our financial performance.

Our operations outside Mexico make us susceptible to legislative, judicial, accounting, regulatory, political, economic and environmental risks and conditions specific to the countries in which we operate, which could adversely affect our financial performance.

As a result of our expansion in Central America, our operating results could become affected by a variety of factors, many of which are out of our control. These include political conditions and/or instability, economic conditions, legal and regulatory limitations, money laundering prohibitory laws and regulations, commerce policies, exchange rate regulations, or any other similar matter in any of the countries where we currently operate and/or those situations or events which could affect us on an international level. Our future operating results in the countries where we operate could be negatively affected by a variety of factors, most of which are beyond our control. Exchange rate fluctuations can impact costs and future cash flows for our operations in Central America, which could then adversely affect our financial performance.

On the other hand, the economies for certain countries where we operate in Central America have, in the past, undergone high inflation rates and the devaluation of their currency, which if it happens again, could have a negative effect on our financial development. Other factors that could impact our operations in Central America include foreign trade, monetary and tax policies in Mexico and in other countries; laws, regulations and other foreign government activities; agencies and similar organizations and risks associated with having diverse installations located in countries which historically have been less stable than Mexico. Additional risks inherent to our operation generally include such things as the costs and difficulties of managing international operations, the consequences for adverse taxes and greater difficulty for having complied with intellectual property rights in countries other than Mexico. The range of risks inherent to doing business in Mexico generally exist when running commercial operations outside the country, and these may increase due to the difficulties of doing business in different venues due to cultural, legal and regulatory differences.

Both in Mexico and in the Central American nations where we operate there is the risk that our associates, contractors or agents, in violation of our policies, could conduct practices forbidden by Mexican and Central American laws and regulations. We maintain policies that prohibit such business practices and we have implemented anticorruption regulatory compliance programs designed to ensure full adherence to these laws and regulations. Nevertheless, we are subject to the risk that one or more associates, contractors or agents could perform business transaction that are forbidden under our policies, violating our regulatory compliance programs and therefore, violating said laws and regulations. Any infringement, even of our internal policies, could adversely affect our financial performance.

Natural disasters, climate changes and geopolitical events could adversely affect our financial performance

One or more natural, environmental and/or accidental disasters such as hurricanes, cyclones, typhoons, tropical storms, flooding, earthquakes, and droughts, or things such as geopolitical events like civil uprisings or terrorist attacks in any of the countries where we operate or in any country where our suppliers are located could have a negative impact on our operations and financial performance. Said events could cause physical damages and/or partial or total losses to one or more of our properties; the closing of one or more of our units of any type due to the lack of an adequate labor force in any given market; to the incapacity of our customers and associates of using means of transportation to the units directly affected by any such event; to the evacuation of the population located where our operating units are situated; to the change in consumer habits and in available income for shopping for the duration of the any of the aforementioned events, and/or definitive out-of-stock for products provided by suppliers both national and international; to the impact on the transportation of the imported goods; to lack of supplies or delays in product deliveries to our distribution centers, units or facilities; to the loss of communication with our stores. These events and the ensuing impact could alter and affect our operations in the areas where said events may have taken place and could adversely affect our financial performance.

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We could be subject to liabilities, penalizations, and other sanctions and adverse consequences stemming from our ongoing investigations

The company is an indirect subsidiary of Wal-Mart Stores, Inc., who owns approximately 70% of the representative shares of its owner's equity and voting rights, with the possibility of appointing the majority of the members of the Board of Directors. The remainder its shares trade publicly on the Mexican Stock Exchange and, as far as we know, no shareholder with the exception of Wal-Mart Stores, Inc., and its related companies own more than 2% of shares in circulation.

Wal-Mart Stores, Inc., must comply with a wide range of laws and regulations in the United States of America and in the countries where we operate, including but not limited to the FCPA –the U.S. Foreign Corrupt Practices Act.

As was publicly announced on April 23, 2012, Wal-Mart Stores, Inc., is under investigation pursuant to the FCPA, by the Department of Justice and by the United States Foreign Exchange Commission, due to revelations made to said agencies in November 2011.

Wal-Mart Stores, Inc., is voluntarily conducting a global review of its policies, practices, and internal controls regarding FCPA compliance, with the purpose of strengthening its anticorruption program through implementation of measures to prevent corruption. Our company is part of said global review and strengthening of programs.

In the USA, claims have been filed regarding matters under investigation by shareholders of Walmart Stores, Inc., against said company, its current Directors, certain former Directors, and some of the current and former officers of the company.

The Audit and Corporate Practices committees and the Board of Directors have been informed of these matters, and its independent Directors have unanimously voted to continue cooperating with Walmart Stores, Inc., and with the Mexican and American agencies conducting these investigations.

In the best interest of the company and all its shareholders, the company cooperates with the independent investigation into alleged corrupt practices that the Audit Committee for Walmart Stores, Inc., is conducting of some of its subsidiaries outside the US, including the company. It is also cooperating with investigations initiated by Mexican authorities regarding this subject. As a result, the company could be exposed to a series of consequences stemming from these investigations and which could affect our business and its future financial performance.

We could be exposed to a series of consequences stemming from these matters. One or more measures by the authorities could be enforced related to the subject of the current investigations underway, and said measures, if the case, could lead to trials, out-of-court agreements, fines, penalizations, preliminary injunctions, discontinuances, dismissals and other legal actions and/or consequences. At this juncture we are unable to predict the outcome or impact of the government investigations, lawsuits by shareholders, or of our own investigations and reviews. These investigations could require the involvement of certain members of our top management, possibly affecting the time available to perform duties and functions required of their respective positions. We also estimate that the media and the government will continue interested in the case, to include additional newspaper articles that could impact the perception of our role as a company, vis-à-vis certain audiences. We continue with our processes to face and respond to the government investigations. Despite current estimates that these matters will not have a material adverse effect on our business, we cannot ensure that these issues will not in some way considerably affect our business in the future.

If the technology-based systems that provide the capacity to our customers of making online purchases of merchandise do not work efficiently, our operating results as well as our capacity to grow within the eCommerce segment could be adversely affected

A certain portion of our customers shop via our eCommerce sites, which in turn are part of a multichannel sales strategy. Increasingly more customers are using computers, tablets, smart phones and other devices to shop from us and our competitors online, and to compare offerings. Therefore, any failure by us in providing the necessary technological interfaces in our eCommerce programs, including user-friendly software for smart phones, tablets and other devices could place us in a disadvantageous position vis-à-vis our competitors, with the resulting loss in online sales, damage to our reputation with our customers, negative impacts on our eCommerce business, and also negatively affecting the results of our operations.

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Any incident related to the security of the information we have on our customers, associates and suppliers, stemming from the activity of hackers, could damage our reputation and lead to very high additional costs, make us susceptible to lawsuits, and possibly affect our operations

Much like the majority of commercial sector companies, we obtain information on our customers, associates, and suppliers. In addition, our online commercial operations via our websites depend on the safe conveyance of confidential information through public networks, including information on electronic payments. Each year, hackers make countless attempts at accessing data stored in our information systems. We have considerable security measures to protect against and prevent unauthorized access to said data. Nevertheless, it is possible that some form of hacking –new methods are rapidly evolving and becoming increasingly sophisticated- may exceed our security measures in the future and manage to obtain personal data that we have on our customers, associates and suppliers. An infiltration of this type could adversely affect our reputation with our customers, associates, and suppliers and also affect our operations, our financial standing and liquidity, leading to possible litigation against us or the imposing of sanctions. What is more, a security violation could require the further investment of a considerable amount of resources to improve security measures employed in safeguarding such sensitive information against hackers and any other attempt at accessing the same, thus interrupting our operations, especially our online sales.

As a retailer who accepts debit and credit cards for payment, we are subject to compliance with guidelines and standards with regard to security surrounding the physical and electronic storage, processing and transmission of individual cardholder data. Despite our compliance with these standards and other information security measures, we cannot be certain that all of our information technology systems are able to prevent, contain or detect any cyberattacks, cyber terrorism, or security breaches from known malware or malware that may be developed in the future. To the extent that any disruption results in the loss, damage or misappropriation of information, we may be materially adversely affected by claims from customers, financial institutions, regulatory authorities, payment card associations and others. In addition, the cost of complying with stricter privacy and information security laws and standards could be significant to us.

We are highly dependent on computer systems to process transactions, consolidate results and manage our business. Any interruptions to our primary and backup systems could damage our capacity to manage the business

Despite having primary and backup computer systems that are independent, sufficient and physically separate, given the number of individual transactions we have each year it is critical to maintain the seamless operation of our computer systems. Said systems, including backups, are subject to damage or interruption due to cuts in the power supply, computer and telecommunication failures, viruses, security violations –from hackers and sophisticated organizations- catastrophic events such as fires, tornados, earthquakes, hurricanes, and incorrect use by our associates. If our computer and backup systems are damaged, violated or no longer work properly, we will be forced to invest heavily in the necessary repairs or replacements, leading to temporary interruptions in our operations. Any interruption in either the computer or backup systems could have considerable negative effects on our business and our operating results. The risk of interruption increases when significant changes to the systems are conducted; however, we feel our processes and management changes would mitigate this risk. If we fail in the integration of our systems and computer processes, we could fail to achieve the savings that are expected to stem from said initiatives.

d) Other Securities

Walmart de México y Centroamérica with its sponsored level 1 ADR program that has Bank of New York as depositary bank is one of the three first international issuers to trade in “International OTCQX Market Tier” (www.otcqx.com).

The “International OTCQX Market Tier” recognizes the companies that have ADRs trading in the Over the Counter market in the U.S., who distinguished themselves by providing credible information to investors, and meet the financial qualifications of the NYSE listing standards. Among the main benefits is the electronic quotation and trading system, and an online financial information system.

Walmart de México y Centroamérica has complied, in the last three fiscal periods, in form and time with the requirements of Mexican and foreign legislations regarding relevant matters and periodical information such as quarterly and yearly reports on results.

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e) Significant changes to the registered securities' rights

This element does not apply to Walmex.

f) Use of Funds, if apply

This element does not apply to Walmex.

g) Public Documents

The following documents are available to the Investor Public at large, through the MSE website, www.bmv.com.mx, and Walmart de México y Centroamérica's website, www.walmartmexicoycam.com.mx and Investor Relations website www.walmex.mx:

- Annual report – MSE format
- Notification of important events
- Monthly sales report
- Quarterly report on results: Consolidated Financial Statements (Financial Statements compared against the same quarter of the previous year)
- Annual Report, including the Consolidated and Audited Financial Statements for the latest fiscal periods, as well as a comparison of the previous period.
- Annual Report is based on the methodology used in Global Reporting Initiative (GRI).
- Code of Corporate Best Practices
- Authenticated copy of the bylaws

2) THE COMPANY

a) Issuer Background and Development

1958 The first Aurrerá store was opened to the public in Mexico City.
1960 Superama begins operations.
1964 Vips begins operations.
1965 On October 25, the company is formed in Mexico City under the name Compañía Mexicana de Desarrollo Internacional, S.A., with a duration of 50 years.
1970 Suburbia and Bodega Aurrerá initiate operations.
1973 The company changes its name to Aurrerá, S.A.
1977 Company shares were first traded in the Mexican Stock Exchange. Its Stock Symbol was AURRERÁ.
1982 Corporate conversion to Aurrerá, S.A. de C.V.
1986 The company changes its name to Cifra, S.A. de C.V. (Cifra).
1991 A joint venture agreement is signed with Wal-Mart Stores, Inc. (50%-50%) to open Sam's Club in Mexico. The first club opened its doors in December of the same year.
1992 Joining the agreement are the new Aurrerá, Bodega Aurrerá and Superama units, in addition to the Walmart Supercenters. With this purpose in mind, two companies are created: Cifra-Mart and WMHCM, of which Cifra owns 50% and Wal-Mart Stores, Inc., the other 50%.
Cifra keeps 100% of its units opened prior to May 1992.
1993 The duration of the company is extended 99 years, starting March 8, 1993.
1993 Walmart Supercenter initiates operations.
1994 The new Suburbia and Vips units are incorporated into the agreement.
1997 The joint venture companies merge into Cifra. Walmart Stores makes a public tender offer in the Mexican Stock Exchange acquiring control of the Company. Cifra remains a public company that operates all the businesses in Mexico (Bodega Aurrerá, Walmart Supercenter, Aurrerá, Sam's Club, Superama, Suburbia and Vips).
2000 The General Shareholders' Assembly approved the change in name from Cifra, S.A. de C.V., to Wal-Mart de México, S.A. de C.V. Its Stock Symbol is WALMEX.
2001 All Aurrerá stores are converted to either Walmart Supercenter or Bodega Aurrerá.
2004 Our Shareholders' Assembly granted voting rights to holders of Series "C" shares, and converted them to Series "V". The conversion was par value, that is, a Series "V" share for each share of Series "C". All capital stock for Walmart de México is represented by a single series, thus giving all Shareholders equal voting rights.
2006 The General Shareholders' Assembly approved the official name change from Wal-Mart de México, S.A. de C.V. to Wal-Mart de México, S.A.B. de C.V.
2007 Walmart Bank begins operations.
2009 We approved the acquisition of 100% of Walmart Centroamérica's operation, the leading retailer in the region in Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica.
2010 On February 15, the acquisition of Walmart Centroamérica was completed, changing the commercial brand name to Walmart de México y Centroamérica
2011 First Walmart Supercenter in Central America (Honduras)
2013 Walmart.com.mx launches
2014 Sale of the restaurant division (Vips)

Investment in Fixed assets	**2014**	**2013**	**2012**	**2011**
Openings (number of units)	132	235	291	441
Investment (billion pesos)	Ps. 12.7	Ps. 14.0	Ps.14.7	Ps. 18.4

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During 2014 we invested 12.7 billion pesos with the opening of 132 new stores in the region. These openings have increased our installed capacity in 3.6% in sales floor in Mexico and 7.1% in Central America.

During 2013 we opened 235 new stores in the region. These openings have increased our installed capacity in 7.2% in sales floor in Mexico and 6.1% in Central America.

During 2012 we opened 291 new stores, which increased our installed capacity in 8.0% in sales floor in Mexico and 4.8% in Central America.

Corporate Offices

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walmex.mx

b) Business Description

i) Main Activity

As of December 31, 2014, Walmart de México y Centroamérica operates 2,979 units, including self-service stores, warehouse membership clubs, apparel stores, are located in 571 cities in the six countries.

Format	Value Proposition	Income Levels	Units
Bodegas & Discount Stores	Price	D, E	2,231
Walmart	Assortment & price	B, C, D	273
Supermarkets	Quality, convenience & service	A, B, C	189
Clubs	Price leader, volume, new & unique merchandise	A, B, C, Business	160
Suburbia	Fashion, value, price & quality	C, D	116

In Mexico is present in 445 cities throughout the country.

Presence by geographical								
	Total	**Metropolitan**	**Center**	**Northwest**	**Southwest**	**Northeast**	**North**	**Southeast**
Bodega Aurrerá	**1,660**	402	608	213	141	105	95	96
Walmart	**251**	61	73	27	26	33	21	10
Sam's Club	**159**	31	47	14	20	19	15	13
Superama	**93**	54	28	3	7	-	-	1
Total Self-service	***2,163***	*548*	*756*	*257*	*194*	*157*	*131*	*120*
Suburbia	**116**	45	34	9	11	6	4	7
Medimart Pharmacy	**10**	10						
TOTAL	**2,289**	**603**	**790**	**266**	**205**	**163**	**135**	**127**

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In Central America is present in 126 cities throughout the country.

Presence in Central by countries

	Total	Costa Rica	Guatemala	El Salvador	Nicaragua	Honduras
Bodegas and Discount stores	**571**	180	176	65	77	73
Supermarkets	**96**	29	31	20	9	7
Walmart	**22**	8	9	4	-	1
Clubs	**1**	-	1	-	-	-
TOTAL	**690**	**217**	**217**	**89**	**86**	**81**



Cyclical Performance

The demand for goods and services increases significantly during the last few months of each year as result of the holiday season. In 2014, the fourth quarter represented 29.3% of the year's total revenues.

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Revenues by Quarter

	2014 Total revenues (millions pesos)	Contribution (%)
1st Quarter	Ps. 102,229	23.2
2nd Quarter	104,123	23.6
3rd Quarter	105,196	23.9
4th Quarter	129,440	29.3
TOTAL	**Ps. 440,988**	**100.0**

Vacations and Bank holidays also have a significant impact on sales performance.

ii) Distribution Channels

Our distribution centers located in six cities in Mexico operate at a volume of over 900 million cases, traveling more than 200 million kilometers in over 700 thousand hauls.

Distribution Centers: 13 in Mexico

City	Name	Service
Mexico	Cuautitlán	Dry goods
	Tultipark	Apparel distribution for Suburbia
	San Martín Obispo (2)	Dry goods / Perishables
	Santa Bárbara	Dry goods
	Chalco	Dry goods
Monterrey	Dry	Dry goods
	Perishables	Produce
Guadalajara	Dry	Dry goods
	Perishables	Produce
Villahermosa	Dry	Dry goods
	Perishables	Produce
Culiacán	Dry	Dry goods

Distribution Centers: 11 Central America

Country	Name	Service
Guatemala	Amatitlán	Dry goods
	Bárcenas	Perishables
	Integrada	Dry goods
El Salvador	Apopa	Dry goods / Perishables
	Arboledas	Dry goods
Honduras	San Pedro (2)	Dry goods / Perishables
	Tegucigalpa	Food
Nicaragua	Managua	Dry goods / Perishables
Costa Rica	Desamparados	Food
	Santa Ana	General Merchandise

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iii) Patents, Permits, Brands and Other Contracts

All commercial brands for the different business formats in Mexico (Bodega Aurrerá, Mi Bodega Aurrerá, Bodega Aurrerá Express, Walmart, Sam´s Club, Superama, Suburbia, Prichos and Banco Walmart), as well as the products bearing the private labels (Great Value, Equate, Members Mark, Carrito Wal-Mart, Medimart, Aurrerá, GRX, Weekend, MC Metropolis Company, Non Stop, etc.), are registered trademarks property of Wal-Mart Stores, Inc. and Wal-Mart de México, S.A.B. de C.V. Said trademarks are used by the operating companies under license agreements and/or sub-license agreements for an indefinite term. The Company also uses brands registered to third parties through license agreements that guarantee use and compliance with the applicable legislation.

"Banco Walmart", which operates a low cost bank in order to serve better our customers.

All the banners for the different retail formats in Central America (Despensa Familiar, Palí, la Despensa de Don Juan, La Unión, Paiz, Más x Menos, Maxi Despensa, MaxiPalí and ClubCo), as well as the different private labels (SABEMAS, SuperMax, Suli, etc.), are registered as different subsidiaries of TFB Corporation N.V., that operates throughout Central America. The private labels such as Great Value, Equate, SAM's Choice, George & Design are registered trademarks owned by Wal-Mart Stores, Inc.

Included among the distinct banners of the Group are the various brands owned by the subsidiaries of the Agroindustrial Division, an operation that was created with the purpose of supporting the Wal-Mart Centroamérica retail operations, through the supply, distribution and sale of fresh products and, separately, the development of private label grocery and consumer products.

The legal use and preservation of the rights of the private labels is of great importance to WALMEX, they grant value to the Company and in some way are responsible for the prestige of the Corporation. The customer identifies the products related to these private labels as quality goods.

iv) Primary Customers

Our principal customer is the public in general. Throughout 2014, we had more than 2.0 billion customers served in Mexico and Central America.

Mexico and Central America is a country with great diversity, differing demographics, preferences and socioeconomic levels. Our multi-format strategy allows us sufficient flexibility to efficiently meet the needs of the different population sectors. The diversity in demographic characteristics and income levels in each of the countries are best served by the multiformat approach, wherein the needs of all customers are more efficiently met.

v) Applicable Legislation and Tax System

Wal-Mart de México, S.A.B de C.V., is a corporation established under Mexican law that complies with all the legal provisions for the construction and operation of its units, with special emphasis on: environmental and ecological constructions, urban development, operation, hygiene, the sale of alcoholic beverages, animal and pest control, and advertisements, pursuant to all applicable federal, state and municipal regulations.

Furthermore, Walmart de México y Centroamérica complies with the commercial basic principles ruling the relation between suppliers and consumers established by the Federal Consumer Protection Law.

Mexico is registered in the Ministry of Finance and Public Credit and consolidates for fiscal proposes except the bank; WALMEX complies with all the fiscal dispositions regarding the development of the Corporation.

The primary laws that regulate WALMEX in Mexico are: the Securities Market Law, General Corporation and Partnership Law, Income Tax Law, Value-Added Tax Law, Tax on Cash Deposit Law, Luxury Tax Law, Intellectual Property Law, Federal Copyright Law, Federal Consumer Protection Law, Federal Anti-Trust Law, Foreign Investment Law, Banking Law, Federal Labor Law and Protection of Personal Data Federal Law.

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The operation known as Walmart Central America was consolidated under TFB Corporation, N.V. (a company established in the Dutch Antilles, today Curaçao), a subsidiary of WMCA Central American Holding, S. de R.L. de C.V., who in turn is a direct subsidiary of Wal-Mart de México, S.A.B. de C.V., with the latter being an indirect subsidiary of Wal-Mart Stores, Inc. TFB Corporation, N.V., was established with the sole purpose of serving as the holding company for a number of indirect subsidiaries, who in turn are holdings of other subsidiaries that operate stores and agro-industrial businesses, established in Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica.

Likewise, there is full compliance with the basic principles of commercial relations between suppliers and established consumers in each of the countries served.

Regarding the tax position of TFB Corporation, N.V. and its operating subsidiaries are subject to each country Fiscal Bylaws and are registered in their Tax ID and in compliance with any and all tax requirements related to the development of their respective businesses operation.

vi) Human Resources

The best talent

The associates working in our 2,979 units, 24 distribution centers and home offices, share a common culture based on customer service, respect, integrity and striving for excellence, thus enabling us to have a customer-centric operation, achieve the Company's results, encourage innovation, and exert the execution capacity which characterizes the Company.

Associate development

Promoting and developing our associates is a key success factor within *Walmart Culture*. Our efforts begin by attracting the right talent to strengthen the business; our diversity policies allow us to focus on the best candidates, whether they are or not local residents. The hiring process consists of interviews, selection processes, psychometric tests, interviews with the business committee, economic offer, document submittal, candidate file integration, entry into the work force, welcome, and the on boarding process. The most important talent pool initiatives, used to identify future leaders are:

- Trainees: contributes to the acquisition of high-potential undergraduate students. As students complete their studies they work in different areas of the Company.
- MBAs: supports the integration of Mexicans who study an MBA abroad, inviting them to lead a strategic project for 3 months during the summer; after completing their studies the most outstanding students are integrated to different areas of the Company.

Our talent development programs are focused on the following areas:

- Training that targets our Operations and Staff associates throughout all levels of the Company, aimed at developing their leadership, team work, negotiation and technical knowledge skills. We have the Walmart Training Center offering live or onsite training; the Comprehensive On-line Learning Management System, which includes individual and group development plans; and Walmart TV, our internal TV channel covering the entire operation.
- Scholarship programs for undergraduate and graduate students, supporting the development of executives that are identified as *Top Talent*, enabling them to begin or complete their professional studies through these scholarships for up to 4 years or Diploma courses for up to 2 years.
- Coaching and mentorship programs are aimed at boosting high-potential associate development through an internal or outside expert.
- Compensation and performance evaluation system, especially designed to encourage and acknowledge development of critical competencies for our business, in line with job requirements, and always result-oriented. The evaluation covers annual and six-month individual development; in addition, 360° multidimensional performance evaluations and executive calibrations are carried out, thus being able to identify real talent and design development plans.

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In Mexico, we have consolidated the *Merchandising Academy* to help achieve talent specialization devoted to the knowledge of our business and customers, based on *Walmart Culture* principles. This year we conducted:

- Courses for more than 1,300 buyers on leader training, operation compliance, and training for basic merchandising programs, among others. We implemented a new course called "Category Assortment Training" for more than 220 buyers to provide them with tools needed to create appealing merchandise assortments for our customers; and
- Training for 38 Merchandising trainees, who graduated as assistants in Merchandising and in Replenishment, therefore meeting the commitment of generating new talent with high potential and guaranteeing continued availability.

The *Operations Academy*, on the other hand, seeks to develop operators acknowledged for their leadership and professionalism in process execution; customer-satisfaction focus; adherence to business results; and commitment to their comprehensive development and that of their teams. In 2014, new educational models and learning paths were created, as well as the integration of current and new programs, which will be implemented in 2015.

The first generation of Merchandising trainees graduated this year, and the first Operations generation will graduate in 2015 in Central America. In addition, we incorporated 78 talented associates from the Business, Operations, and Replenishment areas to our 2014–2015 trainee programs.

We trained 11,374 associates from Operations and other critical business areas, through our *Operations and Business Academy* and our *Business Foundation* program, thus providing them with the necessary abilities to boost their merchant spirit and align processes, roles, and ways of operating.

Diversity and equal opportunities

Integrating diverse talent is instrumental to encouraging innovation and obtaining better results since diversity itself better represents our customers.

Our 6-year-old Equality and Inclusion Initiative is driven by the Equality and Inclusion Advisory Board. Consequentially, 1,015 executive positions are now held by women. This program uses specific metrics to follow up on its efficiency in each and every vice presidency of the Company, placing special emphasis on:

- Policies and procedures for talent attraction, development, and training.
- Cultural transformation aimed at reinforcing awareness and knowledge.
- Training and development, highlighting our *Special Certificate Program for Female Executives*, offered by the Panamericana University, where our fifth generation graduated in 2014, and the *Taking the Stage* course, given by women in executive positions.

The Company uses a pay band system that rewards the individual performance of each associate who are evaluated each year based on successful behaviors and results. In positions having equal responsibilities, there are no distinctions in pay due to gender, age, religion, sexual preference, or political ideology.

The *Gender Equality Model* of the Company has been assessed since 2009 by the National Institute of Women in Mexico, granting us recertification for 2014.

Noteworthy is the *Women in Retail* program in Mexico, seeking to develop self-management, leadership, and commitment skills and an outstanding attitude in women who participate for a period of 3 years; this program is part of their development plan. Participants obtain comprehensive development, through experience, exposure, education and mentoring. *Women in Retail* has proven to be a key piece in the acceleration of talent development by using tools such as meetings, conferences, lectures and dialogues with leaders, among others.

In Central America the *Women Leaders Group* is a program aimed at empowering women in leadership positions and supporting home offices; 196 associates graduated from such program. With the participation obtained this year, we achieved approximately 90% coverage of leadership positions at stores. This program will be strengthened next year so that these same women may continue their career path, starting with mentoring circles.

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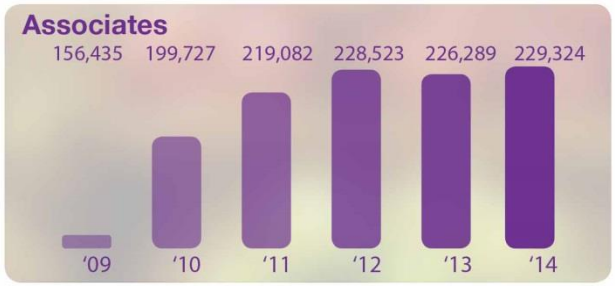

The figures presented in this chapter include Banco Walmart.



Employment and working conditions

Walmart de México y Centroamérica offers a working environment where associates can work effectively and reach their full potential. We are all responsible for creating an environment of respect and trust, and promote a positive work environment, however it is necessary to have labor standards, which are the basis for the generation of policies, processes and programs that support human resources management and focus on the following aspects:

- A work environment where we encourage a culture of integrity, respect for the individual, customer service and striving for excellence.
- No discrimination whatsoever on grounds of race, color, age, gender, sexual orientation, religion, disability, ethnicity, nationality, marital status or any other status protected by law.
- Total rejection and prohibition of child and/or forced labor.
- Health and safety conditions to ensure the associate safety.
- Salaries higher than the minimum required by law.
- Respect for work schedules, days off, regular and overtime pay, and all fringe benefits to which they are entitled.
- Equal development opportunities.
- Open and confidential channels of internal communication for claims regarding violation of any of the points described in this section.

Dialogue with associates

At Walmart de México y Centroamérica we firmly believe that the growth of a successful company requires active involvement by its associates. We conduct an annual commitment survey that allows our associates to express their opinions on where we need to improve; on its leaders and how they live the Walmart Culture; and on the basic points that build the work experience. The survey is administrated by an independent service provider who takes charge of concentrating the individual responses. These are treated as confidential and results are reported as a group.

The results obtained this year place us above the benchmarks from a study conducted of other companies set up in countries where we operate, and where this survey is also applied. Feedback sessions held in all areas of the company as a result of the survey, allow for open and constructive dialog aimed at achieving better work environments and detecting areas of opportunity. The results from these sessions are then converted into action plans.

Work-life balance, health and safety

In 2014 we focused on improving work areas with better lighting which, in addition to saving 40% in energy costs, creates a better work environment, reducing fatigue and stress. In addition, we improved the offerings of healthy meals in our dining areas and remodeled all restrooms. Thanks to our program for quality-of-life transfers, we were able to move 7,466 associates to work centers closer to their homes.

Since its inception, the *Work-Life Balance* initiative has focused on promoting a healthy and family-oriented life. This program includes agreements to facilitate or reduce expenses related to education, different services, and entertainment activities for all our associates. Thanks to these negotiations, 207,541 associates were able to save the equivalent to 41 million pesos.

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In work-related services, there are different programs, such as:

- *PrevenIMSS*, which offers conferences on different health-related issues, such as smoking, cancer, and HIV, in addition to launching campaigns related to health and influenza vaccines. With this program, 27,164 associates were benefited in Mexico.
- *Walmart in Action*, which focuses on 4 basic themes: physical activity, emotional health, personal finances, and nutrition.
- Distribution of healthy menus created by the Mexican Social Security Institute –IMSS.
- *My Sustainability Program*, which provides staff associates different ideas to improve habits that can lead to a positive change in their quality of life and also help the environment.
- Medical consults in home offices, and nutrition services through which over 21,318 associates in Mexico were benefited.
- Breast-feeding rooms at the home offices.

In 2014, associate support programs during natural disasters assisted 796 associates and their families with 11 million pesos for recovery of belongings. Flex-time programs offer the possibility of improving work-life balance through the following elements:

- Post-natal for mothers and fathers: allowing mothers to phase back into work gradually, through the first 7 months of the newborn's life; foster greater involvement of fathers by allowing them to work a 6-hour day during the first month of the newborn's life.
- Operations associates: this includes different policies such as no changes to the work shift during the nursing period; special working hours for students; quality-of-life transfers; fixed working hours for single parents; additional time off each quarter; and one weekend off each month.

We consider safe working conditions a fundamental responsibility. Accident prevention programs describing the measures and actions to be undertaken in different circumstances have the support of a team of experts in health and safety, and they conduct constant audits and implement any improvements needed in all units and distribution centers. Based on this, we document and disseminate good practices, which are supplemented by training, proper equipment, and communication campaigns aimed at the nature of the work being done.

Human Resources, a business partner

Human Resources is devoted to being a key business partner for the Company through innovation, efficient management of information, and ensuring the proper enforcement of work standards, as per compliance programs.

The *HR Scorecard* was created with this in mind. The purpose is to assist the business in decision-making and in assessing strategies through detailed information, indicators, and by analyzing all HR variables such as: headcount evolution and distribution, mobility, promotions, gender equality, turnover, and labor investment, among others.

As of 2013, organizational redesign was conducted to achieve greater efficiency through horizontal structures that could accelerate decision-making processes. By simplifying procedures and policies, daily operations become more agile and productivity increases in all areas of the Company.

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vii) Environmental Performance

Environmental care

Our sustainability strategy is designed to reduce the environmental impact of our operations and of the products we sell, through innovation and investment in state-of-the art technologies, in collaboration with our business partners and through training of our associates and suppliers. Our size allows us to make a significant difference in the environment and for our business.

Carbon dioxide emissions

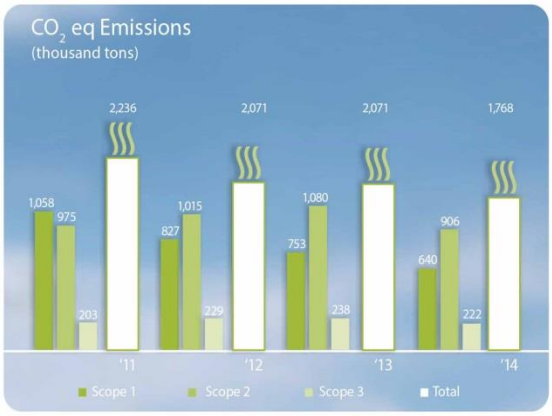
Through the use of renewable energy and the implementation of initiatives meant to reduce energy use, we reduce carbon emissions and, as a result, the impact on climate changes.

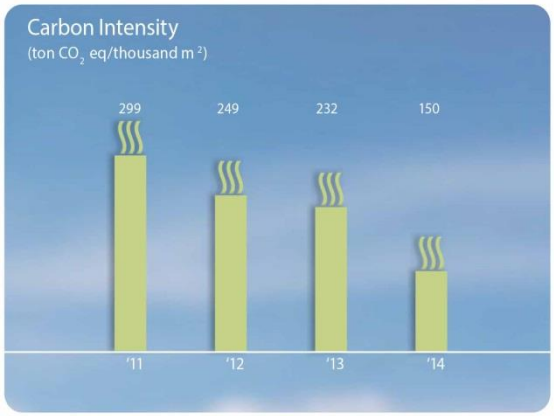
In 2014, we reduced carbon dioxide emissions per square meter of construction by 6.4% in Mexico and 0.6% in Central America. Energy efficiency initiatives served to reduce CO2eq by 19,174 tons, comp stores.

Absolute emissions of scope 1 and 2 amounted to 15.8%, an improvement less than our sales floor.

Emissions created by the transportation of merchandise from distribution centers to stores were reduced 9.5%, as compared to 2013, thanks to the consolidation of reverse logistics initiatives. In Central America, the Backhauling initiative has saved 525,873 liters of diesel.

In Mexico we disclosed our carbon emissions to *Carbon Disclosure Project* platform for third consecutive year.





Energy

We reduced energy use in stores and distribution centers by 1.8% in Central America and 1.6% in Mexico, equivalent to 42 million kWh.

In Mexico, we continue working together with teams from Operations, Operational Efficiency, Remodels, Maintenance, Internal Supplies, Projects and IT to take advantage of new technologies and operational practices to take advantage of new technologies and operational practices for efficient use of energy, through:

- Monitoring and optimization of energy management and control systems.
- Replacement of fluorescent lighting with LED.
- Implementation of energy savings operational campaign.
- Installation of open refrigeration doors and control systems for their resistance.
- Dehumidifiers for refrigeration displays.

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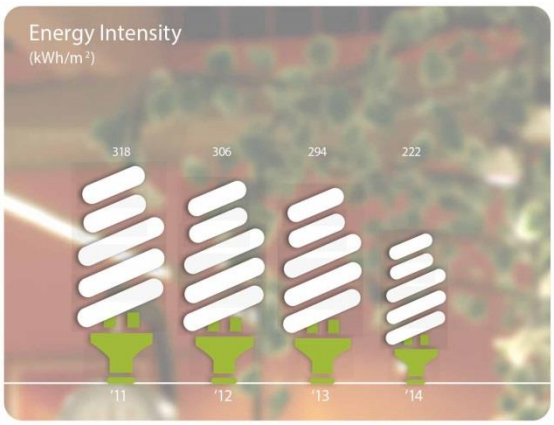
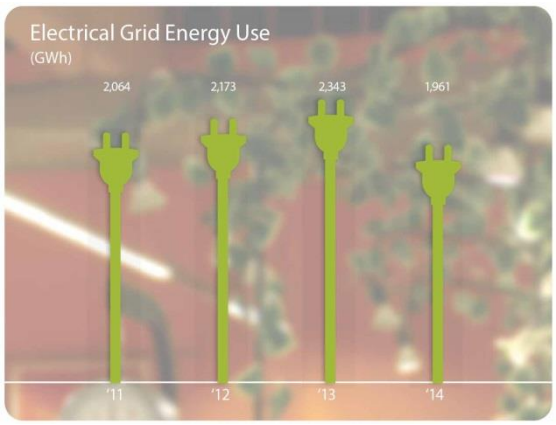


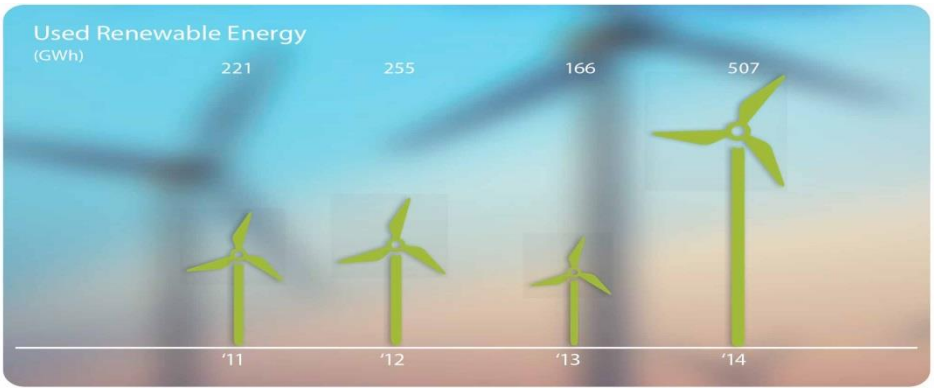


Renewable energy

Aligned to our objective to have 100% supply of energy from renewable sources, the development and installation of projects with this approach allow us to have lower rates, which help us keep our productivity circle, operate with low costs thus offering low prices to our customers.

We strive to become the most efficient and sustainable retailer chain. Therefore, it is essential to have an efficient use of clean energy and energy from renewable sources.

In Mexico, we began using a mini hydroelectric power plant in the state of Veracruz and 2 wind farms in the state of Oaxaca. These are added to the 2 already in use, thus completing 5 renewable energy projects. With the above, we now supply clean, renewable energy to 1,114 stores. We currently use 1,196 million kWh, representing 40% of our 2020 goal and 17% of Walmart's global goal to supply 7,000 million kWh.



Water

We consolidated our operation with a low water use. In Mexico we were able to use 280 million less liters of water, which equals the water used by 1,280 families a year.

We increased our wastewater treatment plants to 911, thus being able to treat and reuse 1,756,375 m3 of water.

In Mexico we disclosed our water management performance to *Carbon Disclosure Project* platform for third consecutive year.

In Mexico we successfully tested the use of a condensate recovery system in air conditioning equipment, thereby recovering the equivalent of 20% of the total water use per store. Thanks to this initiative, together with water recovered from backwash filters, water used from the municipal system was reduced by almost 30%. Both initiatives were devised for remodeling projects and for new stores.

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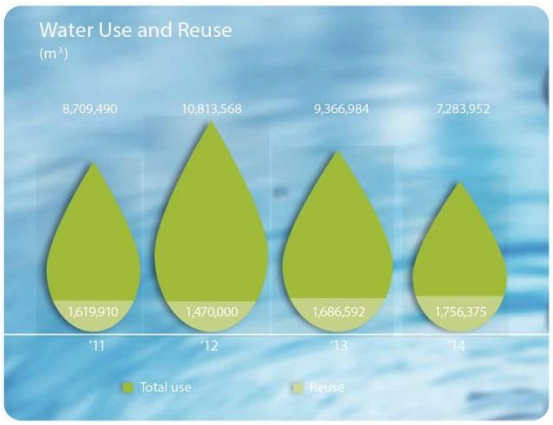

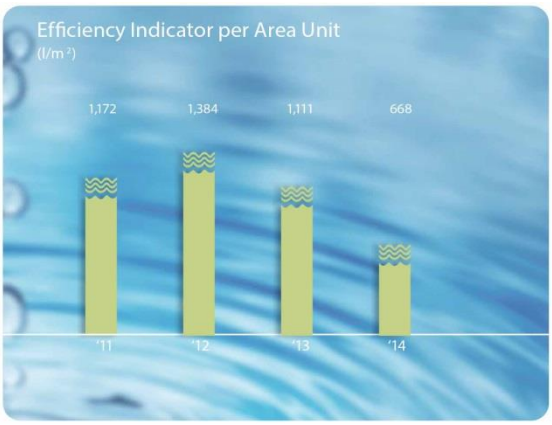

Waste

We continued with the implementation of initiatives to reduce the amount of waste produced. We launched the *Reduce, Recycle and Win* campaign to adopt the best operating practices with the purpose of reducing the amount of perishable waste, and increasing rates of recovery for recyclable materials.

We consolidated the operation of a multidisciplinary committee to reduce food waste, developing innovative techniques aimed at controlling and reducing shrink with these products, thereby achieving a reduction of 6%, as compared to 2013.
In Central America 100% of the stores, plants and distribution centers have recycling programs, 94% in Mexico.

In Mexico we extended our *Collection Drive of Expired Drugs*, in conjunction with the National System of Waste Management for Containers and Drugs. Some 193 containers were set up in 10 states, and over 20 tons were collected, thus totaling the collection of over 40 tons of expired drugs since 2012.





Biodiversity

We continue reinforcing policies and procedures aimed at diminishing the impact that our Company may have over biodiversity, both during the construction phase of our units and the use of natural resources in products and materials for our operation.

1. Protecting biodiversity during the construction of units. Policies, procedures and contractual clauses cover the protection of biodiversity and the sustainable use of natural resources, from the acquisition of the property, to the construction of units by third parties and the design of units. Said policies include:

a. Environmental analysis of properties prior to purchase, with the purpose of verifying the existence of any protected flora or fauna, soil contamination, bodies of water as pertains the viability of the project, and the necessary means of mitigation and compensation required.

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b. Proper project design as per environmental regulations covering green areas, permeable areas, the use of renewable energy, and plant management.
c. Environmental measures and compensations during the construction phase, including proper waste management, flora and fauna recovery, atmospheric emissions, noise pollution, and measures set forth by environmental authorities.
d. Joint responsibility of third parties, including contractual clauses and bidding stipulations for construction companies and suppliers to provide material from authorized banks, manage waste in keeping with current legislation, wastewater management, and compliance with their responsibilities in these matters.

2. Preventing water pollution and soil degradation during farming and fishery-related activities, and in overexploitation of forestry resources.
a. We use wood products, such as pallets, that come from authorized domestic or foreign sources; pulp products that use recycled, post-consumption fiber; and internal paper supplies having *Forest Stewardship Council* certification.
b. We defined a policy for the use of certified palm oil in the products we sell under our private label, so as to avoid deforestation of tropical forests. Moreover, we are working with other suppliers so that all may have proper certification in 2015.
c. We restated the sustainable fishery strategy upon renewing work plans and policies so that in 2015 all aquaculture products, either domestic or imported, are *Best Aquaculture Products* certified.

Value chain

Most of our environmental impact is on our supply chain; hence in cooperation with our suppliers, we undertake the commitment to reduce our impact while offering quality products at accessible prices.

The mutual aid from our suppliers and other organizations is fundamental to make greater progress towards a more sustainable supply chain. For us, there are no competitors on sustainability issues, the addition of efforts and resources may lead to more significant changes.

Workshops on exchange of best practices
As a follow up to sustainability forums, *Together for a Better Planet* in 2010 and 2013, we organized 4 workshops to exchange best practices among companies: logistics, sustainable packaging, carbon footprint measurement and the communication of sustainability initiatives to customers.

Eco-Efficient SMEs
In Mexico, a program on *Eco-Efficiency Consultancy* for SMEs was launched. Its objective is to develop eco-efficiency projects that decrease operative costs by means of a more efficient use of energy, water and raw materials. The program was developed and is operated by the Global Institute for Sustainability sponsored by the Technological Institute of Monterrey.

Innovation Award
In cooperation with the Iberoamerican University, we granted the *Walmart + Ibero Sustainable Innovation Award* for the second consecutive year. A total of 231 projects were presented by students throughout 26 states.

The winner project was *Acuaponia* (Aquaponics), a sustainable biomimetic crop, consisting on combining hydroponics with aquaculture, or raising aquatic animals such as fish, to create a highly sustainable system that does not generate waste. The model imitates an ecosystem similar to a *Chinampa* (a method of Mesoamerican agriculture), when biogeochemical cycles are closed the process is self-sustainable and does not require fertilizers, thus generating organic food.

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Products

Initiatives developed by our suppliers allow us to offer over 1,500 products that have managed to reduce their impact in one or more of their life cycles. Among others, there are products cultivated through sustainable agricultural practices, those manufactured using less energy or water, those made with recycled materials, and even products that when used required less energy than their previous versions or similar ones.

A pilot test on the *Product Sustainability Index* was performed. This is a tool that identifies the most significant environmental impacts of products in their different categories and the actions to reduce such impact. Focusing on the life cycle, the tool aims at achieving improvements in those stages where a significant change can be made for each product category.

The testing stage included 4 categories: coffee, detergents, dairy products and domestic use paper. The participant companies answered a questionnaire related to the environmental impact areas of their products, so as to identify achievements and areas of opportunity.

These types of initiatives allow us to increase our assortment of products with low environmental impact and a similar or better performance than their current versions.

viii) Market Information

Walmart de México y Centroamérica is a publicly-held retail company that operates self-service stores, membership wholesale clubs, apparel stores and bank.

In Mexico competition consists of:

- Establishments with a sales area of more than 6,458 square feet, three or more exit lanes and scanning technology, as well as independent self-service stores with one or two exit lanes and a sales area no greater than 6,458 square feet, such as: Soriana, Comercial Mexicana, Fresko, Chedraui, Casa Ley, Futurama, San Francisco de Asís, HEB, Almacenes Zaragoza, Casa Chapa, Central Detallista, Comercial V.H., among others.
- Convenience stores, a sales area of more than 1,080 square feet, such as: Oxxo, 7 Eleven, Extra, Super 7, Super City, Mode, Super Rapiditos, Bip-Bip, Mercados Mexicali, Super Flash, Super K, Super Deli, Supers del Río, Super Tiendas del Hogar, Super Fiesta, Círculo K, Super Dos, Comextra, JV, Matador, On the Run, Super Tip, etc.
- Apparel and specialized stores, such as: Coppel, El Palacio de Hierro, El Puerto de Liverpool, Sears Roebuck, Sanborns Hermanos, Famsa, Elektra, Home Depot, Office Max, Office Depot, Zara, Radio Shack, Singer, Deportes Martí and Best Buy.
- Membership warehouse clubs, such as: Costco, City Club and Chesuma.
- Establishments operated by public agencies, such as: ISSSTE, UNAM, etc.

As of December 2014, ANTAD membership included 104 retail chains: 35 self-service, 17 apparel and 52 specialized chains, overall it is estimated to gather over 40 thousand stores and reach over 24 million square meters and throughout 2014 posted sales for 1.18 trillion pesos, representing an increase of 5.2%[2].

ANTAD market share integration (sales): Self-service 60.0%, Department stores 19.0% and Specialized 21.0%.

Nevertheless, a major part of the population in our country customarily shops in traditional establishments, such as municipal markets, open-air markets, grocery stores and mom-and-pop businesses, or through the informal sector of the economy. Both maintain a high market share since they are able to supply populations that, due to mere numbers, cannot access other establishments.

2 Source: ANTAD December Press release and 2014 Figures

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In Central America, the market where it competes is described as follows:

- Supermarkets with over 13,993 square feet of sales floor, with three or more lines of cash registers, developed scanning technology, as well as mini-supermarkets, which are independent self-service units with one or two lines of cash registers, and a maximum of 3,983 square feet of sales floor. Among them are retail chains such as La Torre (Guatemala), La Colonia (Honduras), Súper Selectos (El Salvador), La Colonia (Nicaragua), Perimercados (Super Compro and Jumbo), Auto Mercados, MegaSuper and Price Smart (clubs in Costa Rica, Guatemala, El Salvador, Honduras, and Nicaragua), among others.
- Department and specialty stores such as Carrion, Siman, Cemaco, EPA, Monolit, ACE, Grupo M, Elektra, Curacao, Bullock's and Pequeño Mundo.

The formal market in the five countries where the Company operates (Guatemala, El Salvador, Honduras, Nicaragua y Costa Rica) is estimated at having 7,000 supermarkets and mini-supermarkets, 8,900 pharmacies, 1,000 general merchandise stores and large category killers, and 10,000 small-sized stores.

The region has a strong informal market. This market includes traditional establishments such as municipal markets, flea markets, grocery stores, second-hand clothing, and general merchandise, in addition to a large number of street vendors. Both sectors have considerable market share as they are able to supply communities that, due to mere size, restrict the entry of other establishments.

The investment made by Walmart de México y Centroamérica in growth, systems, logistics and distribution are meant to increase and modernize both installed capacity and distribution, thus resulting in a more efficient operation, reduced costs and ever improving service for its customers.

ix) Corporate Structure

Wal-Mart de México S.A.B. de C.V., is listed in the Mexican Stock Exchange whose major shareholder is Wal-Mart Stores, Inc., through Intersalt, S. de R.L. de C.V. one of its subsidiaries, holding 70.3% of the shares.

As of December 31, 2014, the company's market capitalization was 555.3 billion pesos.

WALMEX holds 99.9% equity interest in the following groups of companies:

Group	Line of Business
Nueva Walmart	Operation of 1,660 (1,589 in 2013) Bodega Aurrerá discount stores, 251 (243 in 2013) Walmart hypermarkets, 159 (156 in 2013) Sam's Club membership self-service wholesale stores, 93 (92 in 2013) Superama supermarkets and 10 Medimart pharmacies in both years.
Suburbia	Operation de 116 (109 en 2013) Suburbia stores with apparel and accessories for the entire family.
Importing Companies	Import of goods for sale.
Real Estate	Property developments and management of real estate companies.
Services companies	Rendering of professional services to Group companies, not-for-profit services to the community at large and shareholding.
Walmart Bank	Operation of 130 (201 in 2013) branches.
Walmart Central America	Operation of 477 (466 in 2013) discount stores (Despensa Familiar and Palí), 96 (100 in 2013) supermarkets (Paiz, La Despensa de Don Juan, La Unión and Más x Menos), 94 (75 in 2013) discount warehouse stores (Maxi and Maxi Palí), 22 (20 in 2013) Walmart hypermarkets and 1 ClubCo membership self-service wholesale stores in both years. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

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Wal-Mart Stores, Inc.

Wal-Mart Stores, Inc. American Society, through Intersalt, S. de R.L. de C.V., Mexican Society, one of its subsidiaries, is the majority shareholder for Wal-Mart de México, S.A.B. de C.V.

As part of its latest 10-K report to the SEC, Wal-Mart Stores, Inc. reported the operation of 10,806 commercial units throughout 27 countries, of which 4,516 are in the United States, 2,290 in Mexico, 217 are in Costa Rica, 217 in Guatemala, 89 in El Salvador, 86 in Nicaragua, 81 in Honduras, 396 in Africa, 105 in Argentina, 557 in Brazil, 394 in Canada, 404 in Chile, 411 in China, 20 in India, 431 in Japan and 592 in the United Kingdom. Sales for Wal-Mart Stores, Inc. during the last fiscal period amounted to 485.7 billion dollars, an increase of 2.0% over the similar prior year period.

Walmart Stores, Inc. common stock is listed on the New York Stock Exchange and Pacific Stock Exchanges under ticker symbol WMT.

x) Description of Main Assets

As of December 31, 2014, our cash (28.0 billion pesos), inventories (47.2 billion pesos) and fixed assets such as real estate, stores, distribution centers, fixtures and equipment (126.0 billion pesos). We must point out that cash represents 11.4% of our assets, is wisely and carefully invested following highly conservative standards, and always based on security, liquidity, and yield criteria established by our Treasury Committee, in that order of importance.

Some of the units are owned and others are leased.

Fixed assets are formed by business units, as described:

Description by Business Format

Format	Description	Units	Sales area (square feet)
Mexico			
Bodega Aurrerá	Austere discount stores	1,660	27,490,378
Walmart	Hypermarts	251	21,119,686
Sam's Club	Membership warehouse clubs	159	12,163,215
Superama	Supermarkets	93	1,633,137
Suburbia	Apparel stores	116	4,807,154
Medimart Pharmacy	Pharmacy	10	28,686
Walmart Bank	Universal banking institution aimed at Walmart de México customers, with an initial offering of basic banking and financial products and services	130	-
Central America			
Despensa Familiar and Palí	Austere discount stores	477	2,271,479
Paiz, La Despensa de Don Juan, La Unión and MásxMenos	Supermarkets	96	1,429,403
Walmart	Hypermarkets	22	1,369,935
MaxiDespensa, MaxiPalí	Austere warehouses stores	94	1,638,779
ClubCo	Membership warehouse clubs	1	40,833

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Walmart de México y Centroamérica Growth Plan

Mexico and Central America offer considerable growth opportunities, since they have almost 112[3] and 38[4] million inhabitants respectively.

In Mexico, 28.9% of the population is below the age of 14, 26.4% between 15-29 years of age, 37.2% between 30-64 years of age, 6.2% more than 65 years of age. In the Central American countries where Walmart is present, 46.8% is below the age of 21, and 36.0% under 15 years of age. It is worth mentioning that 1/3 of the Central American population lives in Guatemala.

Our multi-format operation enables us to serve practically all income levels in Mexico and Central America and meet their different buying needs, either for use at home or outside the home. Also, we have developed different prototypes within the existing formats, thus allowing us to efficiently serve different types of communities.

In 2015, it estimates investing 12.4 billion pesos to grow its installations and modernize its operations.

The investment that will be used for new store openings is estimated in 5.6 billion pesos. In Mexico, it is contemplated that the sales floor will increase 2.1%, while in Central America it is estimated that it will increase 5.4%. In total, the growth in installed capacity is estimated to 2.4%.

To modernize operations, the amount estimated to be invested in 6.8 billion pesos, divided as follows: remodeling and maintenance 3.5 billion pesos; infrastructure 2.4 billion pesos and logistics 0.9 billion pesos.

xi) Legal, Administrative or Arbitration Cases

There are currently no cases of this type that could substantially affect the operation of the corporation.

xii) Representative Shares of Capital Stock

As of December 31, 2014, 2013 and 2012, nominal capital stock was as follows:

Capital Stock			
	Thousand pesos		
	2014	**2013**	**2012**
Fixed	Ps. 5,591,362	Ps. 5,591,362	Ps. 5,591,362
Variable	36,982,593	37,215,773	37,381,747
Total	**Ps. 42,573,955**	**Ps. 42,807,135**	**Ps. 42,973,109**

Capital stock at December 31, 2014, 2013 and 2012 consisted of the following registered shares with no par value:

Stock Structure			
	Number of shares		
Series	**2014**	**2013**	**2012**
Serie "V" free subscription common shares	**17,506,639,103**	**17,627,200,951**	**17,721,594,867**

3 Source: Population Census 2010

4 Source: Demographic Observatory Bulletin No. 3: Population Projections. CELADE (April 2009)

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xiii) Dividends

During recent years the Company has decreed dividend payments in cash.

	Dividend payments (pesos)
2011	0.55
2012	0.55
2013	0.92
2014	1.38

As a result of 2014's dividend payment, 21.6 billion pesos were paid in cash. The Company intends to continue paying yearly dividends, the amount of which will depend upon growth opportunities, the economic situation, and the competitive environment, among other factors.

xiv) Exchange controls and other limitations affecting title holders

This element does not apply to Walmex.

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3) FINANCIAL INFORMATION

a) Selected Financial Information

	*IFRS						**MFRS	
MILLION PESOS	2014 [4]	2013 [4]	2013 [1]	2012 [1]	2012	2011	2011	2010
Mexico GDP (Growth,%)	2.1	1.1	1.1	3.9	3.9	3.9	3.9	5.5
Mexico Annual Inflation (%)	4.1	4.0	4.0	3.6	3.6	3.8	3.8	4.4
Peso Devaluation (%)	13.0	1.4	1.4	(7.9)	(7.9)	12.9	12.9	(5.6)
Average Exchange Rate	13.3	12.8	12.8	13.1	13.1	12.5	12.5	12.6
Year-end Exchange Rate	14.7	13.0	13.0	12.9	12.9	14.0	14.0	12.4
Mexico Average Interest Rate (28 Day Cetes,%)	3.0	3.8	3.8	4.2	4.2	4.2	4.2	4.4
RESULTS								
NET SALES	437,659	420,577	420,577	407,843	413,792	375,280	379,021	334,511
% of growth total units	*4*	*3*	*3*	*NA*	*10*	*12*	*13*	*24*
% of growth comp units	*1*	*-1*	*-1*	*4*	*4*	*4*	*4*	*3*
OTHER INCOME	3,329	3,246	4,584	4,217	4,259	3,570	1,885	1,346
% of growth	*3*	*NA*	*9*	*NA*	*19*	*NA*	*40*	*28*
TOTAL REVENUES	440,988	423,823	425,161	412,060	418,051	378,850	380,906	335,857
% of growth	*4*	*NA*	*3*	*NA*	*10*	*NA*	*13*	*24*
GROSS PROFIT	97,619	92,948	93,624	90,228	94,597	85,109	83,698	74,059
% of profit margin	*22.1*	*21.9*	*22.0*	*21.9*	*22.6*	*22.5*	*22.0*	*22.1*
GENERAL EXPENSES	64,010	61,318	62,102	58,541	61,926	55,574	53,619	47,015
% of total revenues	*14.5*	*14.5*	*14.6*	*14.2*	*14.8*	*14.7*	*14.1*	*14.0*
OPERATING INCOME	34,716	31,636	31,532	31,422	32,399	29,591	30,079	27,044
% of total revenues	*7.9*	*7.5*	*7.4*	*7.6*	*7.7*	*7.8*	*7.9*	*8.1*
% of growth	*10*	*NA*	*0*	*NA*	*9*	*NA*	*11*	*21*
EBITDA	42,854	40,305	40,222	39,860	41,166	37,188	37,415	33,294
% of total revenues	*9.7*	*9.5*	*9.5*	*9.7*	*9.8*	*9.8*	*9.8*	*9.9*
FINANCIAL (EXPENSES) INCOME, NET	-154	-16	-15	401	399	189	191	460
INCOME BEFORE INCOME TAX	34,562	31,620	31,517	31,823	32,798	29,780	30,198	27,630
INCOME TAX	9,521	9,632	9,517	9,237	9,529	7,695	7,939	8,066
DISCONTINUED OPERATIONS	5,394	725	713	683	-	-	-	-
CONSOLIDATED NET INCOME ATTRIBUTABLE TO THE PARENT	30,426	22,717	22,717	23,275	23,275	22,080	22,254	19,550
% of growth	*33.9*	*-2.4*	*-2.4*	*5.4*	*5.4*	*NA*	*13.8*	*16.3*
FINANCIAL POSITION								
CASH	28,048	21,129	21,129	28,163	28,163	25,166	25,166	24,661
INVENTORIES	47,175	43,795	43,795	39,092	39,092	39,336	40,163	29,023
OTHER ASSETS	16,842	19,510	19,510	12,909	12,909	13,579	13,249	9,056
FIXED ASSETS	125,996	121,083	121,083	117,377	117,377	111,372	116,680	102,300
GOODWILL	28,020	24,745	24,745	24,745	24,745	29,768	29,768	29,768
TOTAL ASSETS	246,081	230,262	230,262	222,286	222,286	219,221	225,026	194,808
SUPPLIERS	52,710	47,609	47,609	44,770	44,770	50,854	50,854	38,000
OTHER LIABILITIES	43,125	39,702	39,702	37,679	37,679	39,184	40,894	33,948
EQUITY	150,223	142,931	142,931	139,701	139,701	128,867	132,962	122,531
NON-CONTROLLING INTEREST	23	20	20	136	136	316	316	329
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTEREST	246,081	230,262	230,262	222,286	222,286	219,221	225,026	194,808
NUMBER OF UNITS MEXICO								
Bodega Aurrera	1,660	1,589	1,589	1,423	1,423	1,204	1,204	899
Walmart Supercenter	251	243	243	227	227	213	213	192
Sam's Club	159	156	156	142	142	124	124	108
Superama	93	92	92	90	90	88	88	75
Suburbia	116	109	109	100	100	94	94	90
Medimart Pharmacies	10	10	10	6	-	-	-	-
Restaurants Vips	-	-	-	365	365	364	364	366
TOTAL	2,289	2,199	2,199	2,353	2,347	2,087	2,087	1,730
NUMBER OF UNITS CENTRAL AMERICA								
Discount Stores	477	466	466	459	459	453	453	401
Supermakets	96	100	100	97	97	96	96	94
Bodegas	94	75	75	67	67	54	54	36
Walmart	22	20	20	17	17	17	17	16
Clubs	1	1	1	2	2	2	2	2
TOTAL	690	662	662	642	642	622	622	549
Banco Walmart								
Bank branches	-	201	201	263	263	263	263	263
OTHER INFORMATION AT THE END OF THE YEAR								
Number of Associates	228,063 [5]	224,901 [5]	226,289 [3]	248,246	248,246	238,128	238,128	219,767
Share Price [2] (pesos)	31.72	34.26	34.26	42.33	42.33	38.23	38.23	35.44
Number of Outstanding Shares [2] (millons)	17,507	17,627	17,627	17,722	17,722	17,747	17,747	17,848
Market Value	555,322	603,901	603,901	750,172	750,172	678,471	678,471	632,533
Earnings per Share [2] (pesos)	1.732	1.284	1.284	1.312	1.312	1.240	1.250	1.105
Dividends Paid	21,643	16,056	16,056	9,612	9,612	9,659	9,659	5,743
Number of Shares Repurchased [2] (millions)	123	96	96	27	27	103	103	112
Investment in Shares Repurchasing Operations	3,996	3,328	3,328	1,088	1,088	3,455	3,455	3,472
ACQUISITIONS OF PROPERTY AND EQUIPMENT	12,691	13,987	13,987	14,660	14,660	18,352	18,352	13,130

1 Vips results are presented in discontinued operations

2 Adjusted according to split conducted in April 2010

3 Excluding Vips

4 Banco Walmart & restaurant division results are presented in discontinued operations

5 Banco Walmart associates not included

* IFRS = Financial information under International Financial Reporting Standards

** MFRS = Financial information under Mexican Financial Reporting Standards

NA = Non Applicable

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b) Financial Information by Line of Business, Geographical Region and Export Sales

As of December 31, 2014, Mexico had 2,289 operating units, representing 67,242,256 square feet of sales floor. Central America had 690 operating units, representing 6,750,429 square feet of sales floor.

Shares in net sales by business format in Mexico

	2014	2013	2012	2011
Bodega Aurrerá	39%	38%	38%	38%
Walmart	29%	28%	27%	27%
Sam's Club	24%	26%	26%	25%
Superama	4%	4%	4%	5%
Suburbia	4%	4%	3%	3%
Vips			2%	2%
Net sales (million pesos)	**Ps. 375,944**	**Ps. 367,731**	**Ps. 361,789**	**Ps. 329,028**

Shares in sales by business in Central America

	2014	2013	2012	2011
Costa Rica	43%	45%	45%	45%
Guatemala	28%	27%	27%	28%
El Salvador	10%	10%	10%	10%
Honduras	10%	10%	10%	10%
Nicaragua	9%	8%	8%	7%
Total income (million pesos)	**Ps. 61,715**	**Ps. 57,430**	**Ps. 56,262**	**Ps. 49,822**

The geographical breakdown of the business units for Mexico and Central America is as follows:

Breakdown of units by geographical region in Mexico

	2014	2013	2012
Metropolitan Area	26.3%	27.4%	32.1%
Center	34.5%	34.5%	32.0%
Northeast	11.6%	11.1%	9.7%
Southeast	9.0%	8.9%	9.4%
Northwest	7.1%	7.1%	6.3%
North	5.9%	5.7%	5.5%
Southwest	5.6%	5.3%	5.0%
Total Units	**2,289**	**2,199**	**2,347**

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Breakdown of units by geographical region in Central America

	2014	2013	2012
Guatemala	31.4%	31.6%	32.1%
Costa Rica	31.4%	32.3%	31.9%
El Salvador	13.0%	12.7%	12.5%
Nicaragua	12.5%	12.1%	12.3%
Honduras	11.7%	11.3%	11.2%
Total Units	**690**	**662**	**642**

As of December 31, 2014, the installed capacity for the company by geographical region is as follow:

Breakdown of units by geographical region in Mexico

	Unit	Self-service + Clubs + Suburbia
Metropolitan Area	603	25.0%
Center	790	31.9%
Northeast	266	9.3%
Southeast	205	10.1%
Northwest	163	10.1%
North	135	7.7%
Southwest	127	5.9%
Total	**2,289**	**67,242,256** *square feet*

Breakdown of units by geographical region in Central America

	Unit	Self-service + Clubs
Guatemala	217	33.6%
Costa Rica	217	33.8%
El Salvador	89	14.4%
Nicaragua	86	7.8%
Honduras	81	10.4%
Total	**690**	**6,750,429** *square feet*

c) Information about Relevant Credits

WAL-MART DE MÉXICO, S.A.B. DE C.V. does not have credits with financial institutions.

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d) Management's Discussion and Analysis of Results

i) Operation Results

2014 Results

Sale of the restaurant division

As a response to the announcement made on September 10, 2013, regarding the definite agreement reached with Alsea for it to acquire 100% of our restaurant division, on March 5, 2014 we received the notification from the Federal Economic Antitrust Commission (Cofece per its acronym in Spanish), through which this sale was approved, subject to certain conditions.

Upon compliance with the conditions established by Cofece, on May 12, 2014, we informed our shareholders and the investment community that the transaction regarding the sale of the restaurant division to Alsea had been approved, including a total of 361 restaurants, from which 263 belonged to the Vips chain, 92 to El Portón and 6 to Ragazzi. Additionally, the operation comprised intellectual property rights for the 4 chains, as well as menus, product development, operation processes and others.

Sale of Banco Walmart

On December 18, 2014, we reached an agreement with Grupo Financiero Inbursa for it to acquire 100% of Banco Walmart, and the creation of a commercial alliance to strengthen the offer of financial services to our clients. The closing of the transaction is subject to the approval of competent authorities and other conditions that are customary to these types of transactions.

Mexico

Total income amounted to 378.8 billion pesos, a 3.4% increase over last year, and 85.9% of total consolidated income. This growth comes from stores opened throughout the year, based on a solid performance from the self-service division (2.0%) but soft sales at Sam's Club (-5.5%). Gross margin was 22.1%, 20 basis points higher than the one posted in 2013, given a slight change in the merchandise mix. General expenses rose 4.7%, representing 14.0% of total income, and reflect mostly the expenses from the opening of new stores. Efficiency initiatives were put into place to reduce expenses at stores with at least one year in operation. Operating income and EBITDA increased at a faster pace than total income, 4.0% and 4.5%, respectively, thanks to a 20-basis-points improvement in gross margin and cost control. EBITDA amounted to 38.5 billion pesos and represented 10.2% of total income.

Central America

Central America reported total income of 62.2 billion pesos, an 8.3% increase in peso terms and a 7.3% increase on a constant currency basis. Total income represents 14.1% of total consolidated income. Same-store sales rose to 4.1% on a constant currency basis thanks to solid performance from the stores with more than 12 months in operation as well as from the stores opened throughout the year. Gross margin for the year 2014 was 22.4%, equivalent to the one reached in 2013, showing an 8.5% increase in peso terms and a 7.4% increase on a constant currency basis. General expenses increased 2.1% on a constant currency basis with 90-basis point leverage, reflecting operating efficiencies as well as expenses from the opening of new stores. Operating income and EBITDA increased 34.7% and 24.5%, respectively, both on a constant currency basis, based on larger sales, stable gross margin and expense leverage.

Consolidated

Total income amounted to 441.0 billion pesos, some 17.2 billion pesos more than the previous year. This represents a 4.1% increase over the total consolidated income reported in 2013. On a consolidated level, gross margin was 22.1%, 20 basis points higher than the one reported in 2013. General expenses increased 4.4%, slightly over the increase in total income, given the sum of the previously mentioned factors impacting Mexico and Central America. Operating income totaled 34.7 billion pesos, representing a 9.7% increase compared to 2013. On the other hand, EBITDA registered 42.9 billion pesos, showing a 6.3% increase. The Company reports its results separating Banco Walmart as discontinued operations, in conformity with the International Financial Reporting Standard 5. Net income before discontinued operations increased 13.9% and net income increased 34.0% during the year, this amount reflects the net income from the business as well as one-time benefits, such as the proceeds from the sale of the restaurant division. In 2014 we repurchased 123 million shares, 27 million more than in 2013. Earnings per share were 1.732 pesos.

		Mexico			Central America				Consolidated		
							% Inc.				
		2014	2013	% Inc.	2014	2013	In pesos	Constant currency basis	2014	2013	% Inc.
Total income (billion pesos)		378.8	366.4	3.4	62.2	57.4	8.3	7.3	441.0	423.8	4.1
% of total income	**Gross margin**	22.1	21.9	4.5	22.4	22.4	8.5	7.4	22.1	21.9	5.0
	General expenses	14.0	13.8	4.7	17.7	18.6	3.1	2.1	14.5	14.5	4.4
	Operating income	8.1	8.1	4.0	4.6	3.7	36.0	34.7	7.9	7.5	9.7
	EBITDA	10.2	10.1	4.5	7.0	6.0	25.7	24.5	9.7	9.5	6.3

Financial information under International Financial Reporting Standards

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2013 Results

Mexico

Total income amounted to 367.7 billion pesos, a 3.4% increase over last year and 86.5% of total consolidated income. This growth comes from stores opened throughout the year, which countered a -1.3% decrease in sales from stores with more than 12 months in operations, comprising a slight decrease in the self-service division as well as in Sam's Club. Gross margin was 22.0%, 10 basis points below the one reported in 2012, due to slight changes in our merchandise mix. On a comparable basis, general expenses grew 5.3%, as a result of the opening of new stores as well as of cost-cutting measures, excluding a one-time expense, which had no effect in terms of cash flow, which impacts our results. Said charge is recognized in conformity with International Accounting Standards (IAS 17).

Central America

Total income registered 57.4 billion pesos, increasing 2.1% and 5.7% on a constant currency basis; representing 13.5% if total consolidated income. Same-store sales on a constant currency basis increased 1.7%, as a result of a good performance within stores with more than 12 months in operations and stores opened throughout the year. Gross margin in Central America was 22.4%, 170 basis points higher than the one reported in 2012, mostly as a result of the benefits provided by the integration with Mexico regarding systems, processes and formats. On a comparable basis, excluding the one-time charge discussed previously, general expenses grew 4.8%, as a result of the efficiency measures as well as the expenses involving the opening of new stores.

Consolidated

Total income amounted to 425.2 billion pesos, 13.0 billion pesos more than last year. This represented a 3.2% increase over the total income obtained in 2012. Gross margin was 22.0%, 10 basis points higher than the one registered in 2012. General expenses grew 5.2% on a comparable basis, excluding the one-time charge impacting our results in Mexico and Central America. Operating income amounted to 31.5 billion pesos, representing a 2.0% growth compared to 2012, excluding the effect of the one-time charge. EBITDA amounted to 40.2 billion pesos, increasing 2.2%. Excluding the effect of the one-time charge mentioned previously, net income decreased 0.8% during the year. In 2013 we repurchased 96 million shares, 69 million more shares than in 2012. Earnings per share amounted to 1.284 pesos.

ii) Cash and Cash Equivalents

Balance Sheet 2014

Cash and cash equivalents

Our cash position as of December 31, 2014, amounted to 28.0 billion pesos, some 6.9 billion pesos above our position in 2013, showing a 32.7% increase. Cash is invested in short-term debt securities. The Company neither conducts transactions with derivatives, nor does it invest in the stock market. The Company has not conducted any transactions not recorded in the financial statements.

Cash generation Uses of Cash

Cash generation amounted to 43.4 billion pesos. The uses of cash are investment in fixed assets, dividend payment and share repurchase. Investment in fixed assets during the year totals 12.7 billion pesos. We continue reinvesting our earnings in projects that serve to modernize our operating structure –ranging from information systems to logistics networks and the renovations of our stores and clubs–, and we added over 2.9 million square feet in sales floor area, as a result of the opening of 132 new units. In Mexico, we opened 100 units from different business formats, increasing the sales floor area by 3.6%.

	% of total sales	sq. ft. of sales floor	Openings	Units	Cities
Bodega Aurrerá	39.4%	27,490,378	79	1,660	433
Walmart	28.6%	21,119,686	8	251	79
Sam's Club	24.1%	12,163,215	4	159	86
Superama	4.4%	1,633,137	1	93	18
Suburbia	3.5%	4,807,154	8	116	44
Medimart Pharmacy		28,686	-	10	1

In Central America we opened 32 units, increasing our installed capacity by 7.1%.

	% of total sales	sq. ft. of sales floor	Openings	Units	Cities
Costa Rica	42.7%	2,267,824	4	217	15
Guatemala	27.7%	2,284,059	9	217	39
Honduras	10.3%	700,912	6	81	29
El Salvador	10.2%	974,740	6	89	20
Nicaragua	9.1%	522,916	7	86	23

After growth, the remaining cash generated is returned to our shareholders through dividends and repurchase of shares. This year we paid 21.6 billion pesos in dividends and repurchased 123 million own shares for the amount of 4.0 billion pesos.

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The following chart shows the dividends paid during the last 4 years, 2014 being a record in dividend payments.

Year	2011	2012	2013	2014
Dividend per share (pesos)	0.55	0.55	0.92	1.25
% of earning for the previous year	50%	44%	69%	95%
Cash spent (pesos)	9,659	9,612	16,056	21,643

Regarding share repurchase, the shareholders authorize the maximum amount available for the repurchase of shares. Shares repurchased are subtracted from shareholders' equity at the moment of repurchase and are formally cancelled each year during the Shareholders' Assembly.

The following chart shows the investment in the repurchase of shares during the last 4 years.

Program	Repurchased shares (millions)	Invested amount (millions of pesos)
2011	103	3,455
2012	27	1,088
2013	96	3,328
2014	123	3,996

Working Capital

In 2014, the Company continued operating with negative working capital requirements, which has historically allowed for the self-financing of growth and modernization.

The inventory balance as of December 31, 2014, amounted to 47.2 billion pesos, a 7.7% increase compared to last year, while accounts payable to suppliers totaled 52.7 billion pesos, a 10.7% increase.

Balance Sheet 2013

Cash and cash equivalents

Cash generation amounted to 40.0 billion pesos, allowing us to finance investments in fixed assets for 14.0 billion pesos and compensate our shareholders with 19.4 billion pesos, a historical amount for Walmex. Our shares repurchase and dividend payment amounted to 3.3 billion pesos and 16.1 billion pesos, respectively. Our cash position as of December 31, 2013 amounted to 21.1 billion pesos, from which 17.3 billion pesos belong to Mexico, 2.6 billion pesos to Central America and the remaining 1.2 billion pesos to Banco Walmart.

Uses of cash

- Investment in fixed assets: We continue reinvesting our earnings in projects that serve to modernize our operating structure –ranging from information systems to logistics networks and the renovations of our stores and clubs, including the opening of new stores.
- Dividends: In 2013 we distributed 16.1 billion pesos in the form of dividends.
- Shares repurchase: In 2013 we repurchased 96 million shares on a 3.3 billion pesos investment.

Cash levels declined in 2013 given both the operating cycle and the results, but grew back in 2014 thanks to the operating cycle, the year´s results and the sale of the restaurant division.

The positive trend in inventories in the past few years respond to new store openings as well as to the investments in stores with more than 12 months in operations.

Similarly, fixed assets & others are increasing due to the constant investment in new stores and assets aimed at improving the operation.

Supplier levels are also increasing thanks to the increase in inventories, keeping a similar balance within inventories and accounts payable.

Lastly, the increase in shareholders' equity & others goes hand in hand with the growing operation.

Walmex Share

We are the fourth most traded stock on the Mexican Stock Exchange with a weight of 7.0% (as of March,2015), where we have traded since 1977. For the third consecutive year we are included in the Dow Jones Sustainability Index for Emerging Markets, and for the fourth consecutive year we are included in the Mexican Stock Exchange Sustainability Index.

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iii) Internal Control

Having the highest regulation standards and an appropriate control atmosphere is fundamental to achieving the objectives established by Walmart de México y Centroamérica.

The company's internal control assures:

- Assets safety.
- Compliment of established policies.
- Proper operations registry.
- Reliable and timely information.
- Prevention, identification and detection of frauds.

The control of our operation is supported in several administrative systems in order to comply with fiscal requirements and obtain detailed information.

Our control processes are dynamic, continuously adapting to the changes in our environment:

1. Policies and procedures.
   - Restrictive regulatory environment.

2. Accounting control.
   - Account catalog.
   - Accounting guidelines and allocation of balance accounts.
   - Monthly conciliations and exception reports.

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3. Duties segregation.

As a Public Corporation, Walmart de México y Centroamérica operates with the Corporate Best Practices:

- Ethics Code.
- Board of Directors integrated in terms for Securities Market Law.
- Audit Committee.
- Corporative Practices Committee.
- Executive Committee.
- Financial transparency and communication of relevant information.
- Open-door policy; any associate can inform irregularities to higher hierarchy levels.
- The company adopted the Sarbanes-Oxley law for its main Balance Sheet and P&L accounts.

e) Critical Accounting Policies

We follow International Financial Reporting Standards in preparing our financial statements. These principles require us to make certain estimates in some of the items. However, we do not have any Critical Accounting Policies.

4) ADMINISTRATION

a) Independent Auditors

The Consolidated Financial Statements for the company and its subsidiaries as of December 31 of each year have been audited by Mancera, S.C., a member of Ernst & Young Global since 1998, and there were no adverse comments for any of the periods audited. Approval of the Independent Auditor is the sole domain of the Board of Directors for **WALMEX**, after receiving the opinion of the Audit Committee. The fees paid in 2014 to the Independent Auditor amounted to 26.8 million pesos for auditing and other services rendered.

b) Operations with Other Related Parties and Conflict of Interest

There are operations conducted with Wal-Mart Stores, Inc., and other related parties. These consist of the purchasing of merchandise and the payment of services and royalties.

Related party balances

At December 31, 2014 and 2013, the consolidated statement of financial position includes the following balances with related parties:

	December 31, 2014	December 31, 2013	December 31, 2012
Accounts payable to suppliers:			
C.M.A. – U.S.A., L.L.C. (affiliate)	$ 990,986	$ 343,919	$ 615,185
Global George, LTD. (affiliate)	6,625	34,451	17,109
	$ 997,611	$ 378,370	$ 632,294
Other accounts payable:			
Wal-Mart Stores, Inc. (holding company)	$ 506,503	$ 413,092	$ 377,254

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At December 31, 2014 and 2013, balances receivable due from and payable due to related parties consist of current accounts that bear no interest, payable in cash and without guarantees.

Related party transactions

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

- Agreement for imports of merchandise for sale, interest-free and payable monthly.
- Agreement for purchase commissions with Global George that are payable on a recurring basis.
- Agreement for technical assistance and services with Walmart Stores that are payable monthly.
- Agreement for royalties for trademark use with Walmart Stores, payable quarterly based on a percentage of sales of the retail businesses.

The Company had the following transactions with related parties during the years ended December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013	December 31, 2012
Import of merchandise for sale:			
C.M.A. – U.S.A., L.L.C. (affiliate)	$ 3,774,128	$ 3,131,719	$ 3,138,902
Global George, LTD. (affiliate)	95,862	47,003	17,072
	$ 3,869,990	$ 3,178,722	$ 3,155,974
Technical assistance, services and royalties:			
Wal-Mart Stores, Inc. (holding company)	$ 2,398,523	$ 2,164,810	$ 2,146,203

Remuneration of principal officers

An analysis of remuneration to the Company's principal officers for the years ended December 31, 2014 and 2013 is as follows:

	December 31, 2014	December 31, 2013
Short-term benefits	Ps. 786,173	Ps. 754,508
Termination benefits	75,044	83,303
Share-based payments	21,070	93,951
	Ps. 882,287	Ps. 931,762

c) Administrators and Shareholders

Our Company is established on the foundations of integrity and the highest standards of ethics, ensuring unwavering adherence to any and all applicable legislation in all the countries where we operate. The structure and responsibilities of our Board of Directors, the Statement of Ethics and, overall, all our activities are performed under the umbrella of the best practices of Corporate Governance.

Board of Directors

Membership:

- The members are appointed each year by the shareholders in their General Ordinary Assembly meeting.
- Independent Directors must represent a minimum of 25% of total Directors.

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- Minority shareholders, whose shares are at least 10% of Company shares, that is, owners' equity, have the right to choose a Director and the corresponding Alternate Director, who may be removed only when other Board Directors are removed.
- The Board of Directors must meet a minimum of 4 times a year.

Primary duties:

- Electing the CEO.
- Serving as consultant/ advisor to Top Management.
- Working actively with the CEO to develop general strategies for the Company and for any and all subsidiaries.
- Supervising performance of relevant executives.
- Approving policies on information and communication with shareholders and the market.

Other practices:

- The Board evaluates the performance of each Director.
- Independent directors must have experience in the overall business of the Company.
- The Board has access to independent consultants.
- The Chairman of the Board may neither serve as Secretary nor preside over any Board committees.

The Board of Directors is supported by 3 committees, whose job is to analyze subjects of their competence in detail and make recommendations to the Board so that it may review the information and make any decisions that result in creating value for our shareholders. As of January 2, 20145 the Board of Directors is formed by:

Chairman	
Enrique Ostalé	
Directors	Alternate Directors
Carmen Bauza	Renzo Casillo
Brett Biggs	Ernesto Cervera*
Adolfo Cerezo*	Olga González
David Cheesewright	Farley Sequeira
Pedro Farah	
Rafael Matute	Secretary
Roberto Newell*	Alberto Sepúlveda
Salvador Paiz*	
Blanca Treviño*	Assistant Secretary
* Independent Director	Enrique Ponzanelli

Note: Wal-Mart de México, S.A.B. de C.V. held its Annual General Ordinary Shareholders' Assembly on March 24, 2015, where the members of the Board of Directors were ratified and the addition of Richard Mayfield as proprietary Board member was approved.

Audit and Corporate Practices Committees

These are comprised by 3 proprietary Directors and 1 alternate, all of them independent.

Primary duties:

- Selecting the independent auditor for the Company and determining fees.
- Ensuring that the internal control scheme for the Company is appropriate; that any and all applicable accounting and legal provisions are strictly followed; and reviewing operations with related parties that the Company conducts.

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- Reviewing the financial statements and ensuring they are a true reflection of the financial standing of the Company. There is also a procedure for receiving, keeping and responding to claims regarding accounting controls and audit-related matters. These committees have the authority and the necessary resources to retain legal counsel and any other independent consultant needed in the fulfillment of their duties.
- Reducing the risk of conducting operations that may be disadvantageous for Company wealth or that could provide an added advantage for any specific group of shareholders.
- Approving policies for the use of property pertaining to Company assets.
- Authorizing transactions with related parties, wages, and benefits for the CEO and policies governing wages and benefits for relevant executives.
- Assisting the Board of Directors in the preparation of reports on accounting practices.
- Holding closed meetings and receiving periodic reports from Internal Audit, Legal, and Ethics.
- Calling to meeting of the Shareholders' Meeting, and ensuring the order of business includes those points deemed pertinent.

Primary requirements and practices:

- All members must be Independent Directors, with expertise in finance.
- Independent auditors may not provide consultancy services to the Company.
- The partner from the independent audit firm who renders a decision on the Company financial statements audited must be periodically rotated.

Members of the Audit and Corporate Practices Committees:

Adolfo Cerezo (Chairman)
Ernesto Cervera (Alternate)
Roberto Newell
Blanca Treviño

Executive Committee

Among its duties is the strategic planning for the Company.

Executive Committee Members as of January 2, 2015:

David Cheesewright
Enrique Ostalé

Statement of Ethics

The values that set us apart from others –integrity, respect for the individual, service to our customers, and the search for excellence- are the cornerstone of our Culture, and we categorically reiterate that under no circumstances are they negotiable. Associates in all areas and all levels of our business are held responsible for understanding and complying with our Statement of Ethics. Therefore, we are always vigilant that our activities are governed by our basic beliefs and values.

Some of the primary subjects covered in our Statement of Ethics:

- Non-discrimination
- Conflicts of Interest
- Gifts Policy
- Confidentiality of Privileged and Trade Information
- Inappropriate Behaviors
- Harassment on the Job
- Proper Use of Company Assets

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- Sexual Harassment
- No Repercussions
- Fair Trade
- Financial Integrity
- Anticorruption

We have an Ethics area that reports directly to the Executive Vice President of General Counsel and Institutional Affairs for Mexico and Central America. This area is charged with the responsibility of disseminating and promoting a culture of ethical behavior and strict adherence to all legal regulations in the matter, which we consider one of the most important principles. In addition is the responsibility of handling all inquiries and ethics-related cases. The Audit Committee receives periodic reports from this area.

Compliance

Convinced as we are that our values are of utmost importance in Walmart de México y Centroamérica, we make great efforts in cultivating trust and transparency among all our stakeholders. This is a recurring theme at all levels of leadership because our ongoing success depends on having the commitment of one and all to always do the right thing for our customers, among ourselves, and for the wellbeing of our business. This year we reinforced our Compliance program, focusing on the most important subjects, in terms of their impact and in alignment with international standards:

The 14 areas comprising the Compliance program include:

- Responsible Sourcing
- Anticorruption
- Anti-Money Laundering
- Antitrust
- Trade
- Food Safety
- Licenses and Permits
- Environment
- Privacy
- Consumer Protection
- Health and Wellness
- Health and Safety
- Product Safety
- Labor and Employment

The Vice President for Compliance reports to the Vice President of Compliance for Latin America and to the Vice President of Compliance –International. The area has a dedicated team of experts for each of the 14 primary subjects listed above. There is also a monitoring area that covers 100% of the business units, which also provides training, follow-up, and designs the remediation plans.

The Matrix of Responsibilities for Compliance, e-certification, and constant training for all associates working in the Company are fundamental aspects towards ensuring the success of the program. This year, compensation for the top executives of the Company is tied to the accomplishment of compliance objectives.

Anticorruption continues to be a primary focus of the Compliance program. The Anticorruption team is led by a Director who reports directly to the Senior Director for Global Anticorruption Compliance, and to the Vice President for Compliance in Mexico. This team is in charge of conducting due diligence, developing and offering anticorruption training, and supervising the implementation of Company policies and procedures.
The training offered covers the principles and policies that are part and parcel of the Global Anticorruption Policy, and its procedures. In 2014, courses and workshops were taken by more than 23 thousand associates and 773 suppliers.

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Compliance risk assessment was performed, and the resulting information is being used to create a new list of compliance improvements, a priority for 2015.

Corporate Responsibility Committees

In Mexico the Direction of Corporate Responsibility is in charge of the Executive Vice President of General Counsel and Institutional Affairs for Mexico and Central America. In Central America the Corporate Responsibility area is in charge of the Direction of Corporate Affairs, which reports directly to the head of Central America.

Corporate Responsibility Management is aimed at:

1. Involving top management in the accomplishment of stated objectives, the analysis of challenges, in defining plans, and in leading the generation of value.
2. Establishing a long-term vision and strategic priorities.
3. Supporting the consolidation of structural changes, policies, and procedures.
4. Implementing a Corporate Responsibility indicator on the individual performance of top management in their performance evaluations, and which have an effect on pay raises awarded.

Members of the Committees for Corporate Responsibility:

- In México:
  Karina Awad
  Renzo Casillo
  Todd Harbaugh
  Mónica Loaiza
  Rafael Matute
  Enrique Ostalé
  Alberto Sepúlveda
  Adriana Velázquez

- In Central America:
  Carlos Arroyo
  Ana Teresa Concepción
  Jorge Cordero
  José Alberto Montiel
  José Manuel Rodríguez

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Senior Officers as of April 30, 2015

ENRIQUE OSTALÉ **President and Chief Executive Officer** 3 months of experience in Mexico and 8 years in the Company	
JUAN CARLOS AJA **Vice President,** Merchandising Fresh Food, Wine & Liquor 18 years of experience in the Company	**CHRISTOPHER COOK** **Vice President**, Legal, Central America 1 year of experience in the Company
JUAN CARLOS ALARCÓN **Vice President,** Human Resources, Operations and Staff Mexico 1 years of experience in the Company	**DAVID DÁGER** **Vice President,** Merchandising Services 29 years of experience in the Company
MANUEL ÁLVAREZ **Vice President,** Suburbia, CATMEX & Apparel 21 years of experience in the Company	**GAELO DE LA FUENTE** **Vice President,** Perishables 5 months of experience in Mexico and 2 years in the Company
MAURICIO ARNÁBAR **Vice President**, Merchandising, Groceries, Sam's Club 18 years of experience in the Company	**EDMUNDO DELGADO** **Vice President,** Merchandising, Basic & Processed Food 15 years of experience in the Company
ÁLVARO ARRIGUNAGA **Senior Vice President**, Merchandising 21 years of experience in the Company	**HÉCTOR FERNÁNDEZ** **Vice President,** Merchandising, Consumables & Pharmacy 12 years of experience in the Company
CARLOS GERARDO ARROYO **Senior Vice President, COO,** Central America 10 years of experience in the Company	**ALFONSO FERREIRA** **Vice President,** Innovation & Productivity 8 years of experience in the Company
KARINA AWAD **Senior Vice President,** People Division, Mexico & Central America 2 years of experience in the Company	**ROBERTO GÓMEZ** **Vice President,** Merchandising, General Merchandise, Sam's Club 20 years of experience in the Company
CRISTIAN BARRIENTOS **Vice President,** Operations Bodega Aurrerá 2 years of experience in the Company	**OLGA GONZÁLEZ** **Vice President,** Commercial & Operations Finance 6 months of experience in Mexico and 5 years in the Company
RENZO CASILLO **Executive Vice President** & General Manager, Self-service Business Mexico 2 years of experience in the Company	**SERGIO GUILLIN** **Vice President,** Walmart Supercenter 10 years of experience in the Company
ANA TERESA CONCEPCIÓN **Vice President,** Human Resources Central America 2 years of experience in the Company	**GABRIELA GUTIÉRREZ** **Vice President,** Real Estate Central America 21 years of experience in the Company

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ENRIQUE GUZMÁN **Vice President,** General Merchandising 20 years of experience in the Company	**JOSÉ MANUEL RODRÍGUEZ** **Vice President,** Operations, Central America 15 years of experience in the Company
TODD HARBAUGH **Senior Vice President,** Sam's Club 9 months of experience in Mexico and 20 years in the Company	**JESÚS RUIZ** **Vice President,** Strategic Planning and M&A 9 years of experience in the Company
LILIA JAIME **Vice President,** Operations, Sam's Club 34 years of experience in the Company	**ALBERTO SEPÚLVEDA** **Executive Vice President** & General Manager Legal & Institutional Affairs 2 years of experience in the Company
JEFFREY LANGENFELD **Vice President,** Logistics, Central America 4 years of experience in the Company	**FARLEY SEQUEIRA** **Senior Vice President,** Real Estate 22 years of experience in the Company
MÓNICA LOAIZA **Vice President,** Internal Audit Mexico & Central America 5 years of experience in the Company	**LUCAS SOMASCHINI** **Vice President,** Merchandising Central America 2 years of experience in the Company
RAFAEL MATUTE **EVC & CFO,** Mexico and Central America 28 years of experience in the Company	**JOSÉ LUIS TORRES** **Senior Vice President,** Bodega Aurrerá 40 years of experience in the Company
JOSÉ ALBERTO MONTIEL **Vice President,** Finance, Central America 36 years of experience in the Company	**RICARDO VALDESPINO** **Vice President,** Commercial Real Estate (Realty) 25 years of experience in the Company
MARÍA GUADALUPE MORALES **Vice President,** Operations, Walmart Supercenter 43 years of experience in the Company	**MARÍA DEL CARMEN VALENCIA** **Senior Vice President,** Infrastructure and Processes Mexico & Centra America 27 years of experience in the Company
HERNÁN MUNTANER **Vice President,** Perishables & Agribusiness, Mexico 20 years of experience in the Company	**ROQUE VELASCO** **Vice President** and Controller, Governance and Controls 8 years of experience in the Company
GUILLERMO PESCHARD **Senior Vice President,** Financial Services 5 years of experience in the Company	**MARIANO VENTURA** **Vice President,** Superama 21 years of experience in the Company
ENRIQUE PONZANELLI **Vice President,** Legal for Real Estate 23 years of experience in the Company	**IVÁN EDUARDO ZAPIEN** **Vice President,** Corporate Affairs 2 months of experience in Mexico and 6 years in the Company

Board or Executives are related to each other. No Director or Executive has significant holdings in the Company, either as individuals or as a group.

The total payment made from the Company to its Directors and main Executives during the year ended December 31, 2014 amounted to 882.3 million pesos. The payment made by the Company to the totality of its personnel, including its main Executives but excluding its Directors, consists of a fixed part and a variable component, represented by a bonus for results, whose amount depends on accomplishing the goals stated in the Business Plan for the year in question.

As of December 31, 2014, the Company had a Personnel Stock Option Plan, constituted by 242,253,520 **WALMEX** shares presented in the Balance Sheet of the Company at their purchase cost and restated according to the National Consumer Price Index. Said fund is to offer stock purchase programs to company Executives, pursuant to the authorization granted by the National Bank and Securities Commission and to that outlined in the company bylaws. During the period from January 1 to December 31, 2014, a total of 49,367,214 shares were assigned, and 29,358,139 shares were exercised. The Company purchased the stock necessary for this plan through the Mexican Stock Exchange.

The stock holdings in the Personnel Stock Option Plan Fund represent only 1.4% of outstanding shares as of December 31, 2014. Intersalt, S. de R.L. de C.V. is the majority shareholder of Wal-Mart de México, S.A.B. de C.V., and its equity interests as of December 31, 2014 amount to 70.3% of the representative shares of the Capital Stock. The remaining shares trade freely in the Mexican Stock Exchange.

Stock Situation as of December 31, 2014

	Million shares	%
Intersalt, S. de R.L. de C.V.	12,310	70.3
Personnel Stock Option Plan Fund	243	1.4
Subtotal	12,553	71.7
Market	4,954	28.3
Total	**17,507**	**100.0**

In turn, Wal-Mart Stores, Inc. is the majority shareholder of Intersalt, S. de R.L. de C.V. Wal-Mart Stores, Inc. is a U.S. Corporation listed in the New York Stock Exchange; its ticker symbol is WMT.

d) Corporate Bylaws

THE CORPORATE BYLAWS FOR WAL-MART DE MEXICO, S.A.B. de C.V. WERE FULL AMENDED.

CHAPTER ONE

NAME, ADDRESS, PURPOSE, AND TERM

ONE. The name of the corporation is WAL-MART DE MÉXICO. This name shall always be followed by the words SOCIEDAD ANÓNIMA BURSÁTIL DE CAPITAL VARIABLE, or its abbreviation S.A.B. DE C.V. The corporation may use the word "Wal-Mart" as part of its name pursuant to a license agreement with Wal-Mart Stores, Inc. (the "Permanent Shareholder") or a corporation related to it. If the Permanent Shareholder ceases to be, directly or indirectly, the majority shareholder of the corporation, it shall immediately call for a general extraordinary shareholders' meeting to change its name, within sixty (60) calendar days, to any other not including the word "Wal-Mart" or any confusingly similar words.

TWO. The legal domicile for the corporation shall be in Mexico City, Federal District, but representations or branch offices may be established or conventional domiciles may be stipulated in anywhere within the United Mexican States or abroad.

THREE. The purpose of the corporation is:

(a) To promote, incorporate, organize, exploit and take interest in the capital and equity of any commercial or civil corporation, partnership or industrial, commercial, service and other corporation, both domestic and foreign, as well as to participate in their management or liquidation;

(b) To acquire, through any legal means, shares or other equity interests in any type of corporations, commercial or civil, either upon incorporation or thereafter, and to sell, transfer, deal with shares or other interests, including any negotiable instruments;

(c) To provide, contract and receive any technical, consultation and advisory services and enter into any agreements or contracts for the attainment of these purposes.

(d) To assume any obligations on its own behalf or on behalf of third parties, to issue, subscribe, endorse, grant and protest any type of negotiable instruments, to issue guaranties, bonds, in rem or personal guaranties, on its own behalf or on behalf of third parties, to assume joint obligations and execute any instruments or documents permitted by law, with the participation, if any, of persons and institutions, domestic and foreign, if required by law;

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(e) To acquire, issue and offer securities to the public, in accordance with the applicable provisions, and to repurchase shares in accordance with the terms of the Securities Market Law and those provisions derived therefrom;

(f) To acquire, dispose of, lease, sublease, and grant rights for the use and disposal of, and in general, the exploitation of, any movable property or real estate, including appurtenances and accessories;

(g) To execute any agreements and contracts with local, municipal or federal governments and authorities, with any entity, public or private, including affiliates and subsidiaries of the corporation, and with any individuals, domestic or foreign;

(h) To execute transactions with any type of securities and derivative transactions;

(i) To register, purchase, lease, assign, renew, prove use and dispose of trademarks, parents, invention certificates, trade names, industrial designs, trade notices, registration of models, copyright, inventions and processes;

(j) To establish, lease, operate and possess plants, facilities, workshops, warehouses, offices and agencies in the United Mexican States or abroad;

(k) To act as commission agent or mediator and represent any commercial enterprises;

(l) To maintain insurance policies with domestic or foreign insurance companies;

(m) To participate in any bidding process, whether national or international, including those conducted through electronic means, of the Federal Government, local or municipal governments, autonomous or decentralized public bodies, as well as any agency or instrumentality thereof; and

(n) In general, to carry out any acts, execute any contracts and agreements, as well as transactions of any nature in accordance with the terms of the applicable law.

FOUR. The term of the corporation shall be ninety-nine years beginning on the eighth day of March, in the year nineteen hundred and ninety-three.

CHAPTER TWO

CAPITAL STOCK AND SHARES

FIVE. (a) The capital of the corporation is variable.

(b) The minimum fixed capital amounts to $5'591,362,245.00 (five billion, five hundred and ninety-one million, three hundred and sixty two thousand, two hundred and forty-five Mexican pesos).

(c) The authorized maximum variable capital amounts to $100'000,000,000.00 (One hundred billion pesos, lawful currency of the United Mexican States).

(d) The capital, minimum, or fixed or variable, shall be represented by shares of the same series, registered, common or ordinary, without par value, of free subscription, representing one hundred percent (100%) of the voting shares, which may be subscribed or acquired by individuals or entities, domestic or foreign.

(e) The capital stock shall be represented by a minimum of 3'000,000,000 (three billion) and a maximum of 100'000,000,000 (one hundred billion). The Board of Directors may increase or decrease the number of shares outstanding, provided that it is within the minimum and maximum amounts provided for in this paragraph.

(f) Given that the corporation is a publicly-traded corporation (sociedad anónima bursátil) governed by the Securities Market Law, and that the right of withdrawal in accordance with the last paragraph of Article fifty (50) of the Securities Market Law is not applicable to said corporations, it is agreed that there shall be no distinction between the shares representing the fixed capital and those representing the variable capital; therefore, shareholders shall have a proportional interest in the shares of the fixed and variable capital. The corporation shall indicate in the stock certificate or provisional stock certificates the amount of its minimum fixed.

(g) The capital may be increased by further contributions of the shareholders or by the admission of new shareholders and in the events referred to in Article one hundred sixteen (116) of the General Corporations Law, and decreases of the capital by reimbursement to shareholders, to absorb losses and the repurchase of shares.

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(h) Increases and, if applicable, decreases of the capital stock shall be approved by the general ordinary or extraordinary shareholders' meeting, as applicable, in any case, with the notarization of the relevant minutes, except when said increases or decreases result from the repurchase of the shares of the corporation.

(i) Any increase and decrease of capital resulting from one or more of the following events, except when modifying the minimum fixed capital or the maximum authorized variable capital, shall not require the approval of the meeting and may be declared by the Board of Directors: (i) capitalization of stockholders' equity items; (ii) a decrease in the capital stock to absorb losses; or (iii) increases or reductions resulting from the repurchase of shares. In the event of (i) and (ii) above, the number of shares outstanding shall not vary, given that shares have no par value.

(j) On an annual basis, at the general annual ordinary meeting, the Board of Directors shall inform the meeting: (i) the number of shares repurchased by the corporation and whether said shares have been made outstanding or their cancellation is applicable; (ii) the amount of the capital, within the minimum and maximum authorized; (iii) the number of shares outstanding at the close of the previous year; and (iv) the use given to the powers granted by this Article. This obligation is separate from the reporting obligations of the corporation.

(k) The corporation may repurchase shares in accordance with the terms of the Securities Market Law and the provisions derived therefrom, out of the capital stock and, if applicable, a fund created with net profits, called fund for the repurchase of shares.

(l) Corporations in which Wal-Mart de México, S.A.B. de C.V., is the majority shareholder shall not invest, directly or indirectly, in shares of the same, [nor of any other corporation that is a majority shareholder of Wal-Mart de México, S.A.B. de C.V.], except in the event where the shares are purchased to comply with stock options granted or that may be granted to the employees of said corporations, provided that the shares owned by them do not exceed twenty-five percent of the total shares of the corporation.

(m) The corporation may issue shares to be subscribed by the investing public, provided that it complies with the following: (i) the general extraordinary shareholders' meeting approves the maximum amount of the capital increase and the terms under which the relevant shares shall be issued; (ii) the subscription of shares is made in a public offering, after registration with the National Registry of Securities, in compliance with the provisions of the Securities Market Law and the general provisions derived therefrom; (iii) the amount of capital being subscribed and paid is disclosed by the corporation when it discloses the authorized capital stock represented by the issued and unsubscribed shares; and (iv) the preferential subscription right referred to in Article one hundred thirty two (132) of the General Corporations Law shall not be applicable with respect to capital increases made by public offering.

SIX.

1. All the shares into which the capital stock is divided are registered, indivisible, and with no par value. Shares confer rights on the holders and make them liable to those obligations corresponding to common stock.

The corporation, directly and/or through an institution for the deposit of securities or a credit institution acting as registration agents in the name and on behalf of the corporation, shall keep a shareholders' registry in accordance with Article one hundred twenty-eight (128) of the General Corporations Law, in which the subscriptions, acquisitions or transfers of shares representing the capital stock shall be recorded, stating the name of the subscriber and the acquirer. Any person acquiring one or more shares shall assume the sellers' rights and obligations with respect to the corporation. Ownership of one or more shares means the acceptance by a holder of the provisions of the bylaws of the corporation, the amendments or modifications hereto and the resolutions adopted by the general shareholders' meetings and the Board of Directors, regardless of the rights provided for herein.

The corporation shall only acknowledge as shareholder the persons registered as such in the shareholders' registry book maintained by the corporation directly and/or through an institution for the deposit of securities or a credit institution acting as registration agents in the name and on behalf of the corporation. However, with respect to shares intended to be outstanding among the investing public, the indication of this circumstance and of the institution for the deposit of securities in which the stock certificate or certificates representing said shares shall suffice for registration, and, in such case, the corporation shall also acknowledge as shareholders the persons that evidence such capacity with the certificates issued by the relevant institute for the deposit of securities, together with the list of holders of the relevant shares, prepared by whom appears as depositor of said certificates.

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2. Shares shall be represented by printed certificates. Provisional stock certificates may be issued until final stock certificates are printed.

3. The provisional and final stock certificates representing the capital stock shall be consecutively numbered and shall represent one or more shares. Stock certificates shall contain the items listed in Article one hundred and twenty-five (125) of the General Corporations Law. Articles five (5), six (6) and twenty-five (25) herein shall be transcribed verbatim thereon. Stock certificates shall have two written or facsimile signatures of either the Chairman or the Chief Executive Officer, if a board member, or the secretary or alternate secretary of the Board of Directors, or the signatures of two members of the Board as appointed by the Board for said purpose. Stock certificates may have coupons attached and be duly numbered. Stock certificates or provisional stock certificates may be exchanged for others of different denominations, provided that new or provisional stock certificates represent the same number of shares as those given in exchange. Should the certificates or provisional certificates be lost, stolen or destroyed, they may be replaced pursuant to the provisions of Title One, Chapter One, Section Two of the General Law of Negotiable Instruments and Credit Transactions, with expenses for said replacement to be covered by the owner of the relevant certificates.

CHAPTER THREE

GENERAL SHAREHOLDERS' MEETING

SEVEN.

1. The supreme authority of the corporation is the General Shareholder' Meeting, which shall hold either ordinary or extraordinary meetings.

2. The ordinary shareholders' meeting shall meet:

I. To deal with the report referred to in Article one hundred seventy two (172) of the General Corporations Law with respect to the immediately preceding fiscal year of the corporation and the companies controlled by the corporation, as well as the other reports that, pursuant to Article twenty-eight (28), section IV of the Securities Market Law, must be submitted by the Board of Directors of the corporation. Said report shall state the main positions held by each director, indicating which director are independent and which are not.

II. If required, to designate the amount of capital stock that may be used to the repurchase of shares as well as the stockholders' equity maximum amount, with the only limitation being that the sum of the funds that may be allocated for said purpose shall under no circumstances exceed the aggregate balance for net income for the corporation.

III. To appoint and remove the Chairman of the Audit Committee as well as the Chairman of the Corporate Practices Committee.

IV. The general ordinary shareholders' meeting, in addition to the provisions of the General Corporations Law, shall meet to discuss and, if applicable, approve the transactions intended to be executed by the corporation or the entities controlled by it, during one fiscal year, when the transaction represents twenty percent (20%) or more of the consolidated assets of the corporation based on the figures corresponding to the close of the immediately preceding quarter, regardless of the manner in which such transactions are executed, either simultaneously or successively, but that due to their characteristics may be deemed a single transaction. The shareholders of voting shares, including limited or restrictive voting shares in accordance with Article forty-seven (47) of the Securities Market Law, may vote at such meetings.

V. Any other matter not expressly reserved by law or these bylaws to the General Extraordinary Shareholders' Meeting.

3. General ordinary meetings may be held at any time but must meet at least once each year within four months after the close of the fiscal year.

4. General Ordinary Meetings shall be deemed legally convened upon first call if at least half of the shares in the capital stock are represented thereat and resolutions shall be valid when taken by a majority of votes of those present at said meetings. If the meeting cannot be held on the date designated thereto, a second call shall be stating said circumstance. Meetings held upon second call shall be deemed legally convened with any number of shares represented thereat and its resolutions shall be valid if taken by a majority vote of those present thereat.

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5. General Extraordinary Meetings shall be called to deal with the matters listed in Article one hundred and eighty-two (182) of the General Corporations Law:

I. Extension of the term of the corporation;

II. Advanced dissolution of the corporation;

III. Increase or reduction of the Capital Stock;

IV. Changes to the corporation's purpose;

V. Change of the corporation's nationality;

VI. Transformation of the corporation;

VII. Merger and spin-off of the corporation;

VIII. Issuance of preferred stock;

IX. Amortization by the corporation of its own shares, issuance of preferred stock (acciones de goce);

X. Issuance of bonds; and

XI. Any other change to the bylaws.

General Extraordinary Shareholder's Meetings shall be deemed legally convened, upon first call, if at least seventy-five percent (75%) of shares are represented thereat and their resolutions shall be valid if approved by the shareholders representing at least half of said shares. Upon second or subsequent call, the General Extraordinary Shareholder's Meetings shall be deemed legally convened when at least fifty percent (50%) of shares are present. Resolutions shall only be valid if approved by the shareholders representing at least fifty percent of the capital stock.

EIGHT. General Shareholders' Meetings shall be held pursuant to the following rules:

1. Meetings shall be held at the corporate domicile, except in the event of force majeure, and shall be called by the Board of Directors through the publication of a notice in the Official Gazette of the Federation or in a major newspaper of its domicile. Calls shall be published at least fifteen calendar days prior to the meeting, except in the event provided for in Article Seven, section two, subsection II hereof, which term shall be of at least five calendar days prior to the meeting. Call shall include the date, time and place for the meeting, the Agenda, and shall be signed by whom makes said call. During said term, the books and documents related to the items on the Agenda of the Meeting shall be made available at corporate offices to the shareholders for consultation and, if applicable, shall include the financial statements with exhibits.

2. No call shall be necessary if attendees to the meeting represent all issued shares and if a meeting is adjourned for any reason and is to continue on a different date and time. In both cases, this circumstance shall be noted in the relevant minutes.

3. Shareholders may be represented at the meetings by the person or persons appointed through proxy letters granted in accordance with the terms of the applicable law in the forms made available by the corporation in accordance with section III of Article forty-nine (49) of the Securities Market Law. The corporation shall make available to the intermediaries of the securities market that evidence having the representation of the shareholders of the corporation, for the term referred to in Article one hundred seventy-three (173) of the General Corporations Law, forms of proxy letters prepared by the corporation, in order for said intermediaries to provide the forms in a timely manner to those represented by them. Proxy letters shall clearly indicate the name of the corporation and the respective agenda and shall provide space for the instructions of the grantor for the exercise of the proxy. The secretary of the Board of Directors of the corporation shall be required to make sure the provisions of this Article have been complied with and inform so to the shareholders' meeting, which shall be stated in the respective minutes. Members of the Board of Directors shall not represent the shareholders at any meeting.

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4. To attend the meetings, the shareholders shall be registered in the shareholders' registry maintained by the corporation (directly or through an institution for the deposit of securities and the lists of depositors evidencing participation of said shareholder) or by a credit institution acting as registration agent in the name and on behalf of the corporation, obtaining, within the period of time indicated in the respective call, from the secretary of the Board of Directors the admission ticket to attend the meeting, which shall be requested to the secretary of the Board of Directors no later than two (2) days prior to the date set for the meeting.

5. Before calling the meeting to order, the officer presiding over shall appoint one or more recount clerks, who shall verify the number of shares represented and shall make a list of the attendees, stating the number of shares each represents.

6. After quorum is established, the Chairman shall declare the meeting convened and shall proceed to go over the items on the Agenda, presiding over any agreements and debates.

7. The meeting shall be presided over the Chairman of the Board of Directors and should he be absent, the person elected by the meeting. The secretary of the Board of Directors shall act as secretary of the meeting. If absent, the person elected by the meeting shall act as secretary.

8. The Secretary shall draft the minutes of each meeting and shall create a file therefor. The file shall contain the following:

a) A copy of the newspaper in which the call to meeting was published, if any.

b) The attendance list of the owners of stock.

c) Proxy letters or the extract of the document used to evidence capacity certified by the secretary or recount clerk.

d) A copy of the meeting's minutes.

e) All reports, opinions and other documents submitted during the meeting.

f) Certification by the secretary that provisions in paragraph III of Article forty-nine (49) of the Securities Market Law have been complied with.

9. If for any reason a legally called meeting is not convened, a document stating said circumstance and the reasons thereof shall be drafted and a file shall be created in connection with paragraph eight above.

10. Resolutions taken by the general meetings are legally binding for all shareholders, including dissident and absent shareholders, shall be final and without further recourse. The Board of Directors is thereby authorized to adopt resolutions, issue orders and take actions or enter into agreement necessary for the execution of any approved resolutions.

11. Shareholders holding twenty percent (20%) or more of the capital stock may judicially oppose to the decisions adopted by the meeting.

12. Shareholders holding ten percent (10%) or more of the corporation's capital stock shall be entitled to request the adjournment, for one time only, for three calendar days and without any further call, the voting of any matter with respect to which they are not sufficiently informed.

13. If there is no quorum at a general ordinary or extraordinary shareholders' meeting, duly called, the call shall be republished with the same requirements and the same time periods as set forth in paragraph one of this Article. The meeting upon second or subsequent call shall be held provided that the number of shares set forth in Article Seven hereof for these types of meetings is always represented.

14. Without being gathered at a meeting, shareholders may adopt resolutions with the unanimous vote of the shareholders representing all the voting shares in the applicable matters, as the case may be, which resolutions shall be as valid as if adopted by the general shareholders' meeting, respectively, provided that such resolutions are confirmed in writing and entered into the applicable minutes book with the signature of the secretary of the Board of Directors.

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CHAPTER FOUR

MANAGEMENT OF THE CORPORATION

NINE. Management of the corporation shall be entrusted to a Board of Directors and a Chief Executive Officer. The Board shall consist of the number of directors determined by the general ordinary shareholders' meeting, and they shall be no more than twenty-one, at least twenty-five percent of which shall be independent directors. Also, for each director, an alternate may be appointed. The alternate of an independent director shall also be independent. Unless otherwise agreed by the general ordinary shareholders' meeting, the majority of the directors and alternates shall be citizens and residents of any jurisdiction that does not cause the corporation or the securities issued by it, be object of a registry, authorization, registration or any other similar act in a jurisdiction different from the United Mexican States only by virtue of the citizenship or residency of its directors.

Independent directors shall mean the persons that, in the judgment of the general ordinary shareholders' meeting, have the necessary experience, ability and reputation, and considering that they will be able to perform their duties free of any possible conflicts of interests or influenced by personal, economic or other interests. The general shareholders' meeting appointing or ratifying the members of the Board of Directors or, if applicable, the meeting at which said appointments or ratifications are informed, shall determine the independent capacity of the directors. Notwithstanding the foregoing, in no event the persons referred to in sections I through V of Article twenty-six (26) of the Securities Market Law may be appointed or act as independent shareholders. Independent directors that during office cease to be deemed independent shall inform so to the Board of Directors no later than the following meeting of the said body.

TEN. The Board of Directors shall be in charge of Corporate affairs and shall execute the transactions, acts and agreements related to the corporate purpose, with the exception of those expressly reserved by law of these bylaws to the general ordinary or extraordinary shareholders' meetings. Said Board shall represent the corporation before any administrative and judicial authorities, with general powers for acts of ownership and administration and for lawsuits and collections, without limitation, in accordance with Article two thousand five hundred and fifty-four (2554) of the Civil Code for the Federal District. It shall also be authorized to exercise the powers that according to law require special clause, including, but not limited to, the following:

a)To take the actions strictly pertaining to ownership matters such as, to sell, mortgage or otherwise dispose of or encumber, as well as to lease or pledge, the corporation's assets and property.

b)To borrow money, issue bonds, purchase in installments and execute credit transactions without any limitation whatsoever, including the execution and acceptance of any type of negotiable instruments and become joint obligor on behalf of the corporation.

c)In general, to direct, manage and control the corporate affairs and the administration of all its properties, overseeing compliance of any type of agreements and contracts in order to comply with the corporate purposes.

d)To prepare, approve and submit to the shareholders the annual financial statements as required by law, and recommend and propose to the shareholders the resolutions deemed appropriate in connection with the income, profits and losses.

e)To suggest plans and standards to be followed by the corporation, specifically with regards to the purchase, sale, lease, lien, mortgage and transfer of any type of movable properties or real estate, rights and concessions, franchises, incurrence of loans, and any other material management acts and concerns.

f)To appoint and remove, freely, proxies and other corporation's officials and employees, to grant them powers and modify their authority, but always setting the limits set forth in Article Seventeen, set their compensation and determine the personal guaranty to be provided to secure the faithful performance of their duties and approve the external auditor of the corporation, with the prior recommendation from the Audit Committee.

g)To establish and close branches and agency offices of the corporation.

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h)With limitations set forth in Article Seventeen, to delegate, in whole or in part, powers to any person or individual, or group of persons, managers or other official or proxy, as well as to grant general or special powers, legal mandates or administrative authorities for any period of time, and to delegate to any person, whether member or not of the Board of Directors, the power to grant or revoke general and special powers, and to take any other action required to be completed.

i)To issue and exchange shares when it does not involve changes to the capital stock in accordance with the provisions of Article Five.

j)The non-delegable power to resolve the purchasing of shares representing the capital stock of the corporation, through the stock exchange, at the current market price, chargeable to stockholders' equity and, the capital stock, if applicable; and its later offering among the investing public.

k)The non-delegable power of the Board to approve transactions outside the ordinary course of business and intended to be executed by the corporation and its shareholders with persons who are members of the corporation's management, or with whom said persons have equity ties, or if applicable, blood ties or ties to the second degree, the spouse or common law spouse, and those transactions representing more than one percent of corporate assets; the purchase or sale of five percent or more of assets and the granting of guarantees in amounts exceeding five percent of assets.

l)After having first received an opinion from the Audit and Corporate Practices Committees, to decide on and approve those transactions that the corporation or its subsidiaries wish to execute with related parties or that compromise the corporation's estate.

m)To appoint among its members or alternates the members for the Audit and Corporate Practices Committees, provided that said Committees may act as one if they comply with the provisions of Articles forty-one (41), forty-two (42) and forty-three (43) of the Securities Market Law.

n)All others conferred by the Mexican laws and these bylaws that are not expressly reserved to the shareholders.

o)Create other Committees, internal or external, that are required for the effective performance of its obligations, and determine its integration and operation.

ELEVEN.

1.The members of the Board of Directors shall be appointed as set forth in Article Nine and shall hold office for the time period determined by the meeting, until such time as replacements have been elected and take office. Notwithstanding, a duly called shareholders' meeting may revoke the appointment of one or more Directors.

The Board of Directors may appoint provisional directors pursuant to and for the purposes set forth in Article twenty-four (24) of the Securities Market Law.

2.Unless otherwise required by the general ordinary shareholders' meeting, members of the Board of Directors are not required to guarantee any liability that could be incurred in the performance of their duties.

3.Directors shall be appointed with the majority vote of the shares entitled to vote at the general ordinary shareholders' meeting.

4.The minority shareholders representing at least ten percent (10%) of the capital stock, represented by shares subscribed by the corporation, shall be entitled to:

a) Appoint and remove a member of the Board of Directors. Such appointment may only be revoked when the other members of the Board of Directors are also removed, in which case, removed members shall not be appointed as such for a period of 12 months immediately following the date of removal.

b) Request the Chairman of the Board of Directors or the Chairman of the Audit and Corporate Practices Committees, at any time, to call for a general shareholders' meeting.

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5.If upon holding elections of Directors as set forth in paragraph three of this Article, a minority shareholder or group of minority shareholders exercise the right granted by paragraph four above to appoint a director and its alternate for a fiscal year or a portion thereof, at any shareholders' meeting, said minority shareholder or group of minority shareholders may not vote during the appointment of the remaining directors for the same fiscal year or portion thereof.

TWELVE.

1.Meetings of the Board of Director shall be held at the corporate domicile, in the branch offices or agencies that have been established anywhere within the United Mexican States or abroad as determined by the Board. Meetings may also be held in person or with access through electronic or telecommunications means.

Resolutions taken in lieu of a board meeting, unanimously, shall be as valid as if taken by a meeting of the Board. In this case, resolutions may be taken regardless of the location of each Board member, or the means used for communication. Said resolutions shall be confirmed in writing, entered in the Board meeting's minutes' book and duly signed by the chairman and secretary or alternate secretary.

2.Meetings of the Board of Directors may be held at any time whenever called by the chairman, the secretary, the alternate secretary, the Audit and Corporate Practices Committees or twenty-five percent (25%) of the directors, in writing or otherwise, at least three (3) calendar days prior to the meeting, specifying the time, date, place and Agenda.

The Board of Directors shall meet at least four times each year.

3.Board members may waive in writing the need for a call to a meeting. If a director is present, it shall be deemed it has waived the call. No prior call is required for meetings included in the schedule approved by the Board. For other cases, any call made three (3) calendar days prior to the meeting shall suffice.

4.Except for cases outlined below in this same paragraph regarding the existence of quorum for any Board of Directors' meeting, attendance of at least half plus one directors or alternates is required. Resolutions on all matters reserved for the Board and listed on the Agenda shall be approved with the affirmative vote of at least half plus one of directors or alternates. To deal with and validly adopt resolutions on any of the matters listed below, the attendance of the chairman of the Board of Directors and at least half of the directors or alternate directors is required. Resolutions shall be adopted with the affirmative vote of the chairman of the Board of Directors and at least half of the directors or alternate directors. These matters are:

a)Any purchase or acquisition, through any means, sale or disposal of any title to property of the fixed assets of corporation or any permanent investment exceeding twenty-five percent of stockholders' equity pursuant to the most recent financial statements approved by the shareholders.

b)Incur debts maturing beyond twelve months and in an amount exceeding twenty-five percent of the stockholders' equity pursuant to the most recent document of financial information approved by the shareholders.

c)Grant bonds, pledges, mortgages and other guaranties of any kind in excess of twenty-five percent (25%) of the stockholders' equity pursuant to the most recent financial statements approved by the shareholders.

d)The appointment or removal of the Chairman of the Board of Directors and the Chief Executive Officer of the corporation, as well as the granting or revoking of their respective powers, in which case, neither the attendance nor the vote of the active chairman shall be required.

5.Minutes shall be drafted of any meetings of the Board of Directors. Said minutes shall be recorded in the Minutes book and signed by the Chairman and Secretary or Alternate Secretary of the Board.

6.For the provision of their services, directors shall receive the compensation set by the general shareholders' meeting, in addition to any travel expenses incurred in conducting the operations of the corporation, as well as those incurred for traveling to and from the place where the meeting is held.

The persons that have an employee relation with the Permanent Shareholder and its subsidiaries, including this corporation, that occupy a position of director, alternate director, secretary or alternate secretary, shall have no right to receive emoluments for its services, but only to the reimbursement of their traveling expenses.

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7.Board members are in responsible for the resolutions adopted with respect to the matters referred to in section k) of Article Ten above, with the exception of the provisions of Article one hundred and fifty-nine (159) of the General Corporations Law and the events listed in Articles forty (40) of the Securities Market Law.

8.Members of the Board of Directors and the Chief Executive Officer shall meet the duties of care and loyalty as set forth in Articles thirty (30), thirty-one (31), thirty-two (32), thirty-four (34), and thirty-five (35) of the Securities Market Law, and shall refrain from engaging in conducts that may be deemed illicit deeds or actions pursuant to Article thirty-six (36) of the Securities Market Law.

9.The corporation shall indemnify and hold harmless the members of the Board of Directors with respect to any liability incurred to third parties in the performance of their duties and it shall pay the amount of said indemnification for any damages caused to third parties, the corporation or the entities it controls or in which it has significant influence, except with respect to acts that are intentionally malicious, in bad faith or illegal. In addition, the corporation may take out in favor of the members of the Board of Directors insurance, bonds or guaranties covering the amount of the indemnification for any damages caused in the performance of their duties to the corporation or the entities it controls or in which it has significant influence, except with respect to acts that are intentionally malicious, in bad faith or illegal.

CHAPTER FIVE

OFFICIALS AND PERMANENT SHAREHOLDER

THIRTEEN. Once the Board of Directors is duly formed, in its first meeting, it shall appoint among its members a Chairman. Also, a secretary and an alternate secretary may be appointed, none of which are required to be a Board member.

FOURTEEN. The duties and obligations for the Chairman of the Board are:

Preside over general shareholders' meetings and comply with its resolutions when no special executor is appointed.

Call for Board of Director meetings, preside over meetings and comply with its resolutions when no special executor is appointed.

Sign the minutes of shareholders' and Board meetings presided over by him, as well as the copies of said documents when issued upon request of the interested parties.

Supervise the strict compliance with these bylaws, the interior regulations of the corporation and any agreements approved by the Board and the Committees.

Submit to the Shareholders on an annual basis a detailed report on the state of affairs of the corporation.

Any others granted or imposed by the Board of Directors.

FIFTEEN. The corporation is a subsidiary of, and is controlled by, the Permanent Shareholder, who has expressed to the corporation its intention to become the owner of at least the majority of the voting shares and the capital stock of the corporation. The Audit and Corporate Practices Committee, solely comprised of independent directors, has determined that it is in the best interests of the corporation and its shareholders, without any distinction, to become a member of the business group lead by the Permanent Shareholder. Therefore, the corporation, after obtaining the favorable opinion of its Audit and Corporate Practices Committee and that of its Board of Directors, in both cases solely through the directors that are independent, may adopt policies and procedures with respect to the consistency, reporting, information, compliance, regulation, organization and other that are consistent with those adopted by the Permanent Shareholder, provided that said policies and procedures are consistent with and do not contravene Mexican law.

SIXTEEN. The powers and duties of the secretary and alternate secretary of the Board of Directors are:

1.To act as such at the Shareholders' and Board meetings, and to draft any minutes thereof and sign them together with the Chairman of the Board.

2.To keep the Shareholders' and Board meetings' minutes books, as well as the Shareholders' and Capital Variations Registry Books.

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3.To issue, upon request, copies of the minutes recorded in said books, and documentation relating to the corporation, as well as to sign certificates and communications in compliance with the law applicable to publicly-traded corporations (sociedades anónimas bursátiles).

4.Formalize any resolutions adopted by the Board of Directors and Shareholders' meetings, and those resolutions that under the applicable law are required to be formalized.

SEVENTEEN. The Board of Directors may freely appoint and remove the Chief Executive Officer and other senior executive officers, who may or may not be shareholders, and who shall have the obligations, powers and compensation allocated by the Board of Directors and those stated by Law; and shall secure the performance of their duties in the same manner as the directors. The powers granted to said Chief Executive Officer as well as to any other official employed by the corporation or its subsidiaries shall always require the prior approval by the Board with respect to the matters listed in Article Twelve, paragraph four hereof. The positions of directors and Chief Executive Officer shall be compatible and may be held by the same person, in which case the aforementioned guarantee shall only be provided once.

The Chief Executive Officer shall perform the duties of management, administrative and execution of the business of the corporation and the legal entities controlled by the corporation, as well as those activities described in Articles forty-four (44), forty-five (45), forty-six (46) and those applicable under the Securities Market Law.

EIGHTEEN. The Chief Executive Officer, or in his absence, the Board, may freely appoint and remove one or more managers, assistant managers and agents of the corporation, and who may or may not be shareholders, and may designate their powers, duties and compensation, with clear indication given of the scope of their rights and duties to be exercised and performed in the businesses and locations determined by the Board.

CHAPTER SIX

SURVEILLANCE OF THE CORPORATION

NINETEEN. Surveillance of the corporation shall be the responsibility of the Board of Directors, through the Audit and Corporate Practices Committees, which shall consist of at least three independent directors. The person conducting the external audit of the corporation shall also perform the surveillance activities. The members of the Audit and Corporate Practices Committees shall be annually appointed by the Board of Directors and shall perform the duties set forth in Articles forty-two (42) and forty-three (43) of the Securities Market Law and shall hold their positions for one year or until replacements have been appointed and take office.

CHAPTER SEVEN

PROFITS AND RESERVE FUND

TWENTY. At the close of each fiscal year, the financial statements of the corporation and its subsidiaries shall be prepared, on a consolidated basis, based on the principles set forth in the Securities Market Law and the general provisions derived there from, pursuant to the accounting principles issued or acknowledged by the National Banking and Securities Commission and pursuant to the provisions of Article one hundred four (104) of the Securities Market Law. Said financial statements shall be completed within three months following the close of the fiscal year and shall be submitted to the general shareholders' meeting for approval. The following distribution shall be made of the net profits resulting from the financial statements approved by the shareholders' meeting:

a) At least five percent is to be set aside to establish the reserve fund in accordance with the provisions of Article twenty (20) of the General Corporations Law, until said fund amounts to twenty percent (20%) of the historic capital stock. Said amounts are also to be used to create any other funds approved by the general meeting, including, without limitation, a fund for the repurchase of shares.

b) The remaining profits shall be used as agreed by the general ordinary shareholders' meeting. As instructed by the shareholders' meeting, the Board of Directors may pay at any time dividends on profits earned pursuant to financial statements approved by the shareholders. Any dividends declared and not collected by the shareholders within a period of five (5) years shall be deemed waived in favor of the corporation.

c) When so agreed by the general extraordinary shareholders' meeting, the corporation may proceed to redeem shares with distributable income pursuant to the rules set forth in the General Corporations Law.

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CHAPTER EIGHT

DISSOLUTION AND LIQUIDATION

TWENTY-ONE. The corporation shall be dissolved upon expiration of the term referred to in Article Four, unless said term is extended prior to its expiration by agreement of the general extraordinary shareholders' meeting or prior to said expiration for any of the reasons outlined in Article two hundred and twenty-nine (229) of the General Corporations Law.

TWENTY-TWO. Upon completion of the dissolution process of the corporation by the shareholders' meeting, one or two liquidators shall be appointed, who shall proceed to liquidate the corporation and distribute any proceeds among the shareholders in the direct proportion to the number of shares held by each shareholder. Said liquidators shall be granted full powers to liquidate the corporation and may, therefore, collect any amounts due to the corporation and pay any amounts owed by it. Also, liquidators shall initiate any suits and proceedings and pursue them to completion with full powers pursuant to Articles two thousand five hundred and fifty-four (2554) and two thousand five hundred and eighty-seven (2587) of the Civil Code for the Federal District. Liquidators are also authorized to cancel mortgages and other liens; settle disputes and sell properties or securities of any nature. With regards to any powers and obligations not specifically set forth in these bylaws, liquidators shall have those conferred by Articles two hundred and forty-two (242) and others in accordance with the General Corporations Law.

TWENTY-THREE. Shareholders shall be responsible for the corporation losses only to the extent of the value of their respective subscribed and unpaid shares.

TWENTY-FOUR. Founding partners as such do not reserve any special interest in the profits.

CHAPTER NINE

GENERAL PROVISIONS

TWENTY-FIVE. Any foreigner who upon the incorporation or at a later time acquires any interests or shares in the corporation shall, therefor, be deemed a Mexican national with respect to said interests or shares and it shall be understood that said foreigner agrees not to claim the protection of his government, under penalty, in case of failure to comply with this agreement, of forfeiting such interests or shares to the Mexican nation.

TWENTY-SIX. Fiscal years for the corporation shall run from January first through December thirty-first of each year.

TWENTY-SEVEN. For the purpose of canceling registration of the shares with the Registry, pursuant to the terms of Article one hundred eight (108), section II of the Securities Market Law, the corporation shall be exempted from making the public offering provided for in said legal provision; provided that the corporation proves to the National Banking and Securities Commission that the shareholders, representing at least ninety-five percent (95%) of the capital stock of the corporation, have given their consent by agreement of the meeting that the amount for the shares to be offered to the investing public is less than three hundred thousand (300,000) investment units and creates a the trust referred to in the last paragraph of section II of said Article one hundred eight (108) and notifies the cancellation and creation of the trust through the means provided in the Securities Markey Law.

TWENTY-EIGHT. The provisions of the Securities Market Law and the General Corporations Law shall apply to any matters not expressly provided for in these bylaws.

TWENTY-NINE. Any interpretation of any of the provisions of these bylaws shall be made pursuant to the laws applicable in the United Mexican States, including the provisions of the Securities Market Law, the general provisions issued by the National Banking and Securities Commission, the General Corporations Law and the other sources referred to in Article five (5) of the Securities Market Law. In case of interpretation or any dispute thereof, the federal courts sitting in the corporate domicile of the corporation shall be competent.

e) Other Corporate Practices

This element does not apply to Walmex.

5) STOCK MARKET

a) Stock Structure

Walmart de México y Centroamérica stock trades in the Mexican Stock Exchange under the **WALMEX** ticker symbol.

Stock Structure
As of December 31, 2014
Millions of Shares

Series		Number of Shares	%
"V"	Free subscription, with voting rights	17,507	100

The company has a sponsored ADR program on its series "V" shares. The depositary bank is The Bank of New York.

b) Stock Performance in the Securities Market

Relevant Stock Indicators

	2010	2011	2012	2013	2014
Maximum Price	35.74	38.92	44.87	42.31	35.67
Minimum Price	27.78	29.42	34.32	31.42	28.06
Closing Price	35.44	38.23	42.33	34.26	31.72
Volume (millions)	3,943.3	3,689.5	4,575.4	4,683.8	4,614.4

Relevant Stock Indicators 2014

	QUARTER			
	1ST	2ND	3RD	4TH
Maximum Price	33.50	35.36	35.67	33.25
Minimum Price	28.06	30.10	32.80	28.49
Closing Price	30.98	34.70	33.77	31.72
Volume (millions)	1,367.6	1,087.5	864.6	1,294.7

Relevant Stock Indicators 2013

	QUARTER			
	1ST	2ND	3RD	4TH
Maximum Price	42.31	40.20	37.11	35.20
Minimum Price	37.55	34.18	31.42	31.82
Closing Price	40.40	36.48	34.42	34.26
Volume (millions)	883.2	1,097.3	1,479.9	1,223.4

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Relevant Stock Indicators (October 2014 - March 2015)

	OCT	NOV	DEC	JAN	FEB	MAR
Maximum Price	33.25	31.54	31.72	30.76	37.10	39.71
Minimum Price	29.98	29.67	28.49	28.69	28.44	36.03
Closing Price	31.13	29.75	31.72	28.95	36.59	38.11
Volume (millions)	463.9	368.7	462.1	357.8	582.7	460.6

c) Market Maker

This element does not apply to Walmex.

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6) PEOPLE IN CHARGE

"The undersigned hereby solemnly swear that, in the performance of our respective duties, we prepared the information relative to the issuer contained in the annual report herein and to the best of our knowledge said information reasonably reflects the situation of the aforementioned issuer. In addition, we hereby swear that we have no knowledge of the omission or falsification of material information contained in said annual report or that it contains any information that could mislead the investors and cause them to make erroneous judgments."

(Signed)

Enrique Ostalé
Chairman of the Board of Directors and Chief Executive Officer

(Signed)

Rafael Matute
Executive Vice President and CFO

(Signed)

Alberto Sepúlveda
Executive Vice President and Chief Officer for Legal and Government Affairs for Mexico and Central America

Date: April 30, 2015

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"The undersigned hereby solemnly sears that the financial statements for the years ending December 31, 2014 and 2013, contained in the annual report herein, were examined Feb. 4, 2015, pursuant to International Auditing Standards.

Moreover, the undersigned swears to have read the annual report herein, in full, and based on said reading and within the scope of the auditing wok performed, has neither any knowledge of any material errors or inconsistencies in the information included, and that the source for said information are the examined financial statements mentioned hereinabove, nor of any omissions or falsifications in the annual report which could mislead the investors and cause them to make any erroneous judgments.

Notwithstanding, the undersigned was neither hired nor conducted any additional procedures with the purpose of expressing his opinion on the other information contained in said annual report that did not come from the financial statements examined by him."

(Signed)

David Sitt Cofradía

Independent Auditor of Mancera, S.C.

A Member of Ernst & Young Global

Date: April 30, 2015

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7) APPENDANT

a) Consolidated Financial Statements and Opinion of the Statutory Auditor

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

Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

Contents

Report of Independent Auditors

Consolidated Financial Statements

- Statements of Financial Position
- Statements of Comprehensive Income
- Statements of Changes in Equity
- Statements of Cash Flows
- Notes to Financial Statements

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of
Wal-Mart de México, S.A.B. de C.V.

We have audited the accompanying consolidated financial statements of Wal-Mart de México, S.A.B. de C.V. and subsidiaries, which comprise the consolidated statements of financial position at December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, as well as a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to frauds or errors.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wal-Mart de México, S.A.B. de C.V. and subsidiaries at December 31, 2014 and 2013, and their consolidated financial performance and cash flows for the years then ended, in conformity with the International Financial Reporting Standards.

Our audit opinion and the accompanying financial statements and footnotes have been translated from the original Spanish version to English for convenience purposes only.

Mancera, S.C.

A Member Practice of

Ernst & Young Global

David Sitt

Mexico City, February 4, 2015, except for Note 19 related to the approval of the consolidated financial statements, which is dated February 17, 2015.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	Ps. 28,047,848	Ps. 21,129,491
Accounts receivable, net (Note 5)	6,382,321	12,778,413
Inventories (Note 6)	47,175,311	43,794,897
Prepaid expenses and other assets	858,363	1,013,525
Assets held for sale (Note 7)	7,988,358	3,932,746
Total current assets	90,452,201	82,649,072
Non-current assets:		
Property and equipment, net (Note 8)	125,996,056	121,082,727
Intangible assets (Note 9)	29,115,019	25,957,186
Other non-current assets	517,280	573,148
Total assets	Ps. 246,080,556	Ps. 230,262,133
Liabilities and equity		
Current liabilities:		
Accounts payable to suppliers (Note 10)	Ps. 52,710,227	Ps. 47,609,438
Other accounts payable (Note 11)	13,640,563	15,549,473
Taxes payable	3,406,529	1,596,262
Liabilities relating to assets held for sale (Note 7)	5,770,732	966,227
Total current liabilities	75,528,051	65,721,400
Long-term liabilities:		
Other long-term liabilities (Note 12)	13,179,933	13,766,917
Deferred tax (Note 13)	5,821,848	6,851,658
Employee benefits (Note 14)	1,304,904	971,577
Total liabilities	95,834,736	87,311,552
Equity (Note 15):		
Capital stock	45,523,723	45,777,573
Legal reserve	8,085,178	6,949,333
Retained earnings	94,265,950	92,551,723
Other comprehensive income items	5,481,982	397,799
Premium on sale of shares	2,464,001	2,314,940
Employee stock option plan fund	(5,598,259)	(5,061,161)
Equity attributable to owners of the parent	150,222,575	142,930,207
Non-controlling interests	23,245	20,374
Total equity	150,245,820	142,950,581
Total liabilities and equity	Ps. 246,080,556	Ps. 230,262,133

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Year ended December 31	
	2014	**2013**
Net sales	Ps. 437,658,414	Ps. 420,577,021
Other revenues (Note 16)	3,329,320	3,245,946
Total revenues	440,987,734	423,822,967
Cost of sales	(343,368,796)	(330,874,486)
Gross profit	97,618,938	92,948,481
General expenses	(64,009,927)	(61,318,468)
Income before other income, net	33,609,011	31,630,013
Other income, net	1,107,185	6,123
Operating income	34,716,196	31,636,136
Financial expenses, net (Note 17)	154,034	15,744
Income before taxes on profits	34,562,162	31,620,392
Taxes on profits (Note 13)	(9,521,334)	(9,631,575)
Net Income from continuing operations	25,040,828	21,988,817
Net income from discontinued operations (Note 7)	5,394,065	724,403
Consolidated net income	Ps. 30,434,893	Ps. 22,713,220
Other comprehensive income items:		
Items that do not reclassify to profit and loss of the year:		
Actuarial (loss) gain on employee benefits	Ps. (158,054)	Ps. 57,007
Items that may be reclassified subsequently to profit and loss:		
Cumulative translation adjustment	5,242,237	178,011
	5,084,183	235,018
Comprehensive income	Ps. 35,519,076	Ps. 22,948,238
Net income attributable to:		
Owners of the parent	Ps. 30,425,945	Ps. 22,716,891
Non-controlling interests	8,948	(3,671)
	Ps. 30,434,893	Ps. 22,713,220
Comprehensive income attributable to:		
Owners of the parent	Ps. 35,510,128	Ps. 22,951,909
Non-controlling interests	8,948	(3,671)
	Ps. 35,519,076	Ps. 22,948,238
Basic earnings per share from continuing operations attributable to owners of the parent (in pesos)	Ps. 1.426	Ps. 1.243
Basic earnings per share attributable to owners of the parent (in pesos)	Ps. 1.732	Ps . 1.284

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(Notes 1, 3 and 15)
Amounts in thousands of Mexican pesos

	Capital stock	Legal reserve	Retained earnings	Other comprehensive income items	Premium on sale of shares	Employee stock option plan fund	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at December 31, 2012	Ps. 45,959,724	Ps. 5,785,575	Ps. 90,370,930	Ps. 162,781	Ps. 2,067,980	Ps. (4,646,088)	Ps. 139,700,902	Ps. 135,716	Ps. 139,836,618
Movements in employee stock option plan fund					246,960	(415,073)	(168,113)		(168,113)
Increase in legal reserve		1,163,758	(1,163,758)				-		-
Repurchase of shares	(249,310)		(3,079,173)				(3,328,483)		(3,328,483)
Dividends declared			(16,056,467)				(16,056,467)		(16,056,467)
Shares issued for the payment of the contingent liability	67,159						67,159		67,159
Purchase of shares of non-controlling interests			(236,700)				(236,700)	(111,671)	(348,371)
Comprehensive income			22,716,891	235,018			22,951,909	(3,671)	22,948,238
Balance at December 31, 2013	45,777,573	6,949,333	92,551,723	397,799	2,314,940	(5,061,161)	142,930,207	20,374	142,950,581
Movements in employee stock option plan fund					149,061	(537,098)	(388,037)		(388,037)
Increase in legal reserve		1,135,845	(1,135,845)				-		-
Repurchase of shares	(318,964)		(3,677,377)				(3,996,341)		(3,996,341)
Dividends declared			(23,887,088)				(23,887,088)		(23,887,088)
Shares issued for the payment of the contingent liability	65,114						65,114		65,114
Purchase of shares of non-controlling interests			(11,408)				(11,408)	(6,077)	(17,485)
Comprehensive income			30,425,945	5,084,183			35,510,128	8,948	35,519,076
Balance at December 31, 2014	Ps. 45,523,723	Ps. 8,085,178	Ps. 94,265,950	Ps. 5,481,982	Ps. 2,464,001	Ps. (5,598,259)	Ps. 150,222,575	Ps. 23,245	Ps. 150,245,820

The accompanying notes are an integral part of these financial statements

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Year ended December 31	
	2014	**2013**
Operating activities		
Income before taxes on profits	Ps. 34,562,162	Ps. 31,620,392
Items related to investing activities:		
Depreciation and amortization	9,279,214	8,689,694
Loss from disposal of property, equipment and impairment	383,433	187,803
Impairment in goodwill	456,988	-
Contingent liability and effect of repatriation of earnings from Walmart Central America reversal	(1,598,604)	-
Stock option compensation expense	332,533	351,898
Interest earned	(480,560)	(539,565)
Items related to financing activities:		
Interest payable under finance leases	1,212,003	1,113,361
Accrued interest on contingent liability	24	42,206
Discontinued operations	1,572	1,157,843
Cash flow from results of operations	44,148,765	42,623,632
Variances in:		
Accounts receivable	2,734,387	(2,169,222)
Inventories	(2,789,949)	(4,803,437)
Prepaid expenses and other assets	204,214	(273,549)
Accounts payable to suppliers	4,416,632	2,887,686
Other accounts payable	1,338,759	905,405
Taxes on profits	(10,638,552)	(9,997,166)
Employee benefits	148,623	(19,774)
Discontinued operations	(1,410,379)	(450,736)
Net cash flow from operating activities	38,152,500	28,702,839
Investing activities		
Purchase of property, equipment and software	(12,690,969)	(13,987,014)
Employee stock option plan fund	(720,570)	(520,011)
Interest collected	480,560	539,565
Purchase of shares of non-controlling interests	(17,503)	(348,371)
Proceeds from sale of property and equipment	120,170	182,212
Business disposal	8,744,186	-
Discontinued operations	(28,593)	(157,272)
Net cash flow used in investing activities	(4,112,719)	(14,290,891)
Financing activities		
Dividends paid	(21,642,721)	(16,056,467)
Repurchase of shares	(3,996,341)	(3,328,483)
Payment of finance leases	(1,604,607)	(1,352,533)
Discontinued operations	-	(39,517)
Net cash flow used in financing activities	(27,243,669)	(20,777,000)
Effect of changes in the value of cash	122,245	(668,686)
Net increase (decrease) in cash and cash equivalents	6,918,357	(7,033,738)
Cash and cash equivalents at beginning of year	21,129,491	28,163,229
Cash and cash equivalents at end of year	Ps. 28,047,848	Ps. 21,129,491

1.- DESCRIPTION OF THE BUSINESS AND RELEVANT EVENTS:

a. Description of the business

Wal-Mart de México, S.A.B. de C.V. **(WALMEX** or "the Company") is a Mexican company incorporated under the laws of Mexico and listed on the Mexican Stock Exchange, whose headquarters are located at Nextengo #78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City, Mexico. The principal shareholder of **WALMEX** is Wal-Mart Stores, Inc., a U.S. corporation, through Intersalt, S. de R.L. de C.V., a Mexican company, with a 70.31% shares ownership.

WALMEX holds 99.9% equity interest in the following groups of companies in Mexico and Central America:

Group	Line of business
Nueva Walmart	Operation of 1,660 (1,589 in 2013) Bodega Aurrerá discount stores, 251 (243 in 2013) Walmart hypermarkets, 159 (156 in 2013) Sam's Club membership self-service wholesale stores, 93 (92 in 2013) Superama supermarkets and 10 Medimart pharmacies in both years.
Suburbia	Operation of 116 (109 in 2013) Suburbia stores specializing in apparel and accessories for the entire family.
Importing companies	Import goods for sale.
Real estate	Property developments and management of real estate companies.
Service companies	Rendering of professional services to Group companies and not-for-profit services to the community at large, and shareholding.
Walmart Bank	Operation of 130 (201 in 2013) bank branches.
Walmart Central America	Operation of 477 (466 in 2013) discount stores (Despensa Familiar and Palí), 96 (100 in 2013) supermarkets (Paiz, La Despensa de Don Juan, La Unión and Más x Menos), 94 (75 in 2013) discount warehouse stores (Maxi Bodega and Maxi Palí), 22 (20 in 2013) Walmart hypermarkets and 1 ClubCo membership self-service wholesale stores in both years. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

b. Relevant events

I. Legal proceedings

Wal-Mart de México, S.A.B. de C.V. ("**WALMEX**") is a subsidiary of Wal-Mart Stores, Inc. ("WMT"). WMT owns approximately 70% of the shares and voting power in **WALMEX** and has the ability to designate at least a majority of the directors of **WALMEX**. The remaining shares of **WALMEX** are publicly traded on the Mexican Stock Exchange and, to the best of the knowledge of **WALMEX**, no shareholder other than WMT and its affiliates owns more than 2% of the outstanding shares of **WALMEX**.

Currently, the Board of Directors of **WALMEX** is composed of 11 directors and 4 alternates. The Audit Committee and the Corporate Governance Committee of the Board of Directors are composed exclusively of independent directors (including alternate directors).

WMT is subject to a wide variety of laws and regulations in the United States of America and in the countries in which it operates, including but not limited to the U.S. Foreign Corrupt Practices Act (the "FCPA").

As **WALMEX** publicly disclosed on April 23, 2012, WMT is the subject of an investigation under the FCPA by the U.S. Department of Justice and the U.S. Securities and Exchange Commission following a disclosure that WMT made to those agencies in November 2011.

The Audit Committee of the Board of Directors of WMT, which is composed solely of independent directors, is conducting an internal investigation into, among other things, alleged violations of the FCPA and other alleged crimes or misconduct in connection with foreign subsidiaries, including **WALMEX** and whether prior allegations of such violations and/or misconduct were appropriately handled by WMT. The Audit Committee of WMT and WMT have engaged outside counsel from a number of law firms and other advisors who are assisting in the on-going investigation of these matters. **WALMEX** has also engaged outside counsel to assist in these matters.

WMT is also conducting a voluntary global review of its policies, practices and internal controls for FCPA compliance. WMT is engaged in strengthening its global anti-corruption compliance programs through appropriate remedial anti-corruption measures. **WALMEX** is taking part in such voluntary global review and strengthening of programs.

Furthermore, lawsuits relating to the matters under investigation have been filed by several of WMT's shareholders against it, its current directors, certain of its former directors, certain of its current and former officers and certain of **WALMEX**'s current and former officers.

WALMEX is cooperating with WMT in the review of these matters and it intends to continue fully cooperating in such regard.

A number of federal and local government agencies in Mexico have also initiated investigations of these matters. **WALMEX** is cooperating with the Mexican governmental agencies conducting these investigations.

The Audit Committee and the Corporate Governance Committee of the Board of Directors of **WALMEX**, as well as the Board of Directors of **WALMEX**, have been informed about these matters and have determined, by an unanimous vote of the independent directors only, that it is in the best interests of **WALMEX** to continue to cooperate at this time with WMT and the U.S. and Mexican agencies conducting these investigations.

WALMEX could be exposed to a variety of negative consequences as a result of the matters noted above. There could be one or more enforcement actions in respect of the matters that are the subject of some or all of the ongoing government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desist orders or other relief, criminal convictions and/or penalties.

The shareholder lawsuits may result in judgments against WMT and its current and former directors and current and former officers of WMT and **WALMEX** named in those proceedings. **WALMEX** cannot predict accurately at this time the outcome or impact of the government investigations, the shareholder lawsuits, the internal investigation and review. In addition, **WALMEX** expects to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the government investigations, and it cannot predict at this time the ultimate amount of all such costs. These matters may require the involvement of certain members of **WALMEX**'s senior management that could impinge on the time they have available to devote to other matters relating to the business. **WALMEX** may also see ongoing media and governmental interest in these matters that could impact the perception among certain audiences of its role as a corporate citizen.

WALMEX, its Board of Directors and its Audit Committee and Corporate Governance Committee will at all times ensure compliance with applicable Mexican law and ensure that they create value to **WALMEX**, acting diligently and adopting reasoned decisions, without favoring any shareholder or group of shareholders.

Although **WALMEX** does not presently believe, based on the information currently available and the advise of its external Mexican counsel, that these matters will have a material adverse effect on its business, given the inherent uncertainties in such situations, **WALMEX** can provide no assurance that these matters will not be material to its business in the future.

II. Sale of the restaurant line of business (Note 7 paragraph a)

On September 10, 2013, the Company reached a final agreement with ALSEA, S.A.B. de C.V. (ALSEA) for this company to acquire 100% of **WALMEX**'s restaurant line of business, which included the Vips, El Portón, Ragazzi and La Finca ("Vips") restaurant chains.

On March 5, 2014, **WALMEX** received a notification from the Federal Economic Antitrust Commission (COFECE per its acronym in Spanish), about the approval of the sale of the restaurant line of business to ALSEA, subject to certain conditions.

On April 8, 2014, the Company delivered to COFECE the supporting documentation related to its compliance of the conditions previously laid down by it to which the sale of the restaurant line of business was subject to approval.

On May 5, 2014, COFECE finally approved **WALMEX** to sell the restaurant line of business to ALSEA after all the conditions set by it were fulfilled.

On May 12, 2014, the Company informed to its shareholders and the investing public that on May 9, 2014, the sale of its restaurant line of business to ALSEA was materialized. The sale included 361 restaurants from which, 263 operate under the VIPS chain, 92 El Portón and 6 Ragazzi. Additionally, the transaction included intellectual property rights of the four chains, menus, product development, operation processes and others.

III. Sale of the Walmart Bank (Note 7 paragraph b)

On December 18, 2014, the Company reached an agreement with Grupo Financiero Inbursa, S.A.B. de C.V. (Inbursa) for this company to acquire 100% of Walmart Bank, and the creation of a commercial alliance to strengthen the offer of financial services to its clients. The closing of the transaction is subject to the approval of competent authorities and other conditions that are customary to these types of transactions.

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2.- NEW ACCOUNTING PRONOUNCEMENTS:

The standards that are issued, but not yet effective, up to date to the issuance of the accompanying consolidated financial statements that are applicable to the Company, are described below:

a. *IFRS 9 Financial Instruments.* In July 2014, the International Accounting Standards Board (IASB) issued the final version of the International Financial Reporting Standard (IFRS) 9 Financial Instruments, which describes the new requirements for classification and measurement, impairment and hedge accounting. This IFRS replaces the International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 is permitted if the date of initial application is before February 1, 2015.

b. *IFRS 15 Revenue from Contracts with Customers*. On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. This standard replaces, almost entirely, the existing standards on revenue recognition, applies to all revenue contracts and offers a five-steps model for the recognition and measurement of disposals of certain non-financial assets, as property and equipment, among others. Also, it requires the Company to make more use of estimates and judgments. Its application is mandatory for annual periods beginning on January 1, 2017, although early adoption is permitted. The transition will be made using a retrospective or modified approach.

The Company evaluated the application of these standards on its financial situation and estimates they will not have any impact on its consolidated financial statements.

Annual improvements 2010-2012 and 2011-2013 cycles.- These improvements were applicable beginning July 1, 2014 and did not have material effects on the financial situation nor in the results of the Company:

c. *IFRS 2 Shared-based payments*
d. *IFRS 3 Business combinations*
e. *IFRS 8 Operating segments*
f. *IFRS 19 Fair value measurement*
g. *IAS 16 Property, plant and equipment*
h. *IAS 24 Related party disclosures*
i. *IAS 40 Investment property*
j. Amendments to IAS 16 and IAS 38 – Clarification of the acceptable methods of depreciation and amortization.

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3.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the significant accounting policies used in the preparation of the consolidated financial statements is described below. These policies have been applied consistently with those applied in the year ended December 31, 2013.

a. Basis of preparation

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

The consolidated statements of comprehensive income were prepared on a functional basis, which allows for the disclosure of cost of sales separately from other costs, operating and administrative expenses, in conformity with IAS 1, *Presentation of Financial Statements*. The consolidated statement of comprehensive income also includes a separate operating income line to provide a better understanding of the Company's business performance.

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions in some items.

Walmart Bank's financial statements, which are included in the Company's consolidated financial statements, were prepared based on the accounting criteria established by the Mexican National Banking and Securities Commission (CNBV per its acronym in Spanish), as issued as part of the General Provisions for Credit Institutions. Up to date, there are no significant differences between these standards and IFRS.

Before the financial statements of the Company's foreign subsidiaries are consolidated, they 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, in conformity with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

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.

WALMEX has sufficient resources to continue operating as a going concern and accordingly, the accompanying consolidated financial statements have been prepared on a going-concern basis and on a historical-cost basis. The Mexican peso is the Company's functional andreporting currency.

b. Risk factors

The Company is exposed to the effects of future events that could affect the purchasing power and/or buying habits of its population. These events may be economic, political or social in nature and some of the most important are described below:

I. Employment and salary. Positive or negative changes in employment and/or real salary levels could affect Mexico's per capita income and, consequently, the Company's business performance.

II. Changes in interest rates and exchange rates. Historically, Walmart has generated cash surpluses in Mexico and Central America on which it earns financial income. A reduction in interest rates could cause a decrease in the Company's financial income, which would affect its earnings growth. However, the Company believes that a reduction in interest rates would actually have a positive effect on its business in the medium- and long-term, since it would help improve the purchasing power of its customers.

On the other hand, exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power, which could ultimately hinder the Company's sales.

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In compliance with its corporate governance policies, the Company has no transactions with derivative financial instruments.

III. 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.

IV. Inflation. Over the last few years, the inflation rates in Mexico and Central America have remained at low levels. 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.

V. Changes in government regulations. The Company is exposed to the changes in different laws and regulations, which, after becoming effective, they could affect the Company's operating results, such as an impact on sales, expenses for payroll indirect taxes and changes in applicable rates.

c. Consolidation

The accompanying consolidated financial statements include the Financial Statements of **WALMEX** and those of its subsidiaries in which has control in Mexico and abroad, which are grouped as described in Note 1 paragraph a, and they are prepared for the same accounting period.

Subsidiaries are consolidated from the date on which control is transferred to **WALMEX**, and are no longer consolidated from the date that control is lost. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of sale, as appropriate.

All related party balances and transactions have been eliminated in the consolidation, in conformity with IFRS 10, Consolidated Financial Statements.

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

d. Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits and highly liquid investments with original maturities of less than 90 days. Such investments are stated at historical cost plus accrued interest, not in excess of their market value.

Walmart Bank makes the monetary regulation deposits required by Banco de México (the Central Bank), the amounts of which are calculated based on traditional deposits in Mexican pesos.

e. Financial instruments

A financial instrument is any contract that give rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company determines the classification of it financial assets and liabilities at its 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, and accounts receivable, investments held to maturity or financial assets held for sale. The Company's financial assets primarily consist in trade receivables and other accounts receivable which are initially recognized at fair value.

II. Financial liabilities. These liabilities are classified at is fair value, including accounts payable to suppliers, other accounts payable and financial leases, as required. The Company does not operate with derivative financial instruments.

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

At December 31, 2014 and 2013, the Company does not have liabilities recognized through profit or loss.

f. Accounts receivable and reserve for bad debts

The balance of Walmart Bank's loan receivables portfolio is represented by outstanding loan balances, plus uncollected earned interest. The preventive allowance for credit risks is presented net of portfolio balances.

WALMEX recognizes the reserve for bad debts at the time the legal collection process begins in conformity with its internal procedures.

g. Inventories

Inventories are valued using the retail method, except for merchandise for the Sam's Club, ClubCo and distribution centers, which are valued using the average-cost method. These inventory valuation methods are the same as those applied in the prior year. Inventories, including obsolete, slow-moving and defective items or items in poor condition, are stated at amounts not in excess of their net realizable value.

Inventory pertaining to the Agro-industrial Development of grains, edibles and meat is valued using the average-cost method.

Buying allowances are recognized in the income statement based on the turnover of the inventories that gave rise to them.

h. Prepaid expenses

Prepaid expenses are recognized as current assets in the consolidated statement of financial position as of the date the prepayments are made. At the time the goods are received, prepaid expenses are 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 presented net of accumulated depreciation.

Depreciation of property and equipment is computed on a straight-line method at the following annual rates:

Buildings, facilities and leasehold improvements	2.5%	to	33.3%
Furniture and equipment	5.0%	to	33.3%

j. Lease

In conformity with IAS 17, *Leases*, the Company classifies its property lease agreements as either finance or operating leases.

A lease is considered a finance lease if it transfers substantially all the risks and rewards incident to ownership of the underlying property to the lessee, considering the renewals established in each lease agreement. Rent is recognized in the income statement over the lease term as incurred.

Lease agreements that do not qualify as finance leases are treated as operating leases. Fixed lease payments are recognized in the income statement on a straight-line method over the lease term. The commencement date of lease is considered the occupancy date of the leased property, including the lessee's rights to renewal. Variable lease payments are based on a percentage of the Company's sales, and are recognized as an expense in the period in which they are incurred.

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k. Impairment in the value of property and equipment

Based on the guidelines of IAS 36, *Impairment of Assets*, the Company recognizes impairment in the value of property and equipment by applying the expected present value technique to determine value in use, considering each store or restaurant as the minimum cash generating unit.

The present value technique requires detailed budget calculations, which are prepared separately for each cash-generating unit. These budgets generally cover five years and for those projected beyond five years, an expected growth percentage is applied.

Impairment losses are recognized in the consolidated statement of comprehensive income in the other income, net line.

l. Intangible assets

Intangible assets are valued at the lower of either acquisition cost or their 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 tested annually for impairment, in conformity with IAS 36*, Impairment of Assets*. Definite-lived assets are amortized using the straight-line method.

m. Assets and liabilities held for sale and discontinued operations

In conformity with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

These assets are not subject to depreciation and are measured at the lower of their previous carrying amount and fair value less costs to sell.

Assets and liabilities that meet the criteria to be classified as held for sale are presented separately in the statement of financial position from the rest of the assets and liabilities.

Incomes, expenses and costs related to this transaction are separately disclosed and recognized as part of the discontinued operations line in the consolidated statement of comprehensive income.

n. Liabilities and provisions

In conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, accrued liabilities are recognized whenever the Company has current obligations (legal or assumed) resulting from past events, that can be reasonably estimated and that will most likely give rise to a future cash disbursement for their settlement. Reimbursements are recognized net of the 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.

Liabilities for traditional deposits of the Walmart Bank are comprised of demand deposits in debit card accounts and compulsory term deposits. These liabilities are recorded at deposit or placement cost, plus accrued interest.

o. Contingent liabilities

The contingent liability related to the acquisition of Walmart Central America is valued at present value at the date of the financial statements.

The acquisition will require additional payments in shares and in cash provided Walmart Central America reaches a certain profitability level during a period of no longer than ten years after the agreement signing date.

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p. Taxes on profits

Taxes on profits are classified on 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 taxes on profits are determined based on the tax laws approved in the countries on which **WALMEX** has operations, and is the result of applying the applicable tax rates at the date of the consolidated financial statements on the taxable profits of each entity of the Group. It is presented as a current liability/asset net of prepayments made during the year.

Deferred taxes on profits are recognized using the asset and liability method, in conformity with IAS 12, *Income Taxes*. Under this method, deferred taxes are recognized on all temporary differences between the financial reporting and tax values of assets and liabilities, applying the enacted income tax rate, effective as of the date of the consolidated statement of financial position, or the enacted rate that will be in effect when the deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets.

q. Employee benefits

In conformity with the laws of each country in which the Company operates, the termination benefits for retirement or death to which the Company's employees are entitled, are as follows:

Mexico:

Seniority premiums accruing to employees under the Mexican Labor Law and termination retirement benefits are recognized as a cost of the years in which services are rendered, based on actuarial computations made by an independent expert, using the projected unit credit method, in conformity with IAS 19, *Employee Benefits*.

Actuarial gains and losses are recognized as they accrue directly in the consolidated statement of comprehensive income, in conformity with IAS 19.

Employee profit sharing is presented in operating results as part of the general expenses line and represents a liability due and payable in less than one year.

All other payments accruing to employees or their beneficiaries in the event of involuntary retirement or death, in terms of the Mexican Labor Law, are expensed as incurred.

Central America:

Labor termination benefits at retirement to which the employees of the Walmart Central America companies are entitled, under the labor laws of each country are recognized as a cost during the years the employees render their services based on the actuarial calculations for each country carried out by independent experts, using the projected unit credit method, in conformity with IAS 19.

In Guatemala, employees are entitled to labor termination benefits at retirement after three years of service in the Company, except in the case of justified dismissals.

In El Salvador and Honduras, employees are entitled to labor termination benefits at retirement after one years of service in the Company, except in the case of justified dismissals.

In Nicaragua, payouts for to labor termination benefits at retirement vary from one to five months of salary for the period the services were provided.

In Costa Rica, labor termination benefits at retirement are paid to employees based on current corporate policy and in conformity with the laws of such country.

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r. Equity

Legal reserve:

In conformity with the Mexican Corporations Act, the Company appropriates at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's capital stock.

Employee stock option plan fund:

The employee stock option plan fund is comprised of **WALMEX** shares presented at acquisition cost. The plan is designed to grant stock options to executives of the companies in the Group, as approved by the CNBV.

All employee stock options are granted to executives of subsidiary companies at a value that is no less than the market value on the grant date.

In accordance with current corporate policy, **WALMEX** executives may exercise their option to acquire shares in equal parts over five years. The right to exercise an employee stock option expires after ten years as of the grant date or after sixty days following the date of the employee's termination.

The compensation cost of stock option is calculated using the Black-Scholes financial valuation technique, in conformity with IFRS 2, *Share-Based Payments*.

Premium on sale of shares:

The premium on sale of shares represents the difference between the cost of shares granted under the stock option plan and the value at which such shares were sold to executives of companies in the Group, net of the corresponding income tax.

s. Revenue recognition

Revenue from merchandise sales is recognized in the consolidated statement of comprehensive income at the time ownership of the products sold is transferred to the customer and the services income at the time the service is provided, in conformity with IAS 18, *Revenue*.

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

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

The Company recognizes the net amount of cell phone minutes revenues in the net sales line in its consolidated statement of comprehensive income at the time the service is provided.

Walmart Bank's interest and fee revenues are recognized as they accrue in the other revenues line in the consolidated statement of comprehensive income.

Revenues from the sale of waste, extended warranties and service commissions are recognized in the other revenues line in the consolidated statement of comprehensive income at the time ownership of the products sold is transferred to the customer or the service is provided.

t. Basic earnings per share attributable to owners of the parent

The basic earnings per share is the result of dividing the net income of the year attributable to owners of the parent by the weighted average number of outstanding shares, in conformity with the guidelines of IAS 33, *Earnings per Share*. Diluted earnings per share is the same as basic earnings per share since there is currently no potentially dilutive common stock.

u. Operating segments

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions and assess the Company's performance. Segment information is presented based on the geographical zones in which the Company operates, in conformity with IFRS 8, *Operating Segments.*

v. Foreign currency transactions

The Company's foreign currency denominated assets and liabilities are translated to Mexican pesos 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 under the financial expenses, net line, in conformity with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

4.- CASH AND CASH EQUIVALENTS:

An analysis of cash and cash equivalents at December 31, 2014 and 2013, is as follows:

	December 31, 2014	December 31, 2013
Cash and cash in banks	Ps. 11,820,670	Ps. 7,826,506
Highly marketable investments	16,227,178	13,302,985
	Ps. 28,047,848	Ps. 21,129,491

5.- ACCOUNTS RECEIVABLE, NET:

An analysis of accounts receivable at December 31, 2014 and 2013, is as follows:

	December 31, 2014	December 31, 2013
Recoverable taxes	Ps. 4,198,189	Ps. 3,958,463
Walmart Bank portfolio	-	5,307,153
Trade receivables	1,829,013	3,549,235
Other accounts receivable	603,134	606,153
Reserve for bad debts	(248,015)	(642,591)
	Ps. 6,382,321	Ps. 12,778,413

At December 31, 2014, Walmart Bank portfolio is shown in the assets held for sale line, in conformity with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

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6.- INVENTORIES:

An analysis of inventories at December 31, 2014 and 2013, is as follows:

	December 31, 2014	December 31, 2013
Merchandise for sale	Ps. 44,425,969	Ps. 41,262,225
Agro-industrial development	615,382	641,094
	45,041,351	41,903,319
Merchandise in transit	2,133,960	1,891,578
	Ps. 47,175,311	Ps. 43,794,897

7.- ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS:

As mentioned in Note 1 paragraph b, during 2014, the Company completed the sale of its restaurant division and announced the sale of Walmart Bank.

At December 31, 2014 and 2013, assets and liabilities held for sale, which are presented in the consolidated statement of financial position, correspond to Walmart Bank and the restaurant division, respectively.

The line of discontinued operations, which is presented in the consolidated statement of comprehensive income include the results of Walmart Bank and the restaurant division in both years.

Both transactions are explained below:

a) Sale of restaurant division

On May 9, 2014, the Company completed the sale of the restaurant division to ALSEA in the amount of Ps. 8,152 million pesos plus the amount of the operating working capital by Ps. 592 million pesos. This division operated with the "Vips", "El Porton", "Ragazzi" and "La Finca" chains. Additionally, ALSEA will pay **WALMEX** in the future rents over the units that are located in properties in which other **WALMEX**'s formats coexists.

Vips transaction included a total of 361 restaurants of which 263 are "Vips", 92 units of "El Porton" and 6 units of "Ragazzi". Additionally, the transaction included intellectual property rights of the four chains, menus, product development, operation processes and others.

The main items of the result of the discontinued operation that is presented in the consolidated statement of comprehensive income for the period from January 1 to May 8, 2014, that include the effects derived from the sale, and for the year ended December 31, 2013 are shown below:

	May 8, 2014	December 31, 2013
Total revenues	Ps. 10,809,678	Ps. 5,987,465
Costs, expenses and taxes	(5,238,314)	(5,274,312)
Net income from discontinued operations	Ps. 5,571,364	Ps. 713,153

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

Assets and liabilities from the restaurant division at May 8, 2014 and at December 31, 2013, are as follows:

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	May 8, 2014	December 31, 2013
Current assets	Ps. 962,901	Ps. 794,106
Property and equipment, net	2,910,307	3,116,581
Other assets	15,874	22,059
Total assets	Ps. 3,889,082	Ps. 3,932,746

	May 8, 2014	December 31, 2013
Suppliers	Ps. 140,299	Ps. 180,996
Other liabilities	462,046	345,282
Current liabilities	602,345	526,278
Non-current liabilities	405,195	439,949
Total liabilities	Ps. 1,007,540	Ps. 966,227

b) Sale of Walmart Bank

As part of its business strategy, **WALMEX** reached an agreement to sell 100% of Walmart Bank to Inbursa at a price equivalent to 1.7 times its equity at the closing date of the transaction, and the creation of a commercial alliance to strength the offer of financial services to all its customers. The closing of the transaction is subject to approval by the competent authorities and other conditions that are customary for this type of transaction.

Assets and liabilities of Walmart Bank classified as held for sale at December 31, 2014 are shown below:

	December 31, 2014
Credit portfolio	Ps. 5,050,227
Other current assets	1,833,987
Current assets	6,884,214
Other non-current assets	1,104,144
Total assets	Ps. 7,988,358

Traditional deposits	Ps. 5,587,657
Other current liabilities	178,595
Current liabilities	5,766,252
Non-current liabilities	4,480
Total liabilities	Ps. 5,770,732

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The main items of the result of the discontinued operation that is presented in the consolidated statement of comprehensive income for the year ended December 31, 2014 and 2013 are shown below:

	December 31, 2014	December 31, 2013
Total revenues	Ps. 1,726,085	Ps. 1,338,474
Costs, expenses and taxes	(1,903,384)	(1,327,224)
Net (loss) income from discontinued operations	Ps (177,299)	Ps. 11,250

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8.– PROPERTY AND EQUIPMENT, NET

An analysis of property and equipment at December 31, 2014 and 2013, is as follows:

Property and equipment owned by the Company

	December 31, 2012	Additions	Disposals	Transfers	Translation effect	December 31, 2013	Additions	Disposals	Transfers	Translation effect	December 31, 2014
Land	Ps. 28,785,120	Ps. 942,375	Ps. (60,796)	Ps.(186,479)	Ps. 52,910	Ps. 29,533,130	Ps. 472,204	Ps. (50,955)	Ps. 119,948	Ps. 199,273	Ps. 30,273,600
Buildings	44,569,828	2,627,787	(73,056)	(2,802,621)	102,590	44,424,528	2,468,155	(53,886)	(289,336)	570,290	47,119,751
Facilities and leasehold improvements	36,286,002	3,403,164	(432,713)	579,073	36,634	39,872,160	1,884,859	(311,548)	760,719	277,300	42,483,490
Furniture and equipment	46,003,893	5,233,276	(2,325,188)	(1,498,123)	75,731	47,489,589	5,219,207	(1,865,997)	1,193,725	697,228	52,733,752
Subtotal	155,644,843	12,206,602	(2,891,753)	(3,908,150)	267,865	161,319,407	10,044,425	(2,282,386)	1,785,056	1,744,091	172,610,593
Accumulated depreciation	(52,974,405)	(8,241,071)	2,549,535	3,445,588	(42,463)	(55,262,816)	(8,531,668)	1,917,307	2,561	(577,278)	(62,451,894)
Work in process	3,029,404	1,677,410	5,965	(2,128,258)	27,417	2,611,938	2,527,164	(21,241)	(1,740,553)	106,653	3,483,961
Total	Ps. 105,699,842	Ps. 5,642,941	Ps. (336,253)	Ps. (2,590,820)	Ps. 252,819	Ps.108,668,529	Ps. 4,039,921	Ps. (386,320)	Ps. 47,064	Ps. 1,273,466	Ps.113,642,660

Leased property and equipment

	December 31, 2012	Additions	Disposals	Transfers	Translation effect	December 31, 2013	Additions	Disposals	Transfers	Translation effect	December 31, 2014
Property	Ps. 12,574,797	Ps. 1,454,057	Ps.(145,643)	Ps.(553,583)	Ps. 30,658	Ps. 13,360,286	Ps. 402,712	Ps.(202,737)	-	Ps. 139,179	Ps. 13,699,440
Furniture and equipment	1,717,339	420,528	(4)	(241,253)	-	1,896,610	169,218	-	(62,061)	-	2,003,767
Subtotal	14,292,136	1,874,585	(145,647)	(794,836)	30,658	15,256,896	571,930	(202,737)	(62,061)	139,179	15,703,207
Accumulated depreciation	(2,615,076)	(566,847)	54,967	324,569	(40,311)	(2,842,698)	(654,509)	172,133	23,929	(48,666)	(3,349,811)
Total	Ps. 11,677,060	Ps. 1,307,738	Ps. (90,680)	Ps. (470,267)	Ps. (9,653)	Ps. 12,414,198	Ps. (82,579)	Ps. (30,604)	Ps.(38,132)	Ps. 90,513	Ps. 12,353,396
Grand total	Ps.117,376,902	Ps. 6,950,679	Ps. (426,933)	Ps.(3,061,087)	Ps. 243,166	Ps.121,082,727	Ps. 3,957,342	Ps.(416,924)	Ps. 8,932	Ps. 1,363,979	Ps. 125,996,056

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Depreciation expense for the years ended December 31, 2014 and 2013, was Ps. 9,107,587 and Ps. 8,492,229, respectively.

Property and equipment impairment for the years ended December 31, 2014 and 2013, was Ps. 128,083 and Ps. 20,828, respectively.

At December 31, 2014 and 2013, the transfer column includes the reclassification of fixed assets held for sale of Walmart Bank by Ps. 23,651 and for the restaurant division by Ps. 3,116,581, respectively.

Work in process mostly consists of Company´s investments mainly for the construction of new stores.

9.– INTANGIBLE ASSETS:

An analysis of intangible assets at December 31, 2014 and 2013, is as follows:

	December 31, 2014	December 31, 2013
Goodwill	Ps. 28,020,341	Ps. 24,745,086
Trademarks	677,458	620,167
Licenses and software	280,741	445,893
Trade receivables	90,204	102,484
Patents	46,275	43,556
	Ps. 29,115,019	Ps. 25,957,186

Goodwill represents the excess of the purchase price over the fair value of the net assets of Walmart Central America at the acquisition date, plus the fair value of the non-controlling interests, computed in conformity with the guidelines in IFRS 3, Business Combinations.

Goodwill was assigned in conformity with IAS 38, Intangible Assets, 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 translated to the applicable exchange rates at year end and the corresponding effect is recognized in other comprehensive income items.

The Company engaged the services of an independent expert to test its goodwill for impairment. This evaluation was performed in conformity with IAS 36, Impairment of Assets, using the discounted cash flow technique (expected present value) to estimate the value in use of each cash generating unit based on the estimated revenues, costs, expenses, working capital requirements and fixed asset investments of each unit. This technique includes projection assumptions and value estimates and is consistent with the technique used to determine the purchase price of Walmart Central America at the time of the acquisition, which was the basis for estimating the goodwill to be allocated to each country.

Recoverable goodwill was computed based on value in use, which was calculated using cash flow projections considering the five-year business plan that underlies the decision making of the Company's senior management, except for El Salvador and Nicaragua, where the business plan covers ten years.

As a result of this study, at December 31, 2014, the Company recognized an impairment loss of Ps. 456,988 in the other income, net line and a translation effect of Ps. 70,223 in other comprehensive income items. At December 31, 2013, there were no indicators of impairment in the value of the Company's goodwill.

Trade marks represents those that were acquired at the time of the acquisition of Walmart Central America such as: Palí, Despensa Familiar, Maxi Bodega, ClubCo., among others. They are translated at the year end exchange rate and the corresponding effect is recognized in other comprehensive income items.

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For the years ended December 31, 2014 and 2013, the Company acquired software in the amountof Ps. 151,989 and Ps. 288,454, respectively.

Licenses, software and customers amortization expense for the years ended December 31, 2014 and 2013, was Ps. 171,627 and Ps. 177,098, respectively.

10.- RELATED PARTIES:

a) Related party balances

At December 31, 2014 and 2013, the consolidated statement of financial position includes the following balances with related parties:

	December 31, 2014	December 31, 2013
Accounts payable to suppliers:		
C.M.A. – U.S.A., L.L.C. (affiliate)	Ps. 990,986	Ps. 343,919
Global George, LTD. (affiliate)	6,625	34,451
	Ps. 997,611	Ps. 378,370
Other accounts payable:		
Wal-Mart Stores, Inc. (holding company)	Ps. 506,503	Ps. 413,092

At December 31, 2014 and 2013, balances receivable due from and payable due to related parties consist of current accounts that bear no interest, payable in cash and without guarantees.

b) Related party transactions

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

- Agreement for imports of merchandise for sale, interest-free and payable monthly.
- Agreement for purchase commissions with Global George that are payable on a recurring basis.
- Agreement for technical assistance and services with Walmart Stores that are payable monthly.
- Agreement for royalties for trademark use with Walmart Stores, payable quarterly based on a percentage of sales of the retail businesses.

The Company had the following transactions with related parties during the years ended December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Import of merchandise for sale:		
C.M.A. – U.S.A., L.L.C. (affiliate)	Ps. 3,774,128	Ps. 3,131,719
Global George, LTD. (affiliate)	95,862	47,003
	Ps. 3,869,990	Ps. 3,178,722
Technical assistance, services and royalties:		
Wal-Mart Stores, Inc. (holding company)	Ps. 2,398,523	Ps. 2,164,810

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c) Remuneration of principal officers

An analysis of remuneration to the Company's principal officers for the years ended December 31, 2014 and 2013 is as follows:

	December 31, 2014	December 31, 2013
Short-term benefits	Ps. 786,173	Ps. 754,508
Termination benefits	75,044	83,303
Share-based payments	21,070	93,951
	Ps. 882,287	Ps. 931,762

11.- OTHER ACCOUNTS PAYABLE:

An analysis of other accounts payable at December 31, 2014 and 2013, is as follows:

	December 31, 2014	December 31, 2013
Accrued liabilities and others	Ps. 9,542,377	Ps. 8,830,905
Dividends	2,300,168	40,639
Walmart Bank traditional deposits	-	4,807,951
Provisions	599,482	606,153
Finance lease (Note 12)	559,050	723,059
Related parties (Note 10)	506,503	413,092
Contingent liability (Note 12)	132,983	127,674
	Ps. 13,640,563	Ps. 15,549,473

At December 31, 2014, Walmart Bank traditional deposits are included in the liabilities related to assets held for sale, in conformity with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

At December 31, 2014, the Company has commitments totaling Ps. 12,737,320 (Ps. 10,150,325 in 2013) for the acquisition of inventories, property and equipment, as well as for maintenance services.

12.– OTHER LONG-TERM LIABILITIES:

At December 31, 2014 and 2013, the other long-term liabilities line includes the Company's obligations beyond one year under its finance leases and contingent liability, as described below:

a) Leases:

In order to determine if the suppliers transfer the right to use an asset, **WALMEX** analyses the provision of services agreement that do not have the legal form of a lease but that involve the use of an asset. **WALMEX** does not have a provision of services agreement that must be classified as a lease, in conformity with IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

The Company has entered into operating leases with third parties. Rental expense under these leases is recognized on a straight-line basis over the term of the lease agreements considering as the commencement date of the lease the occupancy date of the leased property and including the lessee's rights to renewal.

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The Company has entered into property lease agreements that qualify as finance leases. These agreements are recorded at the lower of either the present value of future minimum lease payments or at the market value of the property, and they are amortized over the term of the lease agreements, which includes the lessee's rights to renewal.

The Company has entered into property lease agreements with third parties for compulsory terms ranging from 1 to 15 years.

The Company has also entered into finance leases for the rental of residual water treatment plants used to meet environmental protection standards. The terms of these agreements are 7 and 10 years.

Future rental payments are as follows:

		Finance leases (minimum payments)	
Year	Operating leases (compulsory term)	Present value	Future value
2015	Ps. 387,370	Ps. 559,050	Ps. 1,729,776
2016	Ps. 328,786	Ps. 493,621	Ps. 1,653,431
2017	Ps. 247,811	Ps. 443,562	Ps. 1,588,684
2018	Ps. 182,194	Ps. 394,202	Ps. 1,487,883
2019	Ps. 145,351	Ps. 341,787	Ps. 1,450,014
2020 and thereafter	Ps. 821,822	Ps. 10,896,513	Ps. 26,428,593

At December 31, 2014 and 2013, the liability derived from the use of the straight-line method under operating leases was Ps. 621,351 and Ps. 524,784, respectively, from which Ps. 22,485 and Ps. 25,085 are presented in the current liabilities line.

Total rent under operating leases charged to the income statement during the years ended December 31, 2014 and 2013 was Ps. 4,401,420 and Ps. 4,548,458, respectively.

b) Contingent liability

At December 31, 2014 and 2013, the Company recognized a contingent liability for contingent compensation related to the acquisition of Walmart Central America of Ps. 132,983 and Ps. 1,069,197, respectively. This contingent compensation represents future payments in shares and in cash.

An analysis of the payments made by the Company in cash and shares in February of each year to cover the contingent liability payable as part of acquisition is as follows:

	2014	2013
Payment in shares	Ps. 65,114	Ps. 67,159
Payment in cash	62,560	64,526
Total payment of contingent liability	Ps. 127,674	Ps. 131,685
Number of Series "V" shares issued	2,114,312	1,606,084

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13.– TAXES ON PROFITS:

Effective January 1, 2014, **WALMEX** as an integrating entity and its integrated subsidiaries in Mexico, determine and pay its income tax under the optional integration regime for groups of entities.

An analysis of taxes on profits charged to the income statement for the years ended December 31, 2014 and 2013, is as follows:

	December 31, 2014	December 31, 2013
Current year tax	Ps. 10,863,537	Ps. 9,161,839
Deferred tax	(1,342,203)	469,736
Total	Ps. 9,521,334	Ps. 9,631,575

An analysis of the effects of the temporary differences giving rise to deferred tax assets and liabilities at December 31, 2014 and 2013, is as follows:

	December 31, 2014	December 31, 2013
Deferred liability:		
Property and equipment	Ps. 8,156,133	Ps. 9,133,637
Prepaid expenses	281,314	288,507
Repatriation of earnings from Walmart Central America	-	1,238,918
	8,437,447	10,661,062
Deferred assets:		
Inventories	(544,447)	(663,248)
Advance collections	(536,933)	(191,539)
Labor obligations	(461,510)	(376,605)
Other long term liabilities	(460,544)	(396,566)
Provisions	(179,844)	(181,846)
Reserve for bad debts	(59,052)	(368,841)
Tax losses carryforward from subsidiaries	(29,301)	(1,039,272)
Other items	(343,968)	(591,487)
	(2,615,599)	(3,809,404)
Total	Ps. 5,821,848	Ps. 6,851,658

Walmart Bank deferred tax is included in the assets held for sale line.

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The reconciliation between the statutory tax rate and Company's effective tax rate for the year ended December 31, 2014 and 2013, is as follows:

	2014	2013
Statutory tax rate	30.0%	30.0%
Non-deductible expenses from payments to associates exempt from income tax	0.9%	-
Reversal of repatriation of earnings from Walmart Central America	(1.2)%	-
Effect from changes in rates	-	1.6%
Other items	(2.2)%	(1.1)%
Effective tax rate	27.5%	30.5%

Income tax rates applicable are shown below:

	Rate
Mexico	30%
Costa Rica	30%
Guatemala	28%
Honduras	30%
Nicaragua	30%
El Salvador	30%

The Company has tax losses from Walmart Bank by Ps. 2,904,562 and from other subsidiaries by Ps. 100,298, that, in conformity with the current Mexican Income Tax Law, maybe carried forward against the taxable income generated in future years, as follows:

Year of expiration		Amount
2017	Ps.	246
2018		381,531
2019		868,102
2020		842,130
2021		657,091
2022		158,596
2023		858
2024		96,306
	Ps.	3,004,860

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14.– EMPLOYEE BENEFITS:

Annually, the Company engages an independent expert to perform the actuarial calculations related to its labor obligations and it is prepared in conformity with IAS 19, *Employee Benefits*.

Mexico:

The Company has set up a defined benefits trust fund to cover seniority premiums accruing to employees. Workers make no contributions to this fund. Also, the Company recognizes the liability for termination benefits for retirement. These obligations are determined using the projected unit credit method.

At December 31, 2014 and 2013, an analysis of the Company's assets and liabilities for seniority premiums and retirement benefits is as follows:

	Seniority Premiums		Retirement benefits	
	2014	2013	2014	2013
Defined benefit obligations	Ps. 855,596	Ps. 736,256	Ps. 113,410	Ps. 97,307
Plan assets	(684,207)	(612,821)	-	-
Net projected liability	Ps. 171,389	Ps. 123,435	Ps. 113,410	Ps. 97,307

Changes in the net present value of the defined benefit obligations (DBO) at December 31, 2014 and 2013, are shown below:

	Seniority Premiums		Retirement benefits	
	2014	2013	2014	2013
DBO at beginning of year	Ps. 736,256	Ps. 786,744	Ps. 97,307	Ps. 103,353
Net period cost charged to the results:				
- Labor cost from actual services	107,486	117,115	6,317	6,764
- Interest cost on DBO	53,744	53,384	7,133	7,074
Other comprehensive income items	39,193	(64,760)	3,718	(11,559)
Benefits paid	(77,668)	(66,147)	-	-
Transfers	(3,415)	(90,080)	(1,065)	(8,325)
DBO at year end	Ps. 855,596	Ps. 736,256	Ps. 113,410	Ps. 97,307

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Changes in the net present value of the plan assets (PA), at December 31, 2014 and 2013, are shown below:

	Seniority premiums	
	2014	2013
PA at the beginning of year	Ps. (612,821)	Ps. (603,038)
Expected return on plan assets	(44,481)	(40,535)
Other comprehensive income items	12,069	21,535
Plan contributions	(115,684)	(128,902)
Benefits paid	76,710)	65,487
Transfers	-	72,632
PA at year end	Ps. (684,207)	Ps. (612,821)

Valuation techniques used by the Company to determine and disclose the fair value of its financial instruments is based on a Level 1 hierarchy (market quotes in active markets considering similar assets or liabilities at fair value) in conformity with IFRS 13 *Fair value measurement*.

At December 31, 2014, the plan assets have been invested through the trust mostly in money market instruments.

At December 31, 2014 and 2013, actuarial gain/losses from the labor obligations are recognized in the other comprehensive income items line by Ps. 145,241 and Ps. 90,261, respectively.

Central America:

At December 31, 2014 and 2013, changes in the net present value of the DBO, is shown below:

	2014	2013
DBO at beginning of year	Ps. 750,835	Ps. 771,058
Net period cost charged to the results:		
- Labor costs from actual services	112,665	113,108
- Interest cost on DBO	74,682	67,234
Other comprehensive income items	103,074	(2,223)
Benefits paid	(159,276)	(161,318)
Translation effects	138,125	(37,024)
DBO at year end	Ps. 1,020,105	Ps. 750,835

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At December 31, 2014 and 2013, actuarial gain/losses from the labor obligations are recognized in the other comprehensive income items line by Ps. 226,104 and Ps. 123,030, respectively.

At December 31, 2014, the assumptions used in the actuarial valuations of Mexico and Central America, are as follows:

	Mexico	Central America
Financial:		
Discount rate	7.00%	7.19% - 12.37%
Salary increase rate	5.25%	3.10% - 7.50%
Minimum salary increase rate	4.00%	2.60% - 7.0%
Inflation rate	4.00%	2.60% - 7-0%
Biometrics:		
Mortality	IMSS97[(1)]	RP – 2000[(2)]
Disability	21.07%	15.4%
Retirement age	65 years	60-65 years

(1) Experience from the Mexican Institute for Social Security for males and females.
(2) RP – 2000 for Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

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15.– EQUITY:

a. At ordinary meeting held on March 20, 2014, the shareholders adopted the following resolutions:

1. Approval of a cap of Ps. 5,000,000 on the amount the Company would use in 2014 to repurchase its own shares.
2. Cancellation of 107,608,000 series "V" shares resulting from the repurchase of shares.
3. Increase in the legal reserve of Ps. 1,135,845 to be charged to retained earnings.
4. A declared ordinary cash dividend of Ps. 0.52 pesos per share to be paid in four installments of Ps. 0.13 pesos per share on April 29, 2014, August 26, 2014, November 25, 2014 and February 24, 2015; and two extraordinary cash dividends, the first one of Ps. 0.46 pesos per share to be paid in two installments, one of Ps. 0.27 pesos per share on April 29, 2014 and the second one of Ps. 0.19 pesos per share on November 25, 2014. The second extraordinary cash dividend of Ps. 0.40 pesos per share which is subject to the approval and closing of the sale of the Vips restaurant division.

b. At ordinary and extraordinary meetings held on March 14, 2013, the shareholders adopted the following resolutions:

1. Approval of a cap of Ps. 5,000,000 on the amount the Company would use in 2013 to repurchase its own shares.
2. Cancellation of 24,917,540 series "V" shares resulting from the repurchase of shares.
3. Increase in the legal reserve of Ps. 1,163,758 to be charged to retained earnings.
4. A declared cash dividend of Ps. 0.46 pesos per share to be paid on April 23, 2013 and two extraordinary cash dividends of Ps. 0.29 pesos per share and Ps. 0.17 pesos per share to be paid on April 23 and on November 26, 2013, respectively.
5. Approval of the comprehensive amendment to the Company's bylaws.

c. Capital stock is represented by registered shares with no par value. The Company's capital stock must be represented by a minimum of 3,000,000,000 shares and a maximum of 100,000,000,000 shares.

At December 31, 2014 and 2013, an analysis of historical paid-in stock and the number of shares representing it is as follows:

Capital stock	December 31, 2014	December 31, 2013
Fixed minimum capital	Ps. 5,591,362	Ps. 5,591,362
Variable capital	36,982,593	37,215,773
Total	Ps. 42,573,955	Ps. 42,807,135
Number of freely subscribed common shares:	17,506,639,103	17,627,200,951

During the year ended December 31, 2014, WALMEX repurchased 122,676,160 (96,000,000 in 2013) of its own shares, of which 11,608,000 were cancelled as per the resolution adopted at the shareholders' meeting held on March 20, 2014. As a result of the share repurchases, the Company's historical capital stock was reduced by Ps. 298,294 (Ps. 233,133 in 2013). The difference between the theoretical value and the repurchase cost of the shares acquired was reflected against retained earnings.

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.

At December 31, 2014 and 2013, the total balance of the tax accounts related to equity is Ps. 102,436,241 and Ps. 104,813,504, respectively, in conformity of the current tax laws effective January 1, 2014.

Additionally the individuals residing in Mexico and residents abroad (individuals or corporations) are subject to pay income tax at an additional rate of 10% on dividends or profits distributed by corporations resident in Mexico. The latter are obliged to withhold tax to pay it to the federal treasury. The additional tax rate of 10% mentioned only applies to profits obtained beginning on 2014. For these purposes, the corporation is required to keep track of net taxable income (CUFIN) with the profits generated until December 31, 2013. From the balance of this account, dividends paid from January 1, 2014, will be subtracted and once exhausted, this balance will begin to withhold an additional tax rate of 10%. At December 31, 2014 and 2013, the Company had a balance of CUFIN with the profits generated as of December 31, 2013 of Ps. 48,547,901 and Ps. 55,367,880, respectively.

e. The employee stock option plan fund consists of 242,253,520 **WALMEX** shares, which have been placed in a trust created for the plan.

The total compensation cost charged to operating results in the years ended December 31, 2014 and 2013 was Ps. 332,533 and Ps. 351,898, respectively, which represented no cash outlay for the Company.

Changes in the stock option plan are as follows:

	Number of shares	Weighted average price per share (pesos)
Balance at December 31, 2012	250,645,068	22.81
Granted	38,214,955	39.21
Exercised	(55,080,437)	15.52
Cancelled	(9,002,077)	35.67
Balance at December 31, 2013	224,777,509	26.87
Granted	49,367,214	30.89
Exercised	(29,358,139)	15.71
Cancelled	(12,159,746)	35.19
Balance at December 31, 2014	232,626,838	28.70
Shares available for option grant:		
At December 31, 2014	9,626,682	
At December 31, 2013	7,199,150	

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At December 31, 2014, an analysis of granted and exercisable shares under the stock option plan fund is as follows:

	Granted				Exercisable	
Year	Number of shares	Average remaining life (in years)	Weighted average price per share (pesos)	Range of price (pesos)	Number of shares	Weighted average price per share (pesos)
2005	11,085,363	0.2	9.90	9.90	11,085,363	9.90
2006	12,540,832	1.2	14.40	14.40-15.02	12,540,832	14.40
2007	11,486,202	2.2	21.54	21.54	11,486,202	21.54
2008	18,060,208	3.2	19.35	19.35	18,060,208	19.35
2009	22,593,935	4.2	16.02	15.85-22.80	22,593,935	16.02
2010	22,737,266	5.2	29.70	29.69-31.05	15,572,118	29.70
2011	25,750,092	6.2	33.75	33.70-33.75	11,213,760	33.75
2012	29,910,681	7.2	39.79	34.74-40.05	8,655,292	39.71
2013	32,324,470	8.2	39.21	39.17-41.89	3,807,693	39.22
2014	46,137,789	9.2	30.89	30.84-39.17	-	-
Total	232,626,838	5.9	28.70		115,015,403	22.46

16.– OTHER REVENUES:

For the years ended December 31, 2014 and 2013, an analysis of other revenues related to the Company's primary business activities is as follow:

	December 31, 2014	December 31, 2013
Memberships	Ps. 1,225,248	Ps. 1,212,672
Rental	964,532	839,743
Gasoline	268,675	306,159
Sale of waste	380,164	328,758
Service commissions	273,923	272,387
Parking	110,512	126,413
Others	106,266	159,814
Total	Ps. 3,329,320	Ps. 3,245,946

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17.– FINANCIAL EXPENSES, NET:

An analysis of financial expenses, net for the years ended December 31, 2014 and 2013, is as follows:

	December 31, 2014	December 31, 2013
Financial income		
Financial income	Ps. 1,044,108	Ps. 1,085,261
Exchange gain	61,745	54,562
	1,105,853	1,139,823
Financial expenses		
Interest on finance leases	1,212,003	1,113,361
Others	47,884	42,206
	1,259,887	1,155,567
Total	Ps. (154,034)	Ps. (15,744)

Financial income primarily consists of interest earned on investments and income earned on factoring transactions.

18.– SEGMENT FINANCIAL INFORMATION:

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions and on the criteria established in IFRS 8, *Operating Segments*.

The Company operates in Mexico and Central America and sells to the general public, and it is primarily engaged in operating self-service stores.

The Company has identified the following operating segments by geographical zone:

Mexico:

- Self-service: Operation of discount stores, hypermarkets, wholesale-price membership stores and supermarkets.
- Others: Consists of department stores and real estate transactions with third parties.

Central America:

Operation of discount stores, supermarkets, hypermarkets, warehouse stores and wholesale-price membership stores in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

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

Segment	Year ended December 31, 2014 Total revenues	Operating income	Financial expenses -net	Income before taxes on profits
Mexico:				
Self-service	Ps.365,450,584	Ps. 29,250,810	Ps. -	Ps. -
Others	13,326,879	1,446,300	-	-
Central America:				
Self-service	62,210,271	2,877,470	-	-
Impairment of goodwill and cancellation of contingent liability	-	1,141,616	-	-
Consolidated	Ps.440,987,734	Ps. 34,716,196	Ps. (154,034)	Ps.34,562,162

Segment	Year ended December 31, 2013 Total revenues	Operating income	Financial expenses -net	Income before taxes on profits
Mexico:				
Self-service	Ps.352,606,541	Ps. 27,789,651	Ps. -	Ps. -
Others	13,786,148	1,730,532	-	-
Central America:				
Self-service	57,430,278	2,115,953	-	-
Consolidated	Ps.423,822,967	Ps. 31,636,136	Ps. (15,744)	Ps.31,620,392

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Segment	Year ended December 31, 2014 Purchase of property and equipment	Depreciation and amortization	Total assets	Current liabilities
Mexico:				
Self-service	Ps. 9,136,037	Ps. 7,282,731	Ps. 154,715,809	Ps .50,868,727
Others	703,749	546,450	11,858,431	2,157,821
Unassignable Items	-	-	14,410,211	6,178,912
Assets and liabilities held for sale	-	-	7,988,358	5,770,732
Central America:				
Self-service	2,851,183	1,450,033	29,087,406	10,418,876
Goodwill and contingent liability	-	-	28,020,341	132,983
Consolidated	Ps. 12,690,969	Ps. 9,279,214	Ps. 246,080,556	Ps. 75,528,051

Segment	Year ended December 31, 2013 Purchase of property and equipment	Depreciation and amortization	Total assets	Current liabilities
Mexico:				
Self-service	Ps. 10,843,668	Ps. 6,712,881	Ps. 148,930,714	Ps. 45,484,529
Financial Services	73,334	-	6,350,972	5,055,558
Others	774,467	628,514	9,842,266	2,049,251
Unassignable Items	-	-	12,351,574	3,441,417
Assets and liabilities held for sale	-	-	3,932,746	966,227
Central America:				
Self-service	2,295,545	1,327,932	24,108,775	8,596,744
Goodwill and contingent liability	-	-	24,745,086	127,674
Consolidated	Ps. 13,987,014	Ps. 8,669,327	Ps. 230,262,133	Ps. 65,721,400

Unassignable items refer primarily to reserve land, cash and cash equivalents of the parent and real estate companies, as well as income tax payable.

At December 31, 2014 and 2013, assets and liabilities held for sale correspond to Walmart Bank and the restaurant division, respectively.

19.– APPROVAL OF THE FINANCIAL STATEMENTS:

The accompanying consolidated financial statements and its notes for the year ended December 31, 2014 and 2013 were approved for issue and public release by the Company's management on February 4, 2015. These financial statements and its notes were subsequently approved by the Company's Board of Directors in a meeting held on February 17, 2015.

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AUDIT AND CORPORATE GOVERNANCE COMMITTEES REPORT

WAL-MART DE MÉXICO, S.A.B. DE C.V.

ANNUAL REPORT

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

Dear Sirs,

In accordance with the current Securities Market Law ("LMV", as per its initials in Spanish), article 43 and the internal regulations approved by the Board of Directors of Wal-Mart de México, S.A.B. (jointly with its subsidiaries, the "Company"), we hereby inform you of the activities undertaken during fiscal year ended December 31, 2014.

In the performance of our duties we have maintained strict compliance not only with the LMV, but we have also considered the recommendations contained in the Code of Corporate Best Practices issued by Consejo Coordinador Empresarial, A.C, the company's Code of Ethics, the General Internal Rules of the Mexican Stock Exchange and general provisions derived from the LMV.

In order to comply with our supervisory process, the Audit and Corporate Governance Committees have held quarterly meetings to analyze the company's most relevant accounting, legal, operating and ethical issues in broad terms, supplemented by our involvement in the monthly meetings held with the Chief Executive Officer and Legal areas, and by reports provided by the company's top officers upon our request, and highlights are as follows:

I. As to Corporate Governance:

a) We were informed by the company's Management of the following:

1. Performance evaluation processes for relevant executive officers and authorized replacement plan including, but not limited, to Scot Rank Crawford's resignation to his position as President and Executive Officer of the company and the appointment of Enrique Ostalé Cambiaso to take over his position as of January 1 2015 and, particularly, an analysis of multiple roles to be performed by Mr. Ostalé, with no observations noted.
2. Processes followed along the year to conduct transactions with related parties and relevant transfer price study, concepts which are mentioned by management in Note 10 to the Financial Statements of the Company, with no observations noted.
3. Processes followed to define a comprehensive compensation for the Chief Executive Officer and comprehensive compensation packages for other relevant executive officers, referred to in paragraph c), Note 10 to the financial statements of the company, with no observations noted.
4. Processes followed along the year to conduct transactions with related parties and relevant transfer price study, whose descriptions are referred to in Note 10 to the financial statements of the company, with no observations noted.
5. Transactions related to the sale of Wal-Mart de México S.A.B. de C.V.'s restaurant division referred to in paragraph b), number II, Note 1 to the financial statements of the company, and the sale of Banco Walmart Adelante, S.A., referred to in paragraph b), number III, Note 1 to the above mentioned financial statements, with no observations noted.
6. Lastly, we were periodically informed of the company´s situation in terms of Ethics and Compliance and of measures taken by the company to reinforce these areas, with no observations noted.

b) The Board of Directors granted no exemption to any director, relevant executive officer nor any person with power as stated in LMV, art.

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c) During 2014, the company's management has been continuously informing us of the progress of the investigations conducted by the Walmart Stores, Inc.'s Audit Committee with support from independent lawyers and other advisors, on corrupt practices and of all measures taken by the company to reinforce its internal organization by training directors, managing executives and associates and strengthening processes to be leaders in compliance globally, as explained in detail in paragraph b), Note 1 to the financial statements of Wal-Mart de México, S.A.B. de C.V. and Subsidiaries as of December 31, 2014. Additionally, it is our belief that cooperating with the above mentioned investigations is in the best interest of the company and every shareholder, without distinction whatsoever.

II. As To Auditing:

a) We analyzed the status of the internal control system and were informed in detail of the internal and independent audit programs and work developed in this regard, as well as of the main aspects requiring to be improved and follow-up on preventive and corrective measures implemented by management. Therefore, it is our opinion that effectiveness requirements have been properly met for the company to operate under an overall control environment.
b) We evaluated the performance of the independent auditors who are responsible for rendering an opinion on the reasonability of the company's financial statements and their compliance with International Financial Reporting Standards. We consider that the partners at Mancera, S.C. firm (a member of EY Global) meet the necessary requirements of professional qualifications and independence for intellectual and financial action and we, therefore, recommended them to be appointment to examine, and issue a report on, the financial statements of Wal-Mart de México, S.A.B. de C.V. and Subsidiaries as of December 31, 2014. On another subject, any additional or complementary services provided to the company by the above mentioned auditors during 2014 did not interfere with their independence and were not substantial.
c) We attended several meetings to review the annual and quarterly financial statements and recommended to release such financial information at that time.
d) We were informed of the accounting policies approved and followed during 2014 and any amendments, and it is important to mention the policy on assets and liabilities for sale and discontinuous transactions, which was included as a result of the sale of the restaurant division and Banco Walmart whose effects are described in Note 7 to the financial statements of the company.
e) We followed up on relevant observations made by shareholders, directors, relevant executive officers, associates and overall, any third party in regarding to accounting, internal controls and matters related to internal and external audits.
f) We followed up on the agreement reached during the company's Shareholders and Board of Directors meetings.
g) We became aware of progress made in the investment plan and of any impacts on the results submitted to the Mexican Stock Exchange.
h) We were informed of the contingency and business continuity plans implemented by the company which in our opinion are reasonable based on its operating environment.

Based on performed work and an opinion from the independent auditors, it is our conclusion that the accounting and reporting policies and criteria followed by the company are adequate and sufficient, and have been consistently applied. As a result, the information submitted by the Chief Executive Officer reasonably reflects the company's financial position and results.

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Therefore, we recommend the company's Board of Directors to submit for approval before the annual shareholders' meeting, the financial statements of Wal-Mart de México, S.A.B. de C.V. and Subsidiaries for the year ended December 31, 2014.

Sincerely,

Adolfo Cerezo, Eng.

President

Audit and Corporate Governance Committees

Mexico City, February 17, 2015.

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

Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders of
Wal-Mart de México, S.A.B. de C.V.

We have audited the accompanying consolidated financial statements of Wal-Mart de México, S.A.B. de C.V. and subsidiaries, which comprise the consolidated statements of financial position at December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, as well as a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wal-Mart de México, S.A.B. de C.V. and subsidiaries at December 31, 2013 and 2012, and their consolidated financial performance and cash flows for the years then ended, in conformity with the International Financial Reporting Standards.

Our audit opinion and the accompanying financial statements and footnotes have been translated from the original Spanish version to English for convenience purposes only.

Mancera, S.C.

A Member Practice of

Ernst & Young Global

Enrique García

Mexico City, February 4, 2014, except for Note 19 related to the approval of the financial statements, which is dated February 18, 2014.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	Ps. 21,129,491	Ps. 28,163,229
Accounts receivable, net (Note 5)	12,778,413	10,376,438
Inventories (Note 6)	43,794,897	39,091,595
Prepaid expenses and other assets	1,013,525	1,016,091
Assets held for sale (Note 7)	3,932,746	-
Total current assets	82,649,072	78,647,353
Non-current assets:		
Property and equipment, net (Note 8)	121,082,727	117,376,902
Intangible assets (Note 9)	25,957,186	25,928,040
Other non-current assets	573,148	333,412
Total assets	Ps. 230,262,133	Ps. 222,285,707
Liabilities and equity		
Current liabilities:		
Accounts payable to suppliers (Note 10)	Ps. 47,609,438	Ps. 44,769,655
Other accounts payable (Note 11)	15,549,473	14,969,365
Taxes payable	1,596,262	2,424,526
Liabilities relating to assets held for sale (Note 7)	966,227	-
Total current liabilities	65,721,400	62,163,546
Long-term liabilities:		
Other long-term liabilities (Note 12)	13,766,917	12,638,523
Deferred tax (Note 13)	6,851,658	6,588,903
Employee benefits (Note 14)	971,577	1,058,117
Total liabilities	87,311,552	82,449,089
Equity (Note 15):		
Capital stock	45,777,573	45,959,724
Legal reserve	6,949,333	5,785,575
Retained earnings	92,551,723	90,370,930
Other comprehensive income items	397,799	162,781
Premium on sale of shares	2,314,940	2,067,980
Employee stock option plan fund	(5,061,161)	(4,646,088)
Equity attributable to owners of the parent	142,930,207	139,700,902
Non-controlling interests	20,374	135,716
Total equity	142,950,581	139,836,618
Total liabilities and equity	Ps. 30,262,133	Ps. 222,285,707

The accompanying notes are an integral part of these financial statements.
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WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Year ended December 31	
	2013	**2012**
Net sales	Ps. 420,577,021	Ps. 407,843,715
Other revenues (Note 16)	4,584,420	4,216,505
Total revenues	425,161,441	412,060,220
Cost of sales	(331,537,855)	(321,832,560)
Gross profit	93,623,586	90,227,660
General expenses	(62,101,772)	(58,541,066)
Income before other income (expenses), net	31,521,814	31,686,594
Other income (expenses), net	9,833	(264,892)
Operating income	31,531,647	31,421,702
Financial (expenses) income, net (Note 17)	(14,642)	400,937
Income before taxes on profits	31,517,005	31,822,639
Taxes on profits (Note 13)	(9,516,938)	(9,236,797)
Net Income from continuing operations	22,000,067	22,585,842
Net income from discontinued operations (Note 7)	713,153	682,821
Consolidated net income	Ps. 22,713,220	Ps. 23,268,663
Other comprehensive income items:		
Items that were not reclassified to profit and loss of the year:		
Actuarial gain (loss) on employee benefits	Ps. 57,007	Ps.(217,680)
Items that may be reclassified subsequently to profit and loss:		
Cumulative translation adjustment	178,011	(1,259,101)
	235,018	(1,476,781)
Comprehensive income	Ps. 22,948,238	Ps. 21,791,882
Net income attributable to:		
Owners of the parent	Ps. 22,716,891	Ps. 23,275,163
Non-controlling interests	(3,671)	(6,500)
	Ps. 22,713,220	Ps. 23,268,663
Comprehensive income attributable to:		
Owners of the parent	Ps. 22,951,909	Ps. 21,798,382
Non-controlling interests	(3,671)	(6,500)
	Ps. 22,948,238	Ps. 21,791,882
Basic earnings per share from continuing operations attributable to owners of the parent (in pesos)	Ps. 1.244	Ps. 1.273
Basic earnings per share attributable to owners of the parent (in pesos)	Ps. 1.284	Ps. 1.312

The accompanying notes are an integral part of these financial statements.
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WAL-MART DE MÉXICO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Notes 1, 3 and 15)
Amounts in thousands of Mexican pesos

	Capital stock	Legal reserve	Retained earnings	Other comprehensive income items	Premium on sale of shares	Employee stock option plan fund	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at January 1, 2012	Ps. 45,966,579	Ps. 4,672,883	Ps. 78,866,293	Ps. 1,639,562	Ps. 1,911,758	Ps. (4,190,174)	Ps. 128,866,901	Ps. 316,176	Ps. 129,183,077
Movements in employee stock option plan fund					156,222	(455,914)	(299,692)		(299,692)
Increase in legal reserve		1,112,692	(1,112,692)				-		-
Repurchase of shares	(70,234)		(1,017,619)				(1,087,853)		(1,087,853)
Dividends paid			(9,611,672)				(9,611,672)		(9,611,672)
Shares issued for the payment of the contingent liability	63,379						63,379		63,379
Purchase of shares of non-controlling interests			(28,543)				(28,543)	(173,960)	(202,503)
Comprehensive income			23,275,163	(1,476,781)			21,798,382	(6,500)	21,791,882
Balance at December 31, 2012	45,959,724	5,785,575	90,370,930	162,781	2,067,980	(4,646,088)	139,700,902	135,716	139,836,618
Movements in employee stock option plan fund					246,960	(415,073)	(168,113)		(168,113)
Increase in legal reserve		1,163,758	(1,163,758)						
Repurchase of shares	(249,310)		(3,079,173)				(3,328,483)		(3,328,483)
Dividends paid			(16,056,467)				(16,056,467)		(16,056,467)
Shares issued for the payment of the contingent liability	67,159						67,159		67,159
Purchase of shares of non-controlling interests			(236,700)				(236,700)	(111,671)	(348,371)
Comprehensive income			22,716,891	235,018			22,951,909	(3,671)	22,948,238
Balance at December 31, 2013	Ps. 45,777,573	Ps. 6,949,333	Ps. 92,551,723	Ps. 397,799	Ps. 2,314,940	Ps. (5,061,161)	Ps. 142,930,207	Ps. 20,374	Ps. 142,950,581

The accompanying notes are an integral part of these financial statements

FREE TRANSLATION, NOT TO THE LETTER

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Year ended December 31	
	2013	**2012**
Operating activities		
Income before taxes on profits	Ps. 31,517,005	Ps. 31,822,639
Items related to investing activities:		
Depreciation and amortization	8,689,694	8,393,098
Loss from disposal of property and equipment	187,803	46,928
Impairment in goodwill and contingent liability	-	121,911
Stock option compensation expense	351,898	342,957
Interest earned	(539,565)	(673,161)
Items related to financing activities:		
Interest payable under finance leases	1,113,361	1,055,550
Accrued interest on contingent liability	42,206	44,891
Discontinued operations	1,261,230	975,460
Cash flow from results of operations	42,623,632	42,130,273
Variances in:		
Accounts receivable	(2,169,222)	1,045,546
Inventories	(4,803,437)	(201,926)
Prepaid expenses and other assets	(273,549)	33,870
Accounts payable to suppliers	2,887,686	(5,532,394)
Other accounts payable	905,405	810,628
Taxes on profits	(9,997,166)	(8,680,470)
Employee benefits	(19,774)	35,436
Discontinued operations	(450,736)	-
Net cash flow from operating activities	28,702,839	29,640,963
Investing activities		
Purchase of property, equipment and software	(13,987,014)	(14,659,555)
Employee stock option plan fund	(520,011)	(642,649)
Interest collected	539,565	673,161
Purchase of shares of non-controlling interests	(348,371)	(189,720)
Proceeds from sale of property and equipment	182,212	514,554
Discontinued operations	(157,272)	-
Net cash flow used in investing activities	(14,290,891)	(14,304,209)
Financing activities		
Dividends paid	(16,056,467)	(9,611,672)
Repurchase of shares	(3,328,483)	(1,087,853)
Payment of finance leases	(1,352,533)	(1,292,407)
Discontinued operations	(39,517)	-
Net cash flow used in financing activities	(20,777,000)	(11,991,932)
Effect of changes in the value of cash	(668,686)	(347,979)
Net (decrease) increase in cash and cash equivalents	(7,033,738)	2,996,843
Cash and cash equivalents at beginning of year	28,163,229	25,166,386
Cash and cash equivalents at end of year	Ps. 21,129,491	Ps. 28,163,229

The accompanying notes are an integral part of these financial statements.
FREE TRANSLATION, NOT TO THE LETTER

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2013 AND 2012

Amounts in thousands of Mexican pesos, except where otherwise indicated

1.- DESCRIPTION OF THE BUSINESS AND RELEVANT EVENTS:

a. Description of the business

Wal-Mart de México, S.A.B. de C.V. **(WALMEX** or "the Company") is a Mexican company incorporated under the laws of Mexico and listed on the Mexican Stock Exchange, whose headquarters are located at Nextengo #78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City, Mexico. The principal shareholder of **WALMEX** is Wal-Mart Stores, Inc., a U.S. corporation, through Intersalt, S. de R.L. de C.V., a Mexican company.

WALMEX holds 99.9% equity interest in the following groups of companies in Mexico and Central America:

Group	Line of business
Nueva Walmart	Operation of 1,589 (1,423 in 2012) Bodega Aurrerá discount stores, 243 (227 in 2012) Walmart hypermarkets, 156 (142 in 2012) Sam's Club membership self-service wholesale stores, 92 (90 in 2012) Superama supermarkets and 10 (6 in 2012) Medimart pharmacies.
Suburbia	Operation of 109 (100 in 2012) Suburbia stores specializing in apparel and accessories for the entire family.
Vips	Operation of 262 (266 in 2012) Vips restaurants serving international cuisine, 92 (in both years) El Portón restaurants serving Mexican food and 6 (7 in 2012) Ragazzi restaurants specializing in Italian food.
Importing companies	Import goods for sale.
Real estate	Property developments and management of real estate companies.
Service companies	Rendering of professional services to Group companies and not-for-profit services to the community at large, and shareholding.
Walmart Bank	Operation of 201 (263 in 2012) bank branches.
Walmart Central America	Operation of 466 (459 in 2012) discount stores (Despensa Familiar and Palí), 100 (97 in 2012) supermarkets (Paiz, La Despensa de Don Juan, La Unión and Más x Menos), 75 (67 in 2012) discount warehouse stores (Maxi Bodega and Maxi Palí), 20 (17 in 2012) Walmart hypermarkets and 1 (2 in 2012) ClubCo membership self-service wholesale stores. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

b. Relevant events

I. Legal proceedings

Wal-Mart de México, S.A.B. de C.V. **("WALMEX")** is a subsidiary of Wal-Mart Stores, Inc. ("WMT"). WMT owns approximately 70% of the shares and voting power in **WALMEX** and has the ability to designate at least a majority of the directors of **WALMEX**. The remaining shares of **WALMEX** are publicly traded on the Mexican Stock Exchange and, to the best of the knowledge of **WALMEX**, no shareholder other than WMT and its affiliates owns more than 2% of the outstanding shares of **WALMEX**.

Currently, the Board of Directors of **WALMEX** is composed of 11 directors and 6 alternates. The Audit Committee and the Corporate Governance Committee of the Board of Directors are composed exclusively of independent directors (including alternate directors).

WMT is subject to a wide variety of laws and regulations in the United States of America and in the countries in which it operates, including but not limited to the U.S. Foreign Corrupt Practices Act (the "FCPA").

As **WALMEX** publicly disclosed on April 23, 2012, WMT is the subject of an investigation under the FCPA by the U.S. Department of Justice and the U.S. Securities and Exchange Commission following a disclosure that WMT made to those agencies in November 2011.

The Audit Committee of the Board of Directors of WMT, which is composed solely of independent directors, is conducting an internal investigation into, among other things, alleged violations of the FCPA and other alleged crimes or misconduct in connection with foreign subsidiaries, including **WALMEX** and whether prior allegations of such violations and/or misconduct were appropriately handled by WMT. The Audit Committee of WMT and WMT have engaged outside counsel from a number of law firms and other advisors who are assisting in the on-going investigation of these matters. **WALMEX** has also engaged outside counsel to assist in these matters.

WMT is also conducting a voluntary global review of its policies, practices and internal controls for FCPA compliance. WMT is engaged in strengthening its global anti-corruption compliance programs through appropriate remedial anti-corruption measures. **WALMEX** is taking part in such voluntary global review and strengthening of programs.

Furthermore, lawsuits relating to the matters under investigation have been filed by several of WMT's shareholders against it, its current directors, certain of its former directors, certain of its current and former officers and certain of **WALMEX**'s current and former officers.

WALMEX is cooperating with WMT in the review of these matters and it intends to continue fully cooperating in such regard.

A number of federal and local government agencies in México have also recently initiated investigations of these matters. **WALMEX** is cooperating with the Mexican governmental agencies conducting these investigations.

The Audit Committee and the Corporate Governance Committee of the Board of Directors of **WALMEX**, as well as the Board of Directors of **WALMEX**, have been informed about these matters and have determined, by a unanimous vote of the independent directors only, that it is in the best interests of **WALMEX** to continue to cooperate at this time with WMT and the U.S. and Mexican agencies conducting these investigations.

WALMEX could be exposed to a variety of negative consequences as a result of the matters noted above. There could be one or more enforcement actions in respect of the matters that are the subject of some or all of the ongoing government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desist orders or other relief, criminal convictions and/or penalties. The shareholder lawsuits may result in judgments against WMT and its current and former directors and current and former officers of WMT and **WALMEX** named in those proceedings. **WALMEX** cannot predict accurately at this time the outcome or impact of the government investigations, the shareholder lawsuits, the internal investigation and review. In addition, **WALMEX** expects to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the government investigations, and it cannot predict at this time the ultimate amount of all such costs. These matters may require the involvement of certain members of **WALMEX**'s senior management that could impinge on the time they have available to devote to other matters relating to the business. **WALMEX** may also see ongoing media and governmental interest in these matters that could impact the perception among certain audiences of its role as a corporate citizen.

On June 20, 2012, **WALMEX** publicly disclosed a downward adjustment to its 2012 growth plan.

WALMEX, its Board of Directors and its Audit Committee and Corporate Governance Committee will at all times ensure compliance with applicable Mexican law and ensure that they create value to **WALMEX**, acting diligently and adopting reasoned decisions, without favoring any shareholder or group of shareholders.

Although **WALMEX** does not presently believe, based on the information currently available and the advise of its external Mexican counsel, that these matters will have a material adverse effect on its business, given the inherent uncertainties in such situations, **WALMEX** can provide no assurance that these matters will not be material to its business in the future.

Sale of the restaurant line of business

On September 10, 2013, the Company reached a final agreement with ALSEA, S.A.B. de C.V. (ALSEA) for this company to acquire 100% of **WALMEX**' restaurant line of business, which includes the Vips, El Portón, Ragazzi and La Finca ("VIPS") restaurant chains. The closing of the transaction is subject to the approval of Mexico's Federal Economic Antitrust Commission (Note 7).

2.- NEW ACCOUNTING PRONOUNCEMENTS:

In 2012, the International Accounting Standards Board (IASB) issued the following International Financial Reporting Standards (IFRS).

l. IFRS 10, *Consolidated Financial Statements* - This standard establishes a single model of control that is applicable to any entity (including special purpose entities). IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements*, and SIC 12, *Consolidation – Special Purpose Entities*.

m. IFRS 11, *Joint Arrangements* – This standard establishes the principles for financial reporting by parties to a joint arrangement. The option of applying the proportional consolidation method is eliminated for joint ventures (understood based on the new definition). This standard supersedes IAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

n. IFRS. 12, *Disclosure of Interests in Other Entities* – This standard brings all of the different disclosure requirements for subsidiaries, joint arrangements, associates and structured entities together in a single standard.

o. IFRS 13, *Fair Value Measuremen*t – This standard defines the concept of fair value and requires the disclosure of fair value measurements.

These new standards became effective for fiscal years beginning on or after January 1, 2013. The adoption of these standards had no material effect on the Company´s financial statements.

3.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the significant accounting policies used in the preparation of the consolidated financial statements is described below. These policies have been applied consistently with those applied in the year ended December 31, 2012.

a. Basis of preparation

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

The consolidated statements of comprehensive income were prepared on a functional basis, which allows for the disclosure of cost of sales separately from other costs and expenses, in conformity with IAS 1, *Presentation of Financial Statements*. The consolidated statement of comprehensive income also includes a separate operating income line to provide a better understanding of the Company's business performance.

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions in some items

Walmart Bank's financial statements, which are included in the Company's consolidated financial statements, were prepared based on the accounting criteria established by the Mexican National Banking and Securities Commission (CNBV per its acronym in Spanish), as issued as part of the General Provisions for Credit Institutions. At date, there are no significant differences between these standards and IFRS.

Before the financial statements of the Company's foreign subsidiaries are consolidated, they 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, in conformity with IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

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.

WALMEX has sufficient resources to continue operating as a going concern and accordingly, the accompanying consolidated financial statements have been prepared on a going-concern basis and on a historical-cost basis. The Mexican peso is the Company's functional currency and reporting currency.

b. Risk factors

The Company is exposed to the effects of future events that could affect the purchasing power and/or buying habits of its population. These events may be economic, political or social in nature and some of the most important are described below:

I. Employment and salary. Positive or negative changes in employment and/or real salary levels could affect Mexico's per capita income and, consequently, the Company's business performance.
II. Changes in interest rates and exchange rates. Historically, Walmart has generated cash surpluses in Mexico and Central America on which it earns financial income. A reduction in interest rates could cause a decrease in the Company's financial income, which would affect its earnings growth. However, the Company believes that a reduction in interest rates would actually have a positive effect on its business in the medium- and long-term, since it would help improve the purchasing power of its customers. On the other hand, exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power, which could ultimately hinder the Company's sales.
III. In compliance with its corporate governance policies, the Company has no transactions with derivative financial instruments.

IV. 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.

V. Inflation. Over the last few years. The inflation rates in Mexico and Central America have remained at low levels. 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.

VI. Changes in government regulations. The Company is exposed to the changes in different laws and regulations, which, after becoming effective, they could affect the Company's operating results, such as an impact on sales, expenses for payroll indirect taxes and changes in applicable rates.

c. Consolidation

The accompanying consolidated financial statements include the Financial Statements of **WALMEX** and those of its subsidiaries in Mexico and abroad, which are grouped as described in Note 1 paragraph a, and they are prepared for the same accounting period. All related party balances and transactions have been eliminated in the consolidation, in conformity with IFRS 10, *Consolidated Financial Statements*.

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

d. Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits and highly liquid investments with original maturities of less than 90 days. Such investments are stated at historical cost plus accrued interest, not in excess of their market value.

Walmart Bank makes the monetary regulation deposits required by Banco de México (the Central Bank), the amounts of which are calculated based on traditional deposits in Mexican pesos.

e. Financial instruments

The Company has no transactions with derivative financial instruments.

f. Accounts receivable and reserve for bad debts

The balance of Walmart Bank's loan receivables portfolio is represented by outstanding loan balances, plus uncollected earned interest. The preventive allowance for credit risks is presented net of portfolio balances.

WALMEX recognizes the reserve for bad debts at the time the legal collection process begins in conformity with its internal procedures.

g. Inventories

Inventories are valued using the retail method, except for merchandise for the Sam's Club, ClubCo and distribution centers, which are valued using the average-cost method, and Vips restaurant inventories, which are valued using the first-in, first-out method. These inventory valuation methods are the same as those applied in the prior year. Inventories, including obsolete, slow-moving and defective items or items in poor condition, are stated at amounts not in excess of their net realizable value.

Inventory pertaining to the Agro-industrial Development of grains, edibles and meat is valued using the average-cost method.

Buying allowances are recognized in the income statement based on the turnover of the inventories that gave rise to them.

h. Prepaid expenses

Prepaid expenses are recognized as current assets in the consolidated statement of financial position as of the date the prepayments are made. At the time the goods are received, prepaid expenses are 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 presented net of accumulated depreciation.

Depreciation of property and equipment is computed on a straight-line method at the following annual rates:

Buildings, facilities and leasehold improvements	2.5%	to	33.3%
Furniture and equipment	5.0%	to	33.3%

j. Lease

In conformity with IAS 17, *Leases*, the Company classifies its property lease agreements as either finance or operating leases.

A lease is considered a finance lease if it transfers substantially all the risks and rewards incident to ownership of the underlying property to the lessee, considering the renewals established in each lease agreement. Rent is recognized in the income statement over the lease term as incurred.

Lease agreements that do not qualify as finance leases are treated as operating leases. Fixed lease payments are recognized in the income statement on a straight-line method over the lease term. The commencement date of lease is considered the occupancy date of the leased property, including the lessee's rights to renewal. Variable lease payments are based on a percentage of the Company's sales, and are recognized as an expense in the period in which they are incurred.

k. Impairment in the value of property and equipment

Based on the guidelines of IAS 36, *Impairment of Assets*, the Company recognizes impairment in the value of property and equipment by applying the expected present value technique to determine value in use, considering each store or restaurant as the minimum cash generating unit.

The present value technique requires detailed budget calculations, which are prepared separately for each cash-generating unit. These budgets generally cover five years and for those projected beyond five years, an expected growth percentage is applied.

Impairment losses are recognized in the consolidated statement of comprehensive income in the other income (expenses), net line.

l. Intangible assets

Intangible assets are valued at the lower of either acquisition cost or their 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 tested annually for impairment, in conformity with IAS 36*, Impairment of Assets*. Definite-lived assets are amortized using the straight-line method.

m. Assets and liabilities held for sale and discontinued operations

In conformity with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, n*on-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are not subject to depreciation and are measured at the lower of their previous carrying amount and fair value less costs to sell.

Assets and liabilities that meet the criteria to be classified as held for sale are presented separately in the statement of financial position from the rest of the assets and liabilities.

Income, expenses and costs related to this transaction are separately disclosed and recognized as part of the discontinued operations line in the consolidated statement of comprehensive income.

n. Liabilities and provisions

In conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, accrued liabilities are recognized whenever the Company has current obligations (legal or assumed) resulting from past events, that can be reasonably estimated and that will most likely give rise to a future cash disbursement for their settlement. Reimbursements are recognized net of the 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.

Liabilities for traditional deposits of the Walmart Bank are comprised of demand deposits in debit card accounts and compulsory term deposits. These liabilities are recorded at deposit or placement cost, plus accrued interest.

o. Contingent liabilities

The contingent liability related to the acquisition of Walmart Central America is valued at present value at the date of the financial statements.

The acquisition will require additional payments in shares and in cash provided Walmart Central America reaches a certain profitability level during a period of no longer than ten years after the agreement signing date.

p. Taxes on profits

Deferred taxes on profits are recognized using the asset and liability method, in conformity with IAS 12, *Income Taxes*. Under this method, deferred taxes are recognized on all temporary differences between the financial reporting and tax values of assets and liabilities, applying the enacted income tax rate, effective as of the date of the consolidated statement of financial position, or the enacted rate that will be in effect when the deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets.

Current year taxes on profits are presented as a short-term liability or current asset, net of prepayments made during the year.

q. Employee benefits

In conformity with the laws of each country in which the Company operates, the termination benefits for retirement or death to which the Company's employees are entitled, are as follows:

Mexico:

Seniority premiums accruing to employees under the Mexican Labor Law are recognized as a cost of the years in which services are rendered, based on actuarial computations made by an independent expert, using the projected unit credit method, in conformity with IAS 19, *Employee Benefits*.

Actuarial gains and losses are recognized as they accrue directly in the consolidated statement of comprehensive income, in conformity with IAS 19.

Employee profit sharing is presented in operating results as part of the general expenses line and represents a liability due and payable in less than one year.

All other payments accruing to employees or their beneficiaries in the event of involuntary retirement or death, in terms of the Mexican Labor Law, are expensed as incurred.

Central America:

Termination retirement benefits to which employees of the Walmart Central America companies are entitled under the labor laws of each country and are recorded as liabilities based on actuarial valuations carried out by independent experts.

In Guatemala, employees are entitled to termination benefits after three years of service in the Company, except in the case of justified dismissals.

In El Salvador and Honduras, employees are entitled to termination benefits after one years of service in the Company, except in the case of justified dismissals.

In Nicaragua, payouts for termination benefits vary from one to five months of salary for the period the services were provided.

In Costa Rica, termination benefits are paid to employees based on current corporate policy and in conformity with the laws of such country.

r. Equity

Legal reserve:

In conformity with the Mexican Corporations Act, the Company appropriates at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's capital stock.

Employee stock option plan fund:

The employee stock option plan fund is comprised of **WALMEX** shares presented at acquisition cost. The plan is designed to grant stock options to executives of the companies in the Group, as approved by the CNBV.

All employee stock options are granted to executives of subsidiary companies at a value that is no less than the market value on the grant date.

In accordance with current corporate policy, **WALMEX** executives may exercise their option to acquire shares in equal parts over five years. The right to exercise an employee stock option expires after ten years as of the grant date or after sixty days following the date of the employee's termination.

The compensation cost of stock option is calculated using the Black-Scholes financial valuation technique, in conformity with IFRS 2, *Share-Based Payments*.

Premium on sale of shares:

The premium on sale of shares represents the difference between the cost of shares granted under the stock option plan and the value at which such shares were sold to executives of companies in the Group, net of the corresponding income tax.

s. Revenue recognition

Revenue from merchandise sales is recognized in the consolidated statement of comprehensive income at the time ownership of the products sold is transferred to the customer and the services income at the time the service is provided, in conformity with IAS 18, *Revenue*.

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

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

The Company recognizes the net amount of cell phone minutes revenues in the net sales line in its consolidated statement of comprehensive income at the time the service is provided.

Walmart Bank's interest and fee revenues are recognized as they accrue in the other revenues line in the consolidated statement of comprehensive income.

Revenues from the sale of waste, extended warranties and service commissions are recognized in the other revenues line in the consolidated statement of comprehensive income at the time ownership of the products sold is transferred to the customer or the service is provided.

t. Basic earnings per share attributable to owners of the parent

The basic earnings per share is the result of dividing the net income of the year attributable to owners of the parent by the weighted average number of outstanding shares, in conformity with the guidelines of IAS 33, *Earnings per Share*. Diluted earnings per share is the same as basic earnings per share since there is currently no potentially dilutive common stock.

u. Operating segments

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions and assess the Company's performance. Segment information is presented based on the geographical zones in which the Company operates, in conformity with IFRS 8, *Operating Segments.*

v. Foreign currency transactions

The Company's foreign currency denominated assets and liabilities are translated to Mexican pesos 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 under the Financial (expenses) income, net line, in conformity with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

4.- CASH AND CASH EQUIVALENTS:

An analysis of cash and cash equivalents at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Cash and cash in banks	Ps. 7,826,506	Ps. 8,318,695
Highly marketable investments	13,302,985	19,844,534
	Ps. 21,129,491	Ps. 28,163,229

5.- ACCOUNTS RECEIVABLE, NET:

An analysis of accounts receivable at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Walmart Bank loan portfolio	Ps. 5,307,153	Ps. 4,035,917
Recoverable taxes	3,958,463	3,308,944
Trade receivables	3,549,235	3,065,220
Other accounts receivable	606,153	489,200
Walmart Bank allowance for credit risks	(523,340)	(364,063)
Reserve for bad debts (trade receivables and others)	(119,251)	(158,780)
	Ps. 12,778,413	Ps. 10,376,438

6.- INVENTORIES:

An analysis of inventories at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Merchandise for sale	Ps. 41,262,225	Ps. 37,426,732
Agro-industrial development	641,094	548,748
	41,903,319	37,975,480
Merchandise in transit	1,891,578	1,116,115
	Ps. 43,794,897	Ps. 39,091,595

7.- ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS:

As part of its business strategy, **WALMEX** reached a final agreement with ALSEA for this company to acquire 100% of **WALMEX**' restaurant line of business, which includes the Vips, El Portón, Ragazzi and La Finca ("VIPS") restaurant chains. The total sale price is Ps. 8,200 million. This deal is subject to the approval of Mexico's Federal Economic Antitrust Commission. Additionally, ALSEA shall pay **WALMEX** in the future rent for those restaurant units that are located where other **WALMEX**' stores are located.

The Vips restaurant business consists of 360 restaurants of which 262 operate under the "Vips" brand name, 92 units operate under the "El Portón" brand name and 6 units operate under the "Ragazzi" brand name. Additionally, this transaction includes the transfer of intellectual property related to the four brands, menus, product development, and operating processes, among others.

An analysis of assets and liabilities classified as held for sale at December 31, 2013, is as follows:

	December 31, 2013
Current assets	Ps. 794,106
Property and equipment, net	3,116,581
Other assets	22,059
	Ps. 3,932,746
Accounts payable to suppliers	Ps. 180,996
Other liabilities	345,282
Current liabilities	526,278
Non-current liabilities	439,949
Total liabilities	Ps. 966,227

Main lines of the results from discontinued operations shown in the consolidated statement of comprehensive income for the years ended December 31, 2013 and 2012, are as follows:

	December 31, 2013	December 31, 2012
Total revenues	Ps. 5,987,465	Ps. 5,990,781
Costs, expenses and taxes	(5,274,312)	(5,307,960)
Net income from discontinued operations	Ps. 713,153	Ps. 682,821
Net income from discontinued operations	Ps. 713,153	Ps. 682,821

8.– PROPERTY AND EQUIPMENT, NET

An analysis of property and equipment at December 31, 2013 and 2012, is as follows:

Property and equipment owned by the Company

	January 1, 2012	Additions	Disposals	Transfers	Translation effect	December 31, 2012	Additions	Disposals	Transfers	Translation effect	December 31, 2013
Land	Ps. 27,295,427	Ps. 1,992,763	Ps.(270,023)	Ps.(12,437)	Ps.(220,610)	Ps. 28,785,120	Ps. 942,375	Ps.(60,796)	Ps. (186,479)	Ps. 52,910	Ps. 29,533,130
Buildings	40,803,393	3,677,521	(222,732)	632,148	(320,502)	44,569,828	2,627,787	(73,056)	(2,802,621)	102,590	44,424,528
Facilities and leasehold improvements	33,835,629	2,929,457	(331,765)	62,117	(209,436)	36,286,002	3,403,164	(432,713)	579,073	36,634	39,872,160
Furniture and equipment	41,430,843	5,610,947	(889,283)	271,306	(419,920)	46,003,893	5,233,276	(2,325,188)	(1,498,123)	75,731	47,489,589
Total	143,365,292	14,210,688	(1,713,803)	953,134	(1,170,468)	155,644,843	12,206,602	(2,891,753)	(3,908,150)	267,865	161,319,407
Accumulated depreciation	(46,489,962)	(7,701,317)	1,074,595	(46,764)	189,043	(52,974,405)	(8,241,071)	2,549,535	3,445,588	(42,463)	(55,262,816)
Work in process	3,591,072	247,085	116,540	(820,162)	(105,131)	3,029,404	1,677,410	5,965	(2,128,258)	27,417	2,611,938
Total owned property and equipment	Ps. 100,466,402	Ps. 6,756,456	Ps. (522,668)	Ps. 86,208	Ps.(1,086,556)	Ps.105,699,842	Ps. 5,642,941	Ps.(336,253)	Ps.(2,590,820)	Ps. 252,819	Ps.108,668,529

Leased property and equipment

	January 1, 2012	Additions	Disposals	Transfers	Translation effect	December 31, 2012	Additions	Disposals	Transfers	Translation effect	December 31, 2013
Property	Ps. 11,566,148	Ps. 1,145,128	Ps.(3,774)	Ps. -	Ps. (132,705)	Ps. 12,574,797	Ps. 1,454,057	Ps.(145,643)	Ps.(553,583)	Ps. 30,658	Ps. 13,360,286
Furniture and equipment	1,491,246	357,106	(4,780)	(126,233)	-	1,717,339	420,528	(4)	(241,253)	-	1,896,610
Total	13,057,394	1,502,234	(8,554)	(126,233)	(132,705)	14,292,136	1,874,585	(145,647)	(794,836)	30,658	15,256,896
Accumulated depreciation	(2,151,298)	(509,467)	165	53,880	(8,356)	(2,615,076)	(566,847)	54,967	324,569	(40,311)	(2,842,698)
Total leased property and equipment	Ps. 10,906,096	Ps. 992,767	Ps. (8,389)	Ps.(72,353)	Ps. (141,061)	Ps. 11,677,060	Ps. 1,307,738	Ps. (90,680)	Ps.(470,267)	Ps. (9,653)	Ps. 12,414,198
Total	Ps.111,372,498	Ps. 7,749,223	Ps. (531,057)	Ps. 13,855	Ps.(1,227,617)	Ps.117,376,902	Ps. 6,950,679	Ps.(426,933)	Ps.(3,061,087)	Ps. 243,166	Ps. 121,082,727

Depreciation expense for the years ended December 31, 2013 and 2012, was Ps. 8,496,420 and Ps. 7,841,915, respectively.

At December 31, 2013, the transfers column includes the reclassification of fixed assets held for sale in the amount of Ps. 3,116,581 pertaining to the restaurant line of business.

Work in process mostly consists of Company´s investments mainly for the construction of new stores.

9.– INTANGIBLE ASSETS:

An analysis of intangible assets at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Goodwill	Ps. 24,745,086	Ps. 24,745,086
Trademarks	620,167	609,428
Licenses and software	445,893	415,740
Trade receivables	102,484	115,441
Patents	43,556	42,345
	Ps. 25,957,186	Ps. 25,928,040

For the years ended December 31, 2013 and 2012, the Company acquired software in the amount of Ps. 288,454 and Ps. 201,783, respectively.

Amortization expense for the years ended December 31, 2013 and 2012, was Ps. 193,274 and Ps. 221,358, respectively.

Goodwill represents the excess of the purchase price over the fair value of the net assets of Walmart Central America at the acquisition date, plus the fair value of the non-controlling interests, computed in conformity with the guidelines in IFRS 3, *Business Combinations***.**

Goodwill was computed in conformity with IAS 38, *Intangible Assets*, 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.

The Company engaged the services of an independent expert to test its goodwill for impairment. This evaluation was performed in conformity with IAS 36, *Impairment of Assets*, using the discounted cash flow technique (expected present value) to estimate the value in use of each cash generating unit based on the estimated revenues, costs, expenses, working capital requirements and fixed asset investments of each unit. This technique includes projection assumptions and value estimates and is consistent with the technique used to determine the purchase price of Walmart Central America at the time of the acquisition, which was the basis for estimating the goodwill to be allocated to each country.

Recoverable goodwill was computed based on value in use, which was calculated using cash flow projections considering the five-year business plan that underlies the decision making of the Company's senior management, except for El Salvador and Nicaragua, where the business plan covers ten years.

As a result of this study, at December 31, 2013, there were no indicators of impairment in the value of the Company's goodwill. At December 31, 2012, the Company recognized an impairment loss of Ps. 5,023,011 in the other income (expenses), net line.

As a result of the above, the Company reassessed the contingent liability recognized in February 2010 as part of the acquisition of Walmart Central America. As a result of this analysis, no adjustment was made to the contingent liability at December 31, 2013. Conversely, at December 31, 2012, the Company cancelled Ps. 4,901,100 of the contingent liability, recognizing income of Ps. 4,649,277 in the other income (expense), net line, and a cancellation of interest in the amount of Ps. 251,823 that is presented in the financial (expense) income, net line.

10.- RELATED PARTIES:

a) Related party balances

At December 31, 2013 and 2012, the consolidated statement of financial position includes the following balances with related parties:

	December 31, 2013	December 31, 2012
Accounts payable to suppliers:		
C.M.A. – U.S.A., L.L.C. (affiliate)	Ps. 343,919	Ps. 615,185
Global George, LTD. (affiliate)	34,451	17,109
	Ps. 378,370	Ps. 632,294
Other accounts payable:		
Wal-Mart Stores, Inc. (holding company)	Ps. 413,092	Ps. 377,254

At December 31, 2013 and 2012, balances receivable due from and payable due to related parties consist of current accounts that bear no interest, payable in cash and without guarantees.

b) Related party transactions

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

- Agreement for imports of merchandise for sale, interest-free and payable monthly.
- Agreement for purchase commissions with Global George that are payable on a recurring basis.
- Agreement for technical assistance and services with Walmart Stores that are payable monthly.
- Agreement for royalties for trademark use with Walmart Stores, payable quarterly based on a percentage of sales of the retail businesses.

The Company had the following transactions with related parties during the years ended December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
Import of merchandise for sale:		
C.M.A. – U.S.A., L.L.C. (affiliate)	Ps. 3,131,719	Ps. 3,138,902
Global George, LTD. (affiliate)	47,003	17,072
	Ps. 3,178,722	Ps. 3,155,974
Technical assistance, services and royalties:		
Wal-Mart Stores, Inc. (holding company)	Ps. 2,164,810	Ps. 2,146,203

c) Remuneration of principal officers

An analysis of remuneration to the Company's principal officers for the years ended December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
Short-term benefits	Ps. 754,508	Ps. 695,027
Termination benefits	83,303	64,477
Share-based payments	93,951	53,906
	Ps. 931,762	Ps. 813,410

11.- OTHER ACCOUNTS PAYABLE:

An analysis of other accounts payable at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Accrued liabilities and others	Ps. 8,830,905	Ps. 9,101,897
Walmart Bank traditional deposits	4,807,951	4,249,943
Provisions	606,153	597,918
Finance lease (Note 12)	723,059	476,019
Related parties (Note 10)	413,092	377,254
Contingent liability (Note 12)	127,674	131,685
Dividends	40,639	34,649
	Ps. 15,549,473	Ps. 14,969,365

At December 31, 2013, the Company has commitments totaling Ps. 10,150,325 (Ps. 9,003,254 in 2012) for the acquisition of inventories, property and equipment, as well as for maintenance services.

12.– OTHER LONG-TERM LIABILITIES:

At December 31, 2013 and 2012, the other long-term liabilities line includes the Company's obligations beyond one year under its finance leases and contingent liability, as described below:

a) Leases:

In order to determine if the suppliers transfer the right to use an asset**, WALMEX** analyses the provision of services agreement that do not have the legal form of a lease but that involve the use of an asset. **WALMEX** does not have a provision of services agreement that must be classified as a lease, in conformity with IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

The Company has entered into operating leases with third parties. Rental expense under these leases is recognized on a straight-line basis over the term of the lease agreements considering as the commencement date of the lease the occupancy date of the leased property and including the lessee's rights to renewal.

The Company has entered into property lease agreements that qualify as finance leases. These agreements are recorded at the lower of either the present value of future minimum lease payments or at the market value of the property, and they are amortized over the term of the lease agreements, which includes the lessee's rights to renewal.

The Company has entered into property lease agreements with third parties for compulsory terms ranging from 2 to 15 years.

The Company has also entered into finance leases for the rental of residual water treatment plants used to meet environmental protection standards. The terms of these agreements range from 7 to 10 years.

Future rental payments are as follows:

Year	Operating leases (compulsory term)	Finance leases (minimum payments)
2014	Ps. 321,429	Ps. 723,059
2015	Ps. 311,318	Ps. 817,880
2016	Ps. 272,739	Ps. 915,406
2017	Ps. 193,867	Ps. 509,273
2018	Ps. 130,490	Ps. 439,997
2019 and thereafter	Ps. 478,282	Ps. 9,622,614

At December 31, 2013, the liability derived from the use of the straight-line method under operating leases was Ps. 524,784, of which Ps. 25,085 is presented in the current liabilities line.

Total rent under operating leases charged to the income statement during the years ended December 31, 2013 and 2012 was Ps. 4,551,209 and Ps. 3,614,455, respectively.

b) Contingent liability

At December 31, 2013 and 2012, the Company recognized a contingent liability for contingent compensation related to the acquisition of Walmart Central America of Ps. 1,069,197 and Ps. 1,190,933, respectively, including amounts payable in less than one year of Ps. 127,674 and Ps. 131,685, respectively. This contingent compensation represents future payments in shares and in cash.

An analysis of the payments made by the Company in cash and shares in February of each year to cover the contingent liability payable as part of acquisition is as follows:

	2013	2012
Payment in shares	Ps. 67,159	Ps. 63,379
Payment in cash	64,526	60,894
Total payment of contingent liability	Ps. 131,685	Ps. 124,273
Number of Series "V" shares issued	1,606,084	1,586,861

13.– TAXES ON PROFITS:

Through December 31, 2013, the Company and its subsidiaries, except Walmart Bank and Walmart Central America, have been authorized by the Ministry of Finance and Public Credit to determine their tax results on a consolidated basis. Beginning January 1, 2014, each of the companies of **WALMEX** shall determine and pay income tax on an individual basis.

An analysis of taxes on profits charged to the income statement for the years ended December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Current year tax	Ps. 9,165,940	Ps. 8,736,951
Deferred tax	350,998	499,846
Total	Ps. 9,516,938	Ps. 9,236,797

An analysis of the effects of the temporary differences giving rise to deferred tax assets and liabilities at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Property and equipment	Ps. 9,133,637	Ps. 8,200,595
Inventories	(663,248)	(787,232)
Repatriation of earnings of Walmart Central America	1,238,918	1,206,647
Walmart Bank available tax loss carryforward	(1,039,272)	(846,616)
Advance collections	(191,539)	(224,350)
Other long-term liabilities	(239,131)	(243,378)
Other items, net	(1,387,707)	(716,763)
Total	Ps. 6,851,658	Ps. 6,588,903

At December 31, 2013, the consolidated effective tax rate is 30.2% (29.0% in 2012). The difference between the statutory tax rate and the effective tax rate is due basically to the effects of annual inflation adjustment and other permanent items.

In Mexico, the legal income tax rate is 30%. For the other countries, the legal income tax rates are as follows:

	Rate
Costa Rica	30%
Guatemala	31%
Honduras	30%
Nicaragua	30%
El Salvador	30%

The goodwill resulting from the acquisition of Walmart Central America is not deductible under the Mexican Income Tax Law and thus, it has no effect on the Company's calculation of deferred taxes.

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

An analysis of the Company's available tax loss carryforward at December 31, 2013 is as follows:

Year of expiration		Amount
2017	Ps.	124,163
2018		683,098
2019		833,739
2020		811,847
2021		633,663
2022		145,605
	Ps.	3,232,115

14.– EMPLOYEE BENEFITS:

Mexico:

The Company has set up a defined benefits trust fund to cover seniority premiums accruing to employees. Workers make no contributions to this fund. These obligations are estimated using the projected unit credit method.

At December 31, 2013 and 2012, an analysis of the Company's assets and liabilities for seniority premiums and retirement benefits is as follows:

	Seniority premiums		Retirement benefits	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Defined benefit obligation	Ps. 736,256	Ps. 786,744	Ps. 97,307	Ps. 103,353
Plan assets	(612,821)	(603,038)	-	-
Net projected liability	Ps. 123,435	Ps. 183,706	Ps. 97,307	Ps. 103,353

An analysis of the Company's obligations for seniority premiums and retirement benefits for the years ended December 31, 2013 and 2012 is as follows:

	Seniority premiums		Retirement benefits	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Current-year service cost	Ps. 107,431	Ps. 86,338	Ps. 6,303	Ps. 4,970
Net interest	11,342	6,892	6,522	5,930
Cost of defined benefits	Ps. 118,773	Ps. 93,230	Ps. 12,825	Ps. 10,900

Payouts for seniority premiums in Mexico for the year ended December 31, 2013 were Ps. 61,199 (Ps. 53,113 in 2012).

At December 31, 2013, the plan assets have been invested through the trust as follows: 94% in money market instruments and 6% in mutual funds.

Central America:

For the years ended December 31, 2013 and 2012, an analysis of the liabilities associated with termination benefits in Central America is as follows:

Country	Defined benefit obligation	
	December 31, 2013	December 31, 2012
Costa Rica	Ps. 73,892	Ps. 62,522
Guatemala	534,557	564,658
Honduras	80,526	77,342
Nicaragua	11,781	12,798
El Salvador	50,079	53,738
Total	Ps. 750,835	Ps. 771,058

For the years ended December 31, 2013 and 2012, an analysis of the cost of termination benefits in Central America is as follows:

Country	Current-year service cost		Net interest	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Costa Rica	Ps. 13,328	Ps. 47,289	Ps. 14,297	Ps. 8,968
Guatemala	67,935	53,825	39,712	42,175
Honduras	16,878	16,802	8,210	7,844
Nicaragua	4,069	4,489	1,483	1,639
El Salvador	10,898	11,076	3,532	5,146
Total	Ps. 113,108	Ps. 133,481	Ps. 67,234	Ps. 65,772

Termination benefits paid out for the year ended December 31, 2013 were Ps. 161,318 (Ps. 147,720 in 2012).

At December 31, 2013, the actuarial assumptions used in the actuarial study for each country are as follows:

Country	Discount rate	Salary increase rate
Mexico	7.50%	5.25%
Costa Rica	10.12%	5.50%
Guatemala	8.50%	4.50%
Honduras	13.29%	6.00%
Nicaragua	12.99%	7.50%
El Salvador	8.30%	3.10%

15.– EQUITY:

a. At ordinary and extraordinary meetings held on March 14, 2013, the shareholders adopted the following resolutions:

5. Approval of a cap of Ps. 5,000,000 on the amount the Company would use in 2013 to repurchase its own shares.
6. Cancellation of 24,917,540 series "V" shares resulting from the repurchase of shares.
7. Increase in the legal reserve of Ps. 1,163,758 to be charged to retained earnings.
8. A declared cash dividend of Ps. 0.46 pesos per share to be paid on April 23, 2013 and two extraordinary cash dividends of Ps. 0.29 pesos per share and Ps. 0.17 pesos per share to be paid on April 23 and on November 26, 2013, respectively
9. Approval of the comprehensive amendment to the Company's bylaws.

b. At ordinary and extraordinary meetings held on March 27, 2012, the shareholders adopted the following resolutions:

6. Approval of a cap of Ps. 5,000,000 on the amount the Company would use in 2012 to repurchase its own shares.
7. Cancellation of 100,997,000 series "V" shares resulting from the repurchase of shares.
8. Increase in the legal reserve of Ps. 1,112,692 to be charged to retained earnings.
9. A declared cash dividend of Ps. 0.44 pesos per share and an extraordinary cash dividend of Ps. 0.11 pesos per share. Both dividends were to be paid on April 30, 2012.

c. Capital stock is represented by registered shares with no par value. The Company's capital stock must be represented by a minimum of 3,000,000,000 shares and a maximum of 100,000,000,000 shares.

At December 31, 2013 and 2012, an analysis of historical paid-in stock and the number of shares representing it is as follows:

Capital stock	December 31, 2013	December 31, 2012
Fixed minimum capital	Ps. 5,591,362	Ps. 5,591,362
Variable capital	37,215,773	37,381,747
Total	Ps. 42,807,135	Ps. 42,973,109
Number of freely subscribed common shares:	17,627,200,951	17,721,594,867

During the year ended December 31, 2013, **WALMEX** repurchased 96,000,000 (27,084,540 in 2012 of its own shares, of which 2,167,000 were cancelled as per the resolution adopted at the shareholders' meeting held on March 27, 2012). As a result of the share repurchases, the Company's historical capital stock was reduced by Ps. 233,133 (Ps. 65,670 in 2012). The difference between the theoretical value and the repurchase cost of the shares acquired was reflected against retained earnings.

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 11 and 89 of the Mexican Income Tax Law.

At December 31, 2013 and 2012, the total balance of these two tax accounts is Ps. 143,033,415 and Ps. 135,398,711, respectively.

e. The employee stock option plan fund consists of 231,976,659 WALMEX shares, which have been placed in a trust created for the plan.

The total compensation cost charged to operating results in the years ended December 31, 2013 and 2012 was Ps. 351,898 and Ps. 342,957, respectively, which represented no cash outlay for the Company.

Changes in the stock option plan are as follows:

	Number of shares	Weighted average price per share (pesos)
Balance at January 1, 2012	261,291,765	19.27
Granted	37,202,679	39.79
Exercised	(41,817,426)	14.82
Cancelled	(6,031,950)	29.54
Balance at December 31, 2012	250,645,068	22.81
Granted	38,214,955	39.21
Exercised	(55,080,437)	15.52
Cancelled	(9,002,077)	35.67
Balance at December 31, 2013	224,777,509	26.87
Shares available for option grant:		
At December 31, 2013	7,199,150	
At December 31, 2012	1,962,028	

At December 31, 2013, an analysis of granted and exercisable shares under the stock option plan fund is as follows:

	Granted				Exercisable	
Year	Number of shares	Average remaining life (in years)	Weighted average price per share (pesos)	Range of price (pesos)	Number of shares	Weighted average price per share (pesos)
2004	8,157,071	0.2	8.47	8.45-9.09	8,157,071	8.47
2005	14,306,364	1.2	9.90	9.90	14,306,364	9.90
2006	15,086,813	2.2	14.40	14.40-15.02	15,086,813	14.40
2007	13,563,239	3.2	21.54	21.54	13,563,239	21.54
2008	20,966,495	4.2	19.35	19.35	20,966,495	19.35
2009	29,590,705	5.2	15.99	15.85-22.80	18,225,167	16.02
2010	25,955,056	6.2	29.70	29.69-31.05	11,624,761	29.69
2011	28,698,940	7.2	33.75	33.70-33.75	6,894,443	33.75
2012	32,806,854	8.2	39.77	34.74-40.05	4,178,833	39.64
2013	35,645,972	9.2	39.20	39.17-41.89	-	-
Total	224,777,509	5.8	26.87		113,003,186	19.13

16.– OTHER REVENUES:

For the years ended December 31, 2013 and 2012, an analysis of other revenues related to the Company's primary business activities is as follow:

	December 31, 2013	December 31, 2012
Memberships	Ps. 1,212,672	Ps. 1,211,604
Walmart Bank revenues	1,338,474	943,158
Rental	839,743	789,967
Gasoline	306,159	337,154
Sale of waste	328,758	311,622
Service commissions	272,387	259,318
Parking	126,413	139,938
Other	159,814	223,744
Total	Ps. 4,584,420	Ps. 4,216,505

17.– FINANCIAL (EXPENSES) INCOME, NET:

An analysis of financial (expenses) income, net for the years ended December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Financial income		
Financial income	Ps. 1,086,330	Ps. 1,211,522
Exchange gain	54,595	9,368
	1,140,925	1,220,890
Financial expenses		
Interest on finance leases	1,113,361	1,026,885
Accrued interest on contingent liability	42,206	(206,932)
	1,155,567	819,953
Total	Ps. (14,642)	Ps. 400,937

Financial income primarily consists of interest earned on investments and income earned on factoring transactions.

Based on the analysis of the contingent liability, the Company cancelled accrued interest of Ps. 251,823 at December 31, 2012.

18.– SEGMENT FINANCIAL INFORMATION:

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions and on the criteria established in IFRS 8, *Operating Segments*.

The Company operates in Mexico and Central America and sells to the general public, and it is primarily engaged in operating self-service stores.

The Company has identified the following operating segments by geographical zone:

Mexico:

- Self-service: Operation of discount stores, hypermarkets, wholesale-price membership stores and supermarkets.
- Financial services: Operation of bank branches to provide banking and credit services.
- Other: Consists of department stores and real estate transactions with third parties.

Central America:

Operation of discount stores, supermarkets, hypermarkets, warehouse stores and wholesale-price membership stores in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

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

	Year ended December 31, 2013			
Segment	Total revenues	Operating income	Financial expenses, net	Income before taxes on profits
Mexico:				
Self-service	Ps.352,606,541	Ps. 27,789,651	Ps. -	Ps. -
Financial services	1,338,474	(414,715)	-	-
Other	13,786,148	2,040,758	-	-
Central America:				
Self-service	57,430,278	2,115,953	-	-
Consolidated	Ps.425,161,441	Ps. 31,531,647	Ps. (14,642)	Ps.31,517,005

	Year ended December 31, 2012			
Segment	Total revenues	Operating income	Financial income, net	Income before taxes on profits
Mexico:				
Self-service	Ps.341,480,071	Ps. 28,612,287	Ps. -	Ps. -
Financial services	943,158	(569,744)	-	-
Other	13,374,759	2,293,166	-	-
Central America:				
Self-service	56,262,232	1,459,727	-	-
Impairment of goodwill and cancellation of contingent liability	-	(373,734)	-	-
Consolidated	Ps.412,060,220	Ps. 31,421,702	Ps. 400,937	Ps.31,822,639

Segment	Year ended December 31, 2013 Purchase of property and equipment	Depreciation and amortization	Total assets	Current liabilities
Mexico:				
Self-service	Ps. 10,843,668	Ps. 6,712,881	Ps. 148,930,714	Ps.45,484,529
Financial services	73,334	20,367	6,350,972	5,055,558
Other	774,467	628,514	9,842,266	2,049,251
Unassignable items	-	-	12,351,574	3,441,417
Held for sale	-	-	3,932,746	966,227
Central America:				
Self-service	2,295,545	1,327,932	24,108,775	8,596,744
Goodwill and contingent liability	-	-	24,745,086	127,674
Consolidated	Ps. 13,987,014	Ps. 8,689,694	Ps. 230,262,133	Ps. 65,721,400

Segment	Year ended December 31, 2012 Purchase of property and equipment	Depreciation and amortization	Total assets	Current liabilities
Mexico:				
Self-service	Ps. 10,539,380	Ps. 6,126,671	Ps. 145,087,260	Ps. 42,562,503
Financial services	68,350	32,761	5,271,426	4,436,619
Other	894,838	592,148	16,827,486	3,549,776
Unassignable items	-	-	8,219,668	3,600,944
Central America:				
Self-service	3,156,987	1,311,693	22,134,781	7,882,019
Goodwill and contingent liability	-	-	24,745,086	131,685
Consolidated	Ps. 14,659,555	Ps. 8,063,273	Ps. 222,285,707	Ps. 62,163,546

Unassignable items refer primarily to reserve land, cash and cash equivalents of the parent and real estate companies, as well as income tax payable.

Assets and liabilities held for sale refer to the restaurant line of service.

19.– APPROVAL OF THE FINANCIAL STATEMENTS:

The accompanying consolidated financial statements and its notes for the year ended December 31, 2013 and 2012 were approved for issue and public release by the Company´s management on February 4, 2014. These financial statements were subsequently approved by the Company's Board of Directors in a meeting held on February 18, 2014.

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of
Wal-Mart de México, S.A.B. de C.V.

We have audited the accompanying consolidated financial statements of Wal-Mart de México, S.A.B. de C.V. and subsidiaries, which comprise the consolidated statements of financial position at December 31, 2012 and 2011, and at January 1, 2011, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2012 and 2011, as well as a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wal-Mart de México, S.A.B. de C.V. and subsidiaries at December 31, 2012 and 2011 and at January 1, 2011, and their consolidated financial performance and cash flows for the years ended December 31, 2012 and 2011, in conformity with the International Financial Reporting Standards.

Our audit opinion and the accompanying financial statements and footnotes have been translated from the original Spanish version to English for convenience purposes only.

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

Enrique García

Mexico City, February 1, 2013.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Notes 1, 2 and 18)
Thousands of Mexican pesos

	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	Ps. 28,163,229	Ps. 25,166,386	Ps. 24,661,050
Accounts receivable, net (Note 4)	10,376,438	10,900,241	6,621,189
Inventories (Note 5)	39,091,595	39,335,705	28,331,146
Prepaid expenses and others	1,016,091	944,506	807,904
Total current assets	78,647,353	76,346,838	60,421,289
Non-current assets:			
Property and equipment, net (Note 6)	117,376,902	111,372,498	97,379,844
Intangible assets (Note 7)	25,928,040	31,068,969	30,973,204
Other non-current assets	333,412	433,125	697,990
Total assets	Ps. 222,285,707	Ps. 219,221,430	Ps. 189,472,327
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable to suppliers (Note 8)	Ps. 44,769,655	Ps. 50,853,686	Ps. 37,999,509
Other accounts payable (Note 9)	14,969,365	13,641,161	10,994,795
Taxes payable	2,424,526	2,080,517	1,454,379
Short-term debt (Note 10)	-	-	259,567
Total current liabilities	62,163,546	66,575,364	50,708,250
Long-term liabilities:			
Other long-term liabilities (Note 11)	12,638,523	16,407,692	13,553,925
Deferred tax (Note 12)	6,588,903	6,186,166	5,519,846
Employee benefits (Note 13)	1,058,117	869,131	680,228
Total liabilities	82,449,089	90,038,353	70,462,249
Shareholders' equity (Note 14):			
Capital stock	45,959,724	45,966,579	46,169,467
Legal reserve	5,785,575	4,672,883	3,695,362
Retained earnings	90,370,930	78,866,293	70,638,760
Other comprehensive income items	162,781	1,639,562	470,218
Premium on sale of shares	2,067,980	1,911,758	1,816,132
Employee stock option plan fund	(4,646,088)	(4,190,174)	(4,108,418)
Equity attributable to owners of the parent	139,700,902	128,866,901	118,681,521
Noncontrolling interest	135,716	316,176	328,557
Total shareholders' equity	139,836,618	129,183,077	119,010,078
Total liabilities and shareholders' equity	Ps. 222,285,707	Ps. 219,221,430	Ps. 189,472,327

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Notes 1, 2 and 18)
Thousands of Mexican pesos

	Year ended December 31	
	2012	**2011**
Net sales	Ps. 413,791,800	Ps. 375,279,440
Other income (Note 15)	4,259,201	3,570,349
Total revenues	418,051,001	378,849,789
Cost of sales	(323,454,083)	(293,740,148)
Gross profit	94,596,918	85,109,641
General expenses	(61,926,440)	(55,574,767)
Income before other (expenses) income, net	32,670,478	29,534,874
Other (expenses) income, net	(271,438)	55,656
Operating income	32,399,040	29,590,530
Financial income, net (Note 16)	399,059	189,567
Income before taxes on profits	32,798,099	29,780,097
Taxes on profits (Note 12)	(9,529,436)	(7,695,413)
Consolidated net income	Ps. 23,268,663	Ps. 22,084,684
Other comprehensive income items:		
Items that will not be reclassified to profit and loss of the year:		
Actuarial losses from labor obligations	(217,680)	(52,618)
Items that may be subsequently reclassified to profit and loss of the year:		
Cumulative translation adjustment	(1,259,101)	1,221,962
	(1,476,781)	1,169,344
	Ps. 21,791,882	Ps. 23,254,028
Net income attributable to:		
Owners of the parent	23,275,163	22,080,045
Noncontrolling interest	(6,500)	4,639
	Ps. 23,268,663	Ps. 22,084,684
Comprehensive income attributable to:		
Owners of the parent	21,798,382	23,249,389
Noncontrolling interest	(6,500)	4,639
	Ps. 21,791,882	Ps. 23,254,028
Basic earnings per share attributable to owners of the parent (in pesos)	Ps. 1.312	Ps. 1.240

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2012 and 2011
(Notes 1, 2, 14 and 18)
Thousands of Mexican pesos

	Capital stock	Legal reserve	Retained earnings	Other comprehensive income items	Premium on sale of shares	Employee stock option plan fund	Equity attributable to owners of the parent	Non-controlling interest	Total shareholders' equity
Balance at January 1, 2011	Ps. 46,169,467	Ps. 3,695,362	Ps. 70,638,760	Ps. 470,218	Ps. 1,816,132	Ps. (4,108,418)	Ps. 118,681,521	Ps. 328,557	Ps. 119,010,078
Movements in employee stock option plan fund					95,626	(81,756)	13,870		13,870
Increase in legal reserve		977,521	(977,521)				-		-
Repurchase of shares	(267,335)		(3,187,373)				(3,454,708)		(3,454,708)
Dividends paid			(9,659,202)				(9,659,202)		(9,659,202)
Shares issued for the payment of the contingent liability	64,447						64,447		64,447
Purchase of shares of noncontrolling interest			1,881				1,881	(17,020)	(15,139)
Other items			(30,297)				(30,297)		(30,297)
Comprehensive income			22,080,045	1,169,344			23,249,389	4,639	23,254,028
Balance at December 31, 2011	45,966,579	4,672,883	78,866,293	1,639,562	1,911,758	(4,190,174)	128,866,901	316,176	129,183,077
Movements in employee stock option plan fund					156,222	(455,914)	(299,692)		(299,692)
Increase in legal reserve		1,112,692	(1,112,692)				-		-
Repurchase of shares	(70,234)		(1,017,619)				(1,087,853)		(1,087,853)
Dividends paid			(9,611,672)				(9,611,672)		(9,611,672)
Shares issued for the payment of the contingent liability	63,379						63,379		63,379
Purchase of shares of noncontrolling interest			(28,543)				(28,543)	(173,960)	(202,503)
Comprehensive income			23,275,163	(1,476,781)			21,798,382	(6,500)	21,791,882
Balance at December 31, 2012	Ps. 45,959,724	Ps. 5,785,575	Ps. 90,370,930	Ps. 162,781	Ps. 2,067,980	Ps. (4,646,088)	Ps. 139,700,902	Ps. 135,716	Ps. 139,836,618

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

FREE TRANSLATION, NOT TO THE LETTER

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Notes 1 and 2)
Thousands of Mexican pesos

	Year ended December 31	
	2012	2011
Operating activities		
Income before taxes on profits	Ps. 32,798,099	Ps. 29,780,097
Items related to investing activities:		
Depreciation and amortization	8,393,098	7,597,618
Loss from disposal of property and equipment	46,928	678,500
Impairment in goodwill and contingent liability	121,911	-
Stock option compensation expense	342,957	296,686
Interest income	(673,161)	(662,847)
Items related to financing activities:		
Interest payable under finance leases	1,055,550	901,544
Accrued interest on contingent liability	44,891	193,082
Cash flow from results operations	42,130,273	38,784,680
Variances in:		
Accounts receivable	1,045,546	(4,102,168)
Inventories	(201,926)	(10,382,853)
Prepaid expenses and other assets	33,870	137,412
Accounts payable to suppliers	(5,532,394)	12,100,941
Other accounts payable	810,628	2,433,066
Taxes on profits	(8,680,470)	(6,829,519)
Employee benefits	35,436	47,918
Net cash flow from operating activities	29,640,963	32,189,477
Investing activities		
Purchase of property, equipment and software	(14,659,555)	(18,352,297)
Employee stock option plan fund	(642,649)	(282,816)
Interest collected	673,161	662,847
Purchase of shares of noncontrolling interest	(189,720)	(12,891)
Proceeds from sale of property and equipment	514,554	179,356
Net cash flow used in investing activities	(14,304,209)	(17,805,801)
Cash surplus to be applied to financing activities	15,336,754	14,383,676
Financing activities		
Dividends paid	(9,611,672)	(9,659,202)
Repurchase of shares	(1,087,853)	(3,454,708)
Payment of finance leases	(1,292,407)	(1,069,295)
Payment of short-term debt	-	(260,731)
Net cash flow used in financing activities	(11,991,932)	(14,443,936)
Effect of changes in the value of cash	(347,979)	565,596
Net increase in cash and cash equivalents	2,996,843	505,336
Cash and cash equivalents at beginning of year	25,166,386	24,661,050
Cash and cash equivalents at end of year	Ps. 28,163,229	Ps. 25,166,386

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

Notes to consolidated financial statements

At December 31, 2012 and 2011 and January 1, 2011
Thousands of Mexican pesos, except where otherwise indicated

1.- DESCRIPTION OF THE BUSINESS AND RELEVANT EVENTS:

a. Description of the business

Wal-Mart de México, S.A.B. de C.V. (**WALMEX** or "the Company") is a Mexican company incorporated under the laws of Mexico and listed on the Mexican Stock Exchange, whose headquarters are located at Nextengo #78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City, Mexico. The principal shareholder of **WALMEX** is Wal-Mart Stores, Inc., a U.S. corporation, through Intersalt, S. de R.L. de C.V., a Mexican company.

WALMEX holds 99.9% equity interest in the following groups of companies in Mexico and Central America:

Group	Line of Business
Nueva Walmart	Operation of 1,423 (1,204 in 2011) Bodega Aurrerá discount stores, 227 (213 in 2011) Walmart hypermarkets, 142 (124 in 2011) Sam's Club membership self-service wholesale stores, and 90 (88 in 2011) Superama supermarkets.
Suburbia	Operation of 100 (94 in 2011) Suburbia stores specializing in apparel and accessories for the entire family.
Vips	Operation of 266 (265 in 2011) Vips restaurants serving international cuisine, 92 El Portón restaurants serving Mexican food and 7 Ragazzi restaurants specializing in Italian food, in both years.
Importing Companies	Import of goods for sale.
Real Estate	Property developments and management of real estate companies.
Services companies	Rendering of professional services to Group companies, not-for-profit services to the community at large and shareholding.
Walmart Bank	Operation of 263 bank branches in both years.
Wal-Mart Central America	Operation of 459 (453 in 2011) discount stores (Despensa Familiar and Palí), 97 (96 in 2011) supermarkets (Paiz, La Despensa de Don Juan, La Unión and Más x Menos), 67 (54 in 2011) discount warehouse stores (Maxi Bodega and Maxi Palí), 17 Walmart hypermarkets and 2 ClubCo membership self-service wholesale stores, in both years. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

b. Relevant events

I. Legal proceedings

Wal-Mart de México, S.A.B. de C.V. ("**WALMEX**") is a subsidiary of Wal-Mart Stores, Inc. ("WMT"). WMT owns approximately 70% of the shares and voting power in **WALMEX** and has the ability to designate at least a majority of the directors of **WALMEX**. The remaining shares of **WALMEX** are publicly traded on the Mexican Stock Exchange and, to the best of the knowledge of **WALMEX**, no shareholder other than WMT and its affiliates owns more than 2% of the outstanding shares of **WALMEX**.

Currently, the Board of Directors of **WALMEX** is composed of 11 directors and 6 alternates. The Audit Committee and the Corporate Governance Committee of the Board of Directors are composed exclusively of independent directors (including alternate directors).

WMT is subject to a wide variety of laws and regulations in the United States of America and in the countries in which it operates, including but not limited to the U.S. Foreign Corrupt Practices Act (the "FCPA").

As **WALMEX** publicly disclosed on April 23, 2012, WMT is the subject of an investigation under the FCPA by the U.S. Department of Justice and the U.S. Securities and Exchange Commission following a disclosure that WMT made to those agencies in November 2011.

The Audit Committee of the Board of Directors of WMT, which is composed solely of independent directors, is conducting an internal investigation into, among other things, alleged violations of the FCPA and other alleged crimes or misconduct in connection with foreign subsidiaries, including **WALMEX** and whether prior allegations of such violations and/or misconduct were appropriately handled by WMT. The Audit Committee of WMT and WMT have engaged outside counsel from a number of law firms and other advisors who are assisting in the on-going investigation of these matters. **WALMEX** has also engaged outside counsel to assist in these matters.

WMT is also conducting a voluntary global review of its policies, practices and internal controls for FCPA compliance. WMT is engaged in strengthening its global anti-corruption compliance programs through appropriate remedial anti-corruption measures. **WALMEX** is taking part in such voluntary global review and strengthening of programs.

Furthermore, lawsuits relating to the matters under investigation have been filed by several of WMT's shareholders against it, its current directors, certain of its former directors, certain of its current and former officers and certain of **WALMEX**'s current and former officers.

WALMEX is cooperating with WMT in the review of these matters and it intends to continue fully cooperating in such regard.

A number of federal and local government agencies in México have also recently initiated investigations of these matters. **WALMEX** is cooperating with the Mexican governmental agencies conducting these investigations.

The Audit Committee and the Corporate Governance Committee of the Board of Directors of **WALMEX**, as well as the Board of Directors of **WALMEX**, have been informed about these matters and have determined, by a unanimous vote of the independent directors only, that it is in the best interests of **WALMEX** to continue to cooperate at this time with WMT and the U.S. and Mexican agencies conducting these investigations.

WALMEX could be exposed to a variety of negative consequences as a result of the matters noted above. There could be one or more enforcement actions in respect of the matters that are the subject of some or all of the ongoing government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desist orders or other relief, criminal convictions and/or penalties. The shareholder lawsuits may result in judgments against WMT and its current and former directors and current and former officers of WMT and **WALMEX** named in those proceedings. **WALMEX** cannot predict accurately at this time the outcome or impact of the government investigations, the shareholder lawsuits, the internal investigation and review. In addition, **WALMEX** expects to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the government investigations, and it cannot predict at this time the ultimate amount of all such costs. These matters may require the involvement of certain members of **WALMEX**'s senior management that could impinge on the time they have available to devote to other matters relating to the business. **WALMEX** may also see ongoing media and governmental interest in

these matters that could impact the perception among certain audiences of its role as a corporate citizen.

On June 20, 2012, **WALMEX** publicly disclosed a downward adjustment to its 2012 growth plan.

WALMEX, its Board of Directors and its Audit Committee and Corporate Governance Committee will at all times ensure compliance with applicable Mexican law and ensure that they create value to **WALMEX**, acting diligently and adopting reasoned decisions, without favoring any shareholder or group of shareholders.

Although **WALMEX** does not presently believe, based on the information currently available and the advise of its external Mexican counsel, that these matters will have a material adverse effect on its business, given the inherent uncertainties in such situations, **WALMEX** can provide no assurance that these matters will not be material to its business in the future.

II. Adoption of International Financial Reporting Standards (IFRS)

In January 2009, the National Banking and Securities Commission (CNBV per its acronym in Spanish) published changes in the Circular Única de Emisoras that mandatory requires issuers to present financial statements prepared in conformity with IFRS issued by the International Accounting Standards Board (IASB) as of 2012, though early adoption was permitted. In view of the above, the Company adopted IFRS as of the year beginning on January 1, 2012.

The reconciliations of the effects of adopting IFRS, as well as the related exceptions and exemptions, are described in Note 18.

2.-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the significant accounting policies used in the preparation of the consolidated financial statements is described below. These polices have been applied consistently with those applied in the year ended December 31, 2011.

a. Basis of preparation

The accompanying consolidated financial statements have been prepared for the first time in conformity with IFRS, as well as all the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

The Company modified its accounting policies according to IFRS, which include International Accounting Standards (IAS). The transition from Mexican Financial Reporting Standards (Mexican FRS) to IFRS was carried out in conformity with IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, with January 1, 2011 as the transition date.

The Company's last annual consolidated financial statements were prepared in conformity with Mexican FRS and have been restated according to IFRS, as indicated in IFRS 1.

The consolidated statements of comprehensive income were prepared on a functional basis, which allows for the disclosure of cost of sales separately from other costs and expenses, in conformity with IAS 1, *Presentation of Financial Statements.* The consolidated statement of comprehensive income also includes a separate operating income line to provide a better understanding of the Company's business performance.

The preparation of financial statements in conformity with IFRS requires the use of estimates in some items.

Walmart Bank's financial statements, which are included in the Company's consolidated financial statements, were prepared based on the accounting criteria established by the CNBV, as issued as part of the General Provisions for Credit Institutions, which consider the guidelines of IFRS. At date, there are no significant differences between these two sets of standards.

The financial statements of the Company's foreign subsidiaries are 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 shareholders' equity.

WALMEX has sufficient resources to continue operating as a going concern and accordingly, the accompanying consolidated financial statements have been prepared on a going-concern basis and on a historical-cost basis. The Mexican peso is the Company's functional currency and reporting currency.

b. Risk factors

Mexico is exposed to the effects of future events that could affect the purchasing power and/or buying habits of its population. These events may be economic, political or social in nature and some of the most important are described below:

I. Employment and salary. Positive or negative changes in employment and/or real salary levels could affect Mexico's per capita income and, consequently, the Company's business performance.

II. Changes in interest rates and exchange rates. Historically, Walmart de México y Centroamérica has generated cash surpluses on which it earns financial income. A decrease in interest rates could cause a reduction in the Company's financial income, which would affect its earnings' growth. However, the Company believes that a reduction in Mexico's interest rates would have a positive effect on its business in the medium- and long-term, since it would help improve the population's purchasing power. Exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power, which could ultimately hinder the Company's sales.

In compliance with its corporate governance policies, the Company has no transactions with derivative financial instruments.

III. Competition. The retail sector in Mexico has become very competitive in recent years, which has lead to the need for all the players in the market to constantly look for ways to set themselves apart from the competition risking the Company´s market share. Another relevant factor is related to the competition´s growing or even new competitors that can get in the market.

IV. Inflation. Historically, some countries in Central America have experienced excessive inflation that has a direct effect on the purchasing power of the Company's customers and the demand for its products and services.

c. Consolidation

The accompanying consolidated financial statements include the financial statements of **WALMEX** and those of its subsidiaries in Mexico and abroad, which are grouped as described in Note 1 paragraph a, and they are prepared for the same accounting period. All related party balances and transactions have been eliminated in the consolidation, in conformity with IAS 27, *Consolidated and Separate Financial Statements*.

Noncontrolling interest represents the portion of equity interest in the net assets of a subsidiary not attributable to the controlling company. Noncontrolling interest is presented as a separate component of shareholders' equity.

Also, before the financial statements of Walmart Central America are consolidated, they are converted to IFRS and translated to Mexican pesos in conformity with IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

d. Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits and highly liquid investments with original maturities of less than 90 days. Such investments are stated at historical cost plus accrued interest, not in excess of their market value.

Walmart Bank makes the monetary regulation deposits required by Banco de México, the amounts of which are calculated based on traditional deposits in Mexican pesos.

e. Financial instruments

The Company has no transactions with derivative financial instruments.

f. Accounts receivable and reserve for bad debts

The balance of Walmart Bank's loan receivables portfolio is represented by outstanding loan balances, plus uncollected earned interest. The preventive allowance for credit risks is presented net of portfolio balances.

WALMEX recognizes the reserve for bad debts at the time the legal collection process begins in conformity with its internal procedures.

g. Inventories

Inventories are valued using the retail method, except for merchandise of Sam's Club, ClubCo and distribution centers, which are valued using the average-cost method, and Vips restaurant inventories, which are valued using the first-in, first-out method. These inventory valuation methods are the same as those applied in the prior year. Inventories, including obsolete, slow-moving and defective items or items in poor condition, are stated at amounts not in excess of their net realizable value.

Inventory pertaining to the Agro-industrial Development of grains, edibles and meat is valued using the average-cost method.

Buying allowances are recognized in the operation results based on the turnover of the inventories that gave rise to them.

h. Prepaid expenses

Prepaid expenses are recorded as current assets in the consolidated statement of financial position as of the date the prepayments are made. At the time the goods are received, prepaid expenses are charged to the operation results 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 presented net of accumulated depreciation.

Depreciation of property and equipment is computed on a straight-line method at the following annual rates:

Buildings, facilities and leasehold Improvements	2.5%	to	33.0%
Furniture and equipment	5.0%	to	33.0%

j. Lease

In conformity with IAS 17, *Leases*, the Company classifies its property lease agreements as either financing or operating leases.

WALMEX considers finance leases to be those in which all the risks and benefits are substantially transferred within the asset property, considering the renewals referred in such contracts.

Lease agreements that do not qualify for classification as finance leases are treated as operating leases.

k. Impairment in the value of property and equipment

Based on the guidelines of IAS 36, *Impairment of Assets*, the Company recognizes impairment in the value of property and equipment by applying the expected present value technique to determine value in use, considering each store or restaurant as the minimum cash generating unit.

The present value technique requires detailed budget calculations, which are prepared separately for each cash generating unit. These budgets generally cover five years and for those projected beyond five years, an expected growth percentage is applied.

Impairment losses are recognized in the consolidated statement of comprehensive income in the other (expenses) income, net line.

l. Intangible assets

Intangible assets are valued at acquisition cost or at their 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 tested annually for impairment, in conformity with IAS 36, *Impairment of Assets*. Definite-lived assets are amortized using the straight-line method.

m. Liabilities and provisions

In conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, liability provisions are recognized whenever the Company has current obligations (legal or assumed) derived from past events that can be reasonably estimated and that will most likely give rise to a future cash disbursement for their settlement. Reimbursements are recognized net of the 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.

Liabilities for traditional deposits of the Walmart Bank are comprised of demand deposits in debit card accounts and compulsory term deposits. These liabilities are recorded at either deposit or placement cost, plus accrued interest.

n. Contingent liabilities

The contingent liability related to the acquisition of Walmart Central America is valued at present value at the date of the financial statements.

Payments are in shares and in cash whenever Walmart Central America reaches a certain profitability level during a period of no longer than ten years after the agreement signing date.

o. Taxes on profits

Deferred taxes on profits are recognized using the asset and liability method, in conformity with IAS 12, *Income Taxes*. Under this method, deferred taxes are recognized on all temporary differences between financial reporting and tax values of assets and liabilities, applying the enacted income tax rate effective as of the date of the consolidated statement of financial position, or the enacted rate that will be in effect when the deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets.

Current year taxes on profits are presented as a short-term liability or current asset, net of prepayments made during the year.

p. Employee benefits

In conformity with the laws of each country in which the Company operates, the termination benefits for retirement or death to which the Company's employees are entitled, are as follows:

Mexico:

Seniority premiums accruing to employees under the Mexican Labor Law are recognized as a cost of the years in which services are rendered, based on actuarial computations made by an independent expert, using the projected unit credit method, in conformity with IAS 19, *Employee Benefits.*

Actuarial gains and losses are recognized as they accrue directly in the consolidated statement of comprehensive income, in conformity with IAS 19.

Employee profit sharing is presented in operating results as part of the general expenses line and represents a liability due and payable in less than one year.

All other payments accruing to employees or their beneficiaries in the event of involuntary retirement or death, in terms of the Mexican Labor Law, are expensed during the year they occurred.

Central America:

Termination benefits to which employees of the Walmart Central America companies are entitled under the labor laws of each country are recorded as liabilities based on actuarial valuations carried out by independent experts.

In Guatemala employees are entitled to termination benefits after working three or more years in the Company, except in the case of justified dismissals.

In El Salvador and Honduras, employees are entitled to termination benefits after working one or more years in the Company, except in the case of justified dismissals.

In Nicaragua, termination benefits are paid in conformity with the Labor Law of this country. Payouts vary from one to five months of salary for the period the services were provided.

In Costa Rica, termination benefits are paid to employees based on current corporate policy and in conformity with the Labor Law of such country.

q. Shareholders' equity

Legal reserve:

In conformity with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued until the legal reserve reaches 20% of the value of the Company's capital stock.

Employee stock option plan fund:

The employee stock option plan fund is comprised of **WALMEX** shares presented at acquisition cost. The plan is designed to grant stock options to executives of the companies in the Group, as approved by the CNBV.

All employee stock options are granted to executives of subsidiary companies at a value that is no less than the market value on the grant date.

In accordance with current corporate policy, **WALMEX** executives may exercise their option to acquire shares in equal parts over five years. The right to exercise an employee stock option expires after ten years as of the grant date or after sixty days following the date of the employee's labor termination with the Company.

Stock-based compensation cost is calculated using the Black-Scholes financial valuation technique, in conformity with IFRS 2, Share-Based Payment.

Premium on sale of shares:

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

r. Revenue recognition

Merchandise sales revenue or services income are recognized in the consolidated statement of comprehensive income at the time ownership of the products sold is transferred to the customer or the service is provided, in conformity with IAS 18, *Revenue.*

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

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

The Company recognizes the net amount of cell phone minutes revenues in the net sales line, rather than the total revenue, in the consolidated statement of comprehensive income, at the time the service is provided.

Walmart Bank's interest and fee revenues are recognized as they accrue in the other income line in the consolidated statement of comprehensive income.

Revenues from the sale of waste, extended warranties and service commissions are recognized in the other income line in the consolidated statement of comprehensive income at the time the ownership of the products sold is transferred to the customer or the service is provided.

s. Basic earnings per share attributable to owners of the parent

The basic earnings per share is the result of dividing the net income of the year attributable to owners of the parent by the weighted average number of outstanding shares, in conformity with the guidelines of IAS 33, *Earnings per Share*. Diluted earnings per share is the same as basic earnings per share since there is currently no potentially dilutive common stock.

t. Operating segments

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions and assess the Company's performance. Segment information is presented based on the geographical zones in which the Company operates, in conformity with IFRS 8, *Operating Segments*.

u. Foreign currency transactions

The Company's foreign currency denominated assets and liabilities are translated to Mexican pesos 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 under the financial income, net line, in conformity with IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

3.- CASH AND CASH EQUIVALENTS:

An analysis of cash and cash equivalents at December 31, 2012 and 2011, and at January 1, 2011, is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Cash and cash in banks	Ps. 8,318,695	Ps. 8,711,778	Ps. 6,322,063
Highly liquid investments	19,844,534	16,454,608	18,338,987
	Ps. 28,163,229	Ps. 25,166,386	Ps. 24,661,050

4.- ACCOUNTS RECEIVABLE, NET:

An analysis of accounts receivable at December 31, 2012 and 2011, and at January 1, 2011, is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Walmart Bank loan portfolio	Ps. 4,035,917	Ps. 2,721,410	Ps. 966,868
Recoverable taxes	3,308,944	4,961,205	2,547,742
Trade receivables	3,065,220	2,850,404	2,571,090
Other accounts receivable	489,200	702,172	688,188
Allowance for credit risks Walmart Bank	(364,063)	(218,576)	(42,738)
Reserve for bad debts (trade receivables and others)	(158,780)	(116,374)	(109,961)
	Ps. 10,376,438	Ps. 10,900,241	Ps. 6,621,189

5.- INVENTORIES:

An analysis of inventories at December 31, 2012 and 2011, and at January 1, 2011, is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Merchandise for sale	Ps. 37,426,732	Ps. 37,296,072	Ps. 26,680,996
Agro-industrial Development	548,748	612,512	488,978
	37,975,480	37,908,584	27,169,974
Merchandise in transit	1,116,115	1,427,121	1,161,172
	Ps. 39,091,595	Ps. 39,335,705	Ps. 28,331,146

6.- PROPERTY AND EQUIPMENT, NET:

An analysis of property and equipment at December 31, 2012 and 2011, and at January 1, 2011, is as follows:

Property and equipment owned by the Company

	January 1, 2011	Additions	Disposals	Transfers	Translation effect	December 31, 2011	Additions	Disposals	Transfers	Translation effect	December 31, 2012
Land	Ps. 25,443,990	Ps. 1,615,210	Ps. (39,596)	Ps. -	Ps. 275,823	Ps. 27,295,427	Ps. 1,992,763	Ps. (270,023)	Ps. (12,437)	Ps. (220,610)	Ps. 28,785,120
Buildings	35,288,640	4,703,990	(149,612)	546,342	414,033	40,803,393	3,677,521	(222,732)	632,148	(320,502)	44,569,828
Facilities and leasehold improvements	30,634,728	3,279,589	(561,067)	230,943	251,436	33,835,629	2,929,457	(331,765)	62,117	(209,436)	36,286,002
Furniture and equipment	35,339,518	6,083,462	(645,543)	165,611	487,795	41,430,843	5,610,947	(889,283)	271,306	(419,920)	46,003,893
Total	126,706,876	15,682,251	(1,395,818)	942,896	1,429,087	143,365,292	14,210,688	(1,713,803)	953,134	(1,170,468)	155,644,843
Accumulated depreciation	(40,080,206)	(6,988,673)	797,304	-	(218,387)	(46,489,962)	(7,701,317)	1,074,595	(46,764)	189,043	(52,974,405)
Work in process	2,459,168	2,434,289	(238,676)	(946,168)	(117,541)	3,591,072	247,085	116,540	(820,162)	(105,131)	3,029,404
Total property and equipment	Ps. 89,085,838	Ps. 11,127,867	Ps. (837,190)	Ps. (3,272)	Ps.1,093,159	Ps.100,466,402	Ps. 6,756,456	Ps. (522,668)	Ps. 86,208	Ps. (1,086,556)	Ps. 105,699,842

Leased property and equipment

	January 1, 2011	Additions	Disposals	Transfers	Translation effect	December 31, 2011	Additions	Disposals	Transfers	Translation effect	December 31, 2012
Property	Ps. 8,817,119	Ps. 2,598,062	Ps. (42,495)	Ps. -	Ps. 193,462	Ps. 11,566,148	Ps. 1,145,128	Ps. (3,774)	Ps. -	Ps. (132,705)	Ps. 12,574,797
Furniture and equipment	1,152,087	339,159	-	-	-	1,491,246	357,106	(4,780)	(126,233)	-	1,717,339
Total	9,969,206	2,937,221	(42,495)	-	193,462	13,057,394	1,502,234	(8,554)	(126,233)	(132,705)	14,292,136
Accumulated depreciation	(1,675,200)	(422,224)	19,271	-	(73,145)	(2,151,298)	(509,467)	165	53,880	(8,356)	(2,615,076)
Total property and equipment	Ps. 8,294,006	Ps. 2,514,997	Ps. (23,224)	Ps. -	Ps. 120,317	Ps. 10,906,096	Ps. 992,767	Ps. (8,389)	Ps. (72,353)	Ps. (141,061)	Ps. 11,677,060
Total	Ps. 97,379,844	Ps. 13,642,864	Ps. (860,414)	Ps. (3,272)	Ps.1,213,476	Ps. 111,372,498	Ps. 7,749,223	Ps. (531,057)	Ps. 13,855	Ps. (1,227,617)	Ps. 117,376,902

Depreciation expense for the years ended December 31, 2012 and 2011 was Ps. 8,171,611 and Ps. 7,389,377, respectively.

Work in process mostly consists of Company´s investments, mainly for the construction of new stores.

7.- INTANGIBLE ASSETS:

An analysis of intangible assets at December 31, 2012 and 2011, and at January 1, 2011, is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Goodwill	Ps. 24,745,086	Ps. 29,768,097	Ps. 29,768,097
Trademarks	609,428	673,497	609,047
Software	356,580	371,730	320,939
Trade receivables	115,441	142,493	175,238
Licenses	59,160	75,287	75,514
Patents	42,345	37,865	24,369
	Ps. 25,928,040	Ps. 31,068,969	Ps. 30,973,204

Amortization expense for the years ended December 31, 2012 and 2011 was Ps.221,487 and Ps.208,241, respectively.

Goodwill represents the excess of the purchase price over the fair value of the net assets of Walmart Central America at the acquisition date, plus the fair value of the noncontrolling interest, computed in conformity with the guidelines in IFRS 3, *Business Combinations*.

Goodwill was computed in conformity with IAS 38, *Intangible Assets*, 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.

The Company engaged the services of an independent expert to test the goodwill for impairment. This evaluation was performed in conformity with IAS 36, *Impairment of Assets*, using the discounted cash flows technique (expected present value) to estimate the value in use of each cash generating unit based on the estimated revenues, costs, expenses, working capital requirements and fixed asset investments of each unit. This technique includes projection assumptions and value estimates and is consistent with the technique used to determine the purchase price of Walmart Central America at the time of the acquisition, which was used as a base for estimating the goodwill to be allocated to each country.

Recoverable goodwill was computed based on value in use, which was calculated using cash flow projections considering the five-year business plan that guides the decision making of the Company's senior management, except for El Salvador and Nicaragua, where the business plan covers ten years.

As a result of this study, the Company recognized an impairment loss of Ps. 5,023,011 in the other (expenses) income, net line.

As a result of the above, the Company reassessed the contingent liability recognized since February 2010 as part of the acquisition of Walmart Central America. As a result of this analysis, the Company cancelled Ps. 4,901,100 of the contingent liability, recognizing income of Ps. 4,649,277 in the other (expenses) income, net line, and a cancellation of interest in the amount of Ps. 251,823 that is presented in the financial income, net line.

8.- RELATED PARTIES:

a) Related party balances

At December 31, 2012 and 2011, and at January 1, 2011, the consolidated statement of financial position includes the following balances with related parties:

	December 31, 2012	December 31, 2011	January 1, 2011
Accounts payable to suppliers:			
C.M.A. – U.S.A., L.L.C. (Affiliate)	Ps. 615,185	Ps. 596,283	Ps. 434,746
Global George, LTD. (Affiliate)	17,109	29,459	11,584
	Ps. 632,294	Ps. 625,742	Ps. 446,330
Other accounts payable:			
Wal-Mart Stores, Inc. (Holding company)	Ps. 377,254	Ps. 269,599	Ps. 358,993
Global George, LTD. (Affiliate)	-	-	832
	Ps. 377,254	Ps. 269,599	Ps. 359,825

At December 31, 2012 and 2011, and at January 1, 2011, the balances due from and to related parties consist of current accounts that bear no interest, payable in cash and without guarantees.

b) Related party transactions

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

- Agreement for imports of merchandise for sale, interest-free and payable monthly.
- Agreement for purchase commissions with Global George that are payable on a recurring basis.
- Technical assistance and services agreements with Walmart Stores for services payable monthly.
- Agreement for royalties for trademark use with Walmart Stores, payable quarterly based on a percentage of sales of the retail businesses.

The Company carried out the following transactions with related parties during the years ended December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Import of merchandise for sale:		
C.M.A. – U.S.A., L.L.C. (Affiliate)	Ps. 3,138,902	Ps. 3,226,776
Global George, LTD. (Affiliate)	17,072	20,762
	Ps. 3,155,974	Ps. 3,247,538
Technical assistance, services and royalties:		
Wal-Mart Stores, Inc. (Holding company)	Ps. 2,146,203	Ps. 1,967,650

c) Remuneration of principal officers

An analysis of remuneration to the Company's principal officers for the years ended December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Short-term benefits	Ps. 695,027	Ps. 675,811
Termination benefits	64,477	62,059
Share-based payments	53,906	43,686
	Ps. 813,410	Ps. 781,556

These benefits were recognized as general expenses in the years ended December 31, 2012 and 2011.

9.- OTHER ACCOUNTS PAYABLE:

An analysis of other accounts payable at December 31, 2012 and 2011, and at January 1, 2011, is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Accrued liabilities and others	Ps. 9,101,897	Ps. 9,179,829	Ps. 7,960,168
Walmart Bank traditional deposits	4,249,943	2,928,312	1,345,284
Provisions	597,918	707,430	733,004
Finance leases (Note 11)	476,019	402,017	325,502
Related parties (Note 8)	377,254	269,599	359,825
Contingent liability (Note 11)	131,685	124,275	245,935
Dividends	34,649	29,699	25,077
	Ps. 14,969,365	Ps. 13,641,161	Ps. 10,994,795

At December 31, 2012, the Company has commitments for the acquisition of inventories and property and equipment, as well as maintenance services, in the amount of Ps. 9,003,254 (Ps. 9,538,187 at December 31, 2011, and Ps. 7,504,837 at January 1, 2011).

10.- SHORT-TERM DEBT:

On September 6, 2011, CARHCO Company, a subsidiary of Walmart Central America, paid a loan of twenty one million US dollars it had with HSBC bank. This loan was guaranteed with a restricted investment.

11.- OTHER LONG-TERM LIABILITIES:

At December 31, 2012 and 2011, and at January 1, 2011, the other long-term liabilities line includes the Company's obligations of more than one year under its finance leases and the contingent liability, as described below:

a) Leases:

In order to determine whether suppliers transfer **WALMEX** the right of use of an asset, the Company analyzes the service delivery agreements that do not have the legal form of a lease arrangement that involves the right to use an asset. As a result of this analysis, **WALMEX** does not have any service agreements that need to be classified as a lease under IFRIC 4, *Determining Whether an Arrangement Contains a Lease.*

The Company has entered into operating leases with third parties for compulsory terms ranging from 2 to 15 years. Rent paid under finance leases may be fixed or it may be based on a percentage of sales.

The Company has entered into property lease agreements that qualify as finance leases. These agreements are recorded at the lower of either the present value of future minimum lease payments or at the market value of the property, and they are amortized over the term of the lease agreements, which includes the lessee's rights to renewal.

The Company has also entered into finance leases for the rental of residual water treatment plants used to meet environmental protection standards. The terms of payments range from 7 to 10 years.

Future rental payments are as follows:

Year	Operating leases (Compulsory term)	Finance leases (Minimum payments)
2013	Ps. 271,727	Ps. 476,019
2014	Ps. 249,749	Ps. 440,893
2015	Ps. 232,969	Ps. 479,810
2016	Ps. 197,356	Ps. 432,115
2017	Ps. 133,786	Ps. 413,760
2018 and thereafter	Ps. 206,348	Ps. 9,812,697

Total rent under operating leases charged to operating results in the years ended December 31, 2012 and 2011 was Ps. 3,883,870 and Ps. 3,314,663, respectively.

b) Contingent liability

At December 31, 2012 and 2011, and at January 1, 2011, the Company recognized a contingent liability for contingent compensation related to the acquisition of Walmart Central America of Ps. 1,190,933, Ps. 5,825,152 and Ps. 5,725,332, respectively, including amounts payable in less than one year of Ps. 131,685, Ps. 124,275 and Ps. 245,935. This contingent compensation represents future payments in shares and in cash.

An analysis of the payments made by the Company in cash and shares in February of each year to cover the contingent compensation payable as part of acquisition is as follows:

	2012	2011
Payment in shares	Ps. 63,379	Ps. 64,447
Payment in cash	60,894	61,920
Total payment of contingent liability	Ps. 124,273	Ps. 126,367
Number of series "V" shares issued	1,586,861	1,909,546

12.- TAXES ON PROFITS:

The Company and its subsidiaries, except Walmart Bank and Walmart Central America, have been authorized by the Ministry of Finance and Public Credit to determine their tax results on a consolidated basis.

An analysis of taxes on profits charged to operating results in the years ended December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Current year tax	Ps. 9,029,590	Ps. 7,158,438
Deferred tax	499,846	536,975
Total	Ps. 9,529,436	Ps. 7,695,413

An analysis of the deferred tax liabilities (assets) arising from temporary differences at December 31, 2012 and 2011, and at January 1, 2011, is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Property and equipment	Ps. 8,200,595	Ps. 7,584,557	Ps. 6,678,156
Inventories	(787,232)	(514,483)	(229,319)
Repatriation of earnings of Walmart Central America	1,206,647	1,303,528	890,390
Available tax loss carry forwards of Walmart Bank and Walmart Central America	(846,616)	(856,556)	(667,230)
Advance collections	(224,350)	(216,524)	(191,267)
Other long-term liabilities	(243,378)	(209,726)	(286,316)
Other items, net	(716,763)	(904,630)	(674,568)
Total	Ps. 6,588,903	Ps. 6,186,166	Ps. 5,519,846

At December 31, 2012, the consolidated effective tax rate is 29.1% (25.8% in 2011). The difference between statutory tax rate and the effective rate is due to the effects of inflation and other permanent differences.

In Mexico, the legal income tax rate is 30% for 2012 and 2013, and will be reduced to 29% in 2014 and 28% for 2015 and succeeding years. The legal income tax rates of the other countries are as follows:

	Rate
Costa Rica	30%
Guatemala	31%
Honduras	31%
Nicaragua	30%
El Salvador	30%

The goodwill resulting from the acquisition of Walmart Central America is not deductible under the Mexican Income Tax Law and thus, it has no effect on the Company's calculation of deferred taxes.

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

An analysis of the Company's available tax loss carry forward at December 31, 2012, is as follows:

Year of expiration		Walmart Bank
2016	Ps.	27,080
2017		270,378
2018		656,991
2019		805,211
2020		780,837
2021		625,776
2022		126,084
	Ps.	3,292,357

Based on the forecast of its taxable income, the Company will continue generating income tax in upcoming years.

13.- EMPLOYEE BENEFITS:

Mexico:

The Company has set up a defined benefits trust fund to cover seniority premiums accruing to employees. Workers make no contributions to this fund. These obligations are estimated using the projected unit credit method.

At December 31, 2012 and 2011, and at January 1, 2011, an analysis of the Company's assets and liabilities for seniority premiums and retirement benefits is as follows:

Balance at	Seniority premium			Retirement benefits
	Defined benefit obligation	Plan assets	Net projected liability	Defined benefit obligation
December 31, 2012	Ps. 786,744	Ps. (603,038)	Ps. 183,706	Ps. 103,353
December 31, 2011	Ps. 633,332	Ps. (533,676)	Ps. 99,656	Ps. 82,617
January 1, 2011	Ps. 528,201	Ps. (478,853)	Ps. 49,348	Ps. 69,598

An analysis of the Company's obligations for seniority premiums and retirement benefits for the years ended December 31, 2012 and 2011 is as follows:

	Seniority premium		Retirement benefits	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Current year service cost	Ps. 94,444	Ps. 78,429	Ps. 5,358	Ps. 4,504
Net interest	7,963	4,191	6,462	5,773
Net period cost	Ps. 102,407	Ps. 82,620	Ps. 11,820	Ps. 10,277

Benefits paid from and contributions made to the trust for seniority premiums in Mexico at December 31, 2012 aggregated Ps. 56,374 (Ps. 44,280 at December 31, 2011, and Ps. 36,523 at January 1, 2011) and Ps. 101,623 (Ps. 82,063 at December 31, 2011 and Ps. 73,135 at January 1, 2011), respectively.

At December 31, 2012, the plan assets have been invested through the trust as follows: 93% in money market instruments and 7% in mutual funds.

Central America:

At December 31, 2012 and 2011, and at January 1, 2011, an analysis of the liabilities associated with termination benefits in Central America is as follows:

Country	Defined benefit obligation		
	December 31, 2012	December 31, 2011	January 1, 2011
Costa Rica	Ps. 62,522	Ps. 31,500	Ps. 21,484
Guatemala	564,658	518,169	421,511
Honduras	77,342	78,826	66,117
Nicaragua	12,798	11,639	9,421
El Salvador	53,738	46,724	42,749
Total	Ps. 771,058	Ps. 686,858	Ps. 561,282

For the years ended December 31, 2012 and 2011, an analysis of the cost of termination benefits in Central America is as follows:

Country	Current year service cost		Net interest	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Costa Rica	Ps. 47,289	Ps. 38,069	Ps. 8,968	Ps. 7,485
Guatemala	53,825	41,702	42,175	30,038
Honduras	16,802	20,793	7,844	9,242
Nicaragua	4,489	5,524	1,639	2,451
El Salvador	11,076	13,458	5,146	4,980
Total	Ps. 133,481	Ps. 119,546	Ps. 65,772	Ps. 54,196

Termination benefits paid out at December 31, 2012 aggregate Ps. 147,720 (Ps. 91,591 at December 31, 2011 and Ps. 138,438 at January 1, 2011).

At December 31, 2012, the actuarial assumptions used in the actuarial study for each country are as follows:

Country	Discount rate	Salary increase rate
Mexico	7.00%	5.25%
Costa Rica	9.98%	6.00%
Guatemala	7.50%	5.00%
Honduras	12.82%	6.70%
Nicaragua	13.90%	7.80%
El Salvador	7.30%	3.30%

14.- SHAREHOLDERS' EQUITY:

a. At ordinary and extraordinary meetings held on March 27, 2012, the shareholders adopted the following resolutions:

1. Approval of a cap of Ps. 5,000,000 on the amount the Company would use in 2012 to repurchase its own shares.

2. Cancellation of 100,997,000 series "V" shares resulting from the repurchase of shares.

3. Increase in the legal reserve of Ps. 1,112,692 to be charged to retained earnings.

4. A declared cash dividend of $ 0.44 pesos per share and an extraordinary cash dividend of $ 0.11 pesos per share. Both dividends will be paid on April 30, 2012.

b. At ordinary and extraordinary meetings held on March 10, 2011, the shareholders adopted the following resolutions:

1. Approval of a cap of Ps. 8,000,000 on the amount the Company would use in 2011 to repurchase its own shares.

2. Cancellation of 81,987,000 series "V" shares resulting from the repurchase of shares.

3. Increase in the legal reserve of Ps. 977,521 to be charged to retained earnings.

4. A declared cash dividend of $ 0.38 pesos per share and an extraordinary cash dividend of $ 0.17 pesos per share. Both dividends will be paid on April 29, 2011.

c. Capital stock is unlimited and is represented by registered shares with no par value.

At December 31, 2012 and 2011, and at January 1, 2011, and analysis of historical paid-in stock and the number of shares representing it as follows:

Capital stock	December 31, 2012	December 31, 2011	January 1, 2011
Fixed	Ps. 5,591,362	Ps. 5,583,127	Ps. 5,574,801
Variable	37,381,747	37,392,273	37,586,089
Total	Ps. 42,973,109	Ps. 42,975,400	Ps. 43,160,890
Number of freely subscribed common series "V" shares:			
Fixed (Class 1)	2,305,810,773	2,305,604,592	2,305,357,888
Variable (Class 2)	15,415,784,094	15,441,487,954	15,543,045,112
Total	17,721,594,867	17,747,092,546	17,848,403,000

Capital stock at December 31, 2012 and 2011, and at January 1, 2011, includes capitalized earnings of Ps. 11,451,328 and capitalized inflation adjustments accounts of Ps. 899,636.

During the year ended December 31, 2012, **WALMEX** repurchased 27,084,540 (103,220,000 in 2011) of its own shares, of which 2,167,000 (4,390,000 in 2011) were cancelled as per the resolution adopted at the shareholders' meeting held on March 27, 2012 (March 10, 2011). As a result of the share repurchases, historical capital stock was reduced by Ps. 65,670 (Ps. 249,937 in 2011). The difference between the theoretical value and the repurchase cost of the shares acquired was reflected against retained earnings.

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 11 and 89 of the Mexican Income Tax Law.

At December 31, 2012 and 2011, and at January 1, 2011, the total balance of these two tax accounts is Ps. 135,398,711, Ps. 124,540,698 and Ps. 117,570,192, respectively.

e. The employee stock option plan fund consists of 252,607,096 **WALMEX** shares, which have been placed in a trust created for the plan.

The total compensation cost charged to operating results in the years ended December 31, 2012 and 2011 was Ps. 342,957 and Ps. 296,686, respectively, which represented no cash outlay for the Company.

Changes in the stock option plan are as follows:

	Number of shares	Weighted average price per share (pesos)
Balance at January 1, 2011	265,209,951	16.37
Granted	37,028,368	33.75
Exercised	(37,045,192)	12.48
Cancelled	(3,901,362)	23.81
Balance at December 31, 2011	261,291,765	19.27
Granted	37,202,679	39.79
Exercised	(41,817,426)	14.82
Cancelled	(6,031,950)	29.54
Balance at December 31, 2012	250,645,068	22.81
Shares available for option grant:		
At December 31, 2012	1,962,028	
At December 31, 2011	2,287,341	

At December 31, 2012, an analysis of granted and exercisable shares under the employee stock option plan fund is as follows:

	Granted				Exercisable	
Year	Number of shares	Average remaining life (in years)	Weighted average price per share (pesos)	Range of price (pesos)	Number of shares	Weighted average price per share (pesos)
2003	8,362,426	0.2	6.35	5.78-6.88	8,362,426	6.35
2004	14,470,242	1.2	8.46	8.45-9.09	14,470,242	8.46
2005	19,645,536	2.2	9.90	9.90	19,645,536	9.90
2006	20,242,875	3.2	14.40	14.40-15.02	20,242,875	14.40
2007	18,137,697	4.2	21.55	21.55	18,137,697	21.55
2008	30,219,368	5.2	19.35	19.35	21,509,544	19.35
2009	40,583,656	6.2	15.95	15.85-22.80	17,852,578	15.97
2010	30,400,681	7.2	29.70	29.69-31.05	8,858,553	29.70
2011	32,815,617	8.2	33.75	33.70-33.75	3,742,956	33.75
2012	35,766,970	9.2	39.79	34.74-40.05	-	-
Total	250,645,068	5.7	22.81		132,822,407	16.14

15.- OTHER INCOME:

For the years ended December 31, 2012 and 2011, an analysis of other income related to the Company's primary business activities is as follows:

	December 31, 2012	December 31, 2011
Memberships	Ps. 1,211,604	Ps. 1,076,404
Walmart Bank revenues	943,158	470,930
Rental	793,180	769,567
Gasoline	337,154	337,818
Sale of waste	311,639	285,478
Service commissions	269,884	226,200
Parking	159,921	193,132
Other	232,661	210,820
Total	Ps. 4,259,201	Ps. 3,570,349

16.- FINANCIAL INCOME, NET:

An analysis of financial income (expenses), net for the years ended December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Financial Income		
Financial income	Ps. 1,235,714	Ps. 1,286,750
Exchange gain (loss), net	11,963	(2,557)
	1,247,677	1,284,193
Financial expenses		
Interest on finance leases	1,055,550	901,544
Accrued interest on contingent liability	(206,932)	193,082
	848,618	1,094,626
Total	Ps. 399,059	Ps. 189,567

Financial income primarily consists of interest earned on investments and income earned on factoring transactions.

Based on the analysis of the contingent liability, at December 31, 2012, the Company cancelled accrued interest of Ps. 251,823.

17.- SEGMENT FINANCIAL INFORMATION:

Segment financial information is prepared based on the information used by the Company's senior management to make business decisions and on the criteria established in IFRS 8, *Operating Segments.*

The Company operates in Mexico and Central America and sells to the general public, and it is primarily engaged in operating self-service stores.

The Company has identified the following operating segments by geographical zone:

Mexico:

- Self-service: Operation of discount stores, hypermarkets, wholesale-price membership stores and supermarkets.
- Financial services: Operation of bank branches to provide banking and credit services.
- Other: Consists of department stores, restaurants and real estate transactions with third parties.

Central America:

Operation of discount stores, supermarkets, hypermarkets, warehouse stores and wholesale-price membership stores in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

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

	Year ended December 31, 2012			
Segment	Total revenues	Operating income	Financial income, net	Income before taxes on profits
Mexico:				
Self-service	Ps. 341,480,071	Ps. 28,612,287	Ps. -	Ps. -
Financial services	943,158	(569,744)	-	-
Other	19,365,540	3,270,504	-	-
Central America:				
Self-service	56,262,232	1,459,727	-	-
Impairment of goodwill and cancellation of contingent liability	-	(373,734)	-	-
Consolidated	Ps. 418,051,001	Ps. 32,399,040	Ps. 399,059	Ps. 32,798,099

	Year ended December 31, 2011			
Segment	Total revenues	Operating income	Financial income, net	Income before taxes on profits
Mexico:				
Self-service	Ps. 311,178,982	Ps. 26,477,514	Ps. -	Ps. -
Financial services	470,930	(886,536)	-	-
Other	17,377,991	2,283,842	-	-
Central America:				
Self-service	49,821,886	1,715,710	-	-
Consolidated	Ps. 378,849,789	Ps. 29,590,530	Ps. 189,567	Ps. 29,780,097

Segment	Year ended December 31, 2012 Purchase of property, equipment and software	Depreciation and amortization	Total assets	Current liabilities
Mexico:				
Self-service	Ps. 10,539,380	Ps. 6,126,671	Ps.145,087,260	Ps. 42,562,503
Financial services	68,350	32,761	5,271,426	4,436,619
Other	894,838	921,973	16,827,486	3,549,776
Unassignable items	-	-	8,219,668	3,600,944
Central America:				
Self-service	3,156,987	1,311,693	22,134,781	7,882,019
Goodwill and contingent liability	-	-	24,745,086	131,685
Consolidated	Ps. 14,659,555	Ps. 8,393,098	Ps.222,285,707	Ps. 62,163,546

Segment	Year ended December 31, 2011 Purchase of property, equipment and software	Depreciation and amortization	Total assets	Current liabilities
Mexico:				
Self-service	Ps. 14,228,423	Ps. 5,588,541	Ps. 143,893,542	Ps. 48,382,866
Financial services	52,490	43,114	3,919,820	3,117,445
Other	877,260	735,710	13,951,767	2,730,346
Unassignable items	-	-	5,503,998	3,821,543
Central America:				
Self-service	3,194,124	1,230,253	22,184,206	8,398,889
Goodwill and contingent liability	-	-	29,768,097	124,275
Consolidated	Ps. 18,352,297	Ps. 7,597,618	Ps. 219,221,430	Ps. 66,575,364

Unassignable items refer primarily to reserve land, cash and cash equivalents of the parent and real estate companies, as well as income tax payable.

18.– EFFECTS OF ADOPTING IFRS:

a) As mentioned in Note 1, paragraph b, section II, as of January 1, 2012, the Company modified its accounting policies according to IFRS, with January 1, 2011 as the transition date. A reconciliation of the effects of adopting IFRS as well as reclassifications are described in the next pages.

I) Reconciliation of Mexican FRS and IFRS in consolidated statement of financial position at January 1, 2011 (IFRS transition date):

	Mexican FRS	Effects and reclass.	Expl. note	IFRS
Assets				
Current assets:				
Cash and cash equivalents	Ps. 24,661,050	Ps. -		Ps. 24,661,050
Accounts receivable, net	6,876,842	(255,653)	1	6,621,189
Inventories	29,023,076	(691,930)	2	28,331,146
Prepaid expenses and others	862,278	(54,374)	3	807,904
Total current assets	61,423,246	(1,001,957)		60,421,289
Non-current assets:				
Property and equipment, net	102,300,004	(4,920,160)	4	97,379,844
Intangible assets	-	30,973,204	5	30,973,204
Goodwill	29,768,097	(29,768,097)	6	-
Other non-current assets	1,316,221	(618,231)	7	697,990
Total assets	Ps. 194,807,568	Ps. (5,335,241)		Ps. 189,472,327
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable to suppliers	Ps. 37,999,509	Ps. -		Ps. 37,999,509
Other accounts payable	11,012,071	(17,276)	8	10,994,795
Taxes payable	1,454,379	-		1,454,379
Short-term debt	259,567	-		259,567
Total current liabilities	50,725,526	(17,276)		50,708,250
Long-term liabilities:				
Other long-term liabilities	13,532,992	20,933	9	13,553,925
Deferred tax	6,954,799	(1,434,953)	10	5,519,846
Employee benefits	734,641	(54,413)	11	680,228
Total liabilities	71,947,958	(1,485,709)		70,462,249
Shareholders' equity:				
Capital stock	52,161,256	(5,991,789)		46,169,467
Legal reserve	4,718,199	(1,022,837)		3,695,362
Retained earnings	67,178,951	3,459,809		70,638,760
Other comprehensive income items	470,218	-		470,218
Premium on sale of shares	2,292,985	(476,853)		1,816,132
Employee stock option plan fund	(4,290,556)	182,138		(4,108,418)
Equity attributable to owners of the parent	122,531,053	(3,849,532)		118,681,521
Noncontrolling interest	328,557	-		328,557
Total shareholders' equity	122,859,610	(3,849,532)	12	119,010,078
Total liabilities and shareholders' equity	Ps. 194,807,568	Ps. (5,335,241)		Ps. 189,472,327

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II) Reconciliation of Mexican FRS and IFRS in consolidated statement of financial position at December 31, 2011:

	Mexican FRS	Effects and reclass.	Expl. note	IFRS
Assets				
Current assets:				
Cash and cash equivalents	Ps. 25,166,386	Ps. -		Ps. 25,166,386
Accounts receivable, net	11,114,643	(214,402)	1	10,900,241
Inventories	40,163,158	(827,453)	2	39,335,705
Prepaid expenses and others	1,015,530	(71,024)	3	944,506
Total current assets	77,459,717	(1,112,879)		76,346,838
Non-current assets:				
Property and equipment, net	116,679,663	(5,307,165)	4	111,372,498
Intangible assets	-	31,068,969	5	31,068,969
Goodwill	29,768,097	(29,768,097)	6	-
Other non-current assets	1,118,909	(685,784)	7	433,125
Total assets	Ps. 225,026,386	Ps. (5,804,956)		Ps. 219,221,430
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable to suppliers	Ps. 50,853,686	Ps. -		Ps. 50,853,686
Other accounts payable	13,660,337	(19,176)	8	13,641,161
Taxes payable	2,080,517	-		2,080,517
Total current liabilities	66,594,540	(19,176)		66,575,364
Long-term liabilities:				
Other long-term liabilities	16,387,060	20,632	9	16,407,692
Deferred tax	7,866,066	(1,679,900)	10	6,186,166
Employee benefits	900,112	(30,981)	11	869,131
Total liabilities	91,747,778	(1,709,425)		90,038,353
Shareholders' equity:				
Capital stock	51,923,717	(5,957,138)		45,966,579
Legal reserve	5,695,720	(1,022,837)		4,672,883
Retained earnings	75,645,235	3,221,058		78,866,293
Other comprehensive income items	1,692,180	(52,618)		1,639,562
Premium on sale of shares	2,344,473	(432,715)		1,911,758
Employee stock option plan fund	(4,338,893)	148,719		(4,190,174)
Equity attributable to owners of the parent	132,962,432	(4,095,531)		128,866,901
Noncontrolling interest	316,176	-		316,176
Total shareholders' equity	133,278,608	(4,095,531)	12	129,183,077
Total liabilities and shareholders' equity	Ps. 225,026,386	Ps. (5,804,956)		Ps. 219,221,430

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III) Mexican FRS and IFRS reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2011:

	Mexican FRS	Effects and reclass.	Expl. note	IFRS
Net sales	Ps. 379,021,488	Ps. (3,742,048)	13	Ps. 375,279,440
Other income	1,885,152	1,685,197	14	3,570,349
Total revenues	380,906,640	(2,056,851)		378,849,789
Cost of sales	(297,208,119)	3,467,971	15	(293,740,148)
Gross profit	83,698,521	1,411,120		85,109,641
General expenses	(53,619,890)	(1,954,877)	16	(55,574,767)
Income before other (expenses) income, net	30,078,631	(543,757)		29,534,874
Other (expenses) income, net	(71,491)	127,147	17	55,656
Operating income	30,007,140	(416,610)		29,590,530
Financial (expenses) income, net	190,961	(1,394)	18	189,567
Income before taxes on profits	30,198,101	(418,004)		29,780,097
Taxes on profits	(7,939,614)	244,201	19	(7,695,413)
Consolidated net income	Ps. 22,258,487	Ps. (173,803)		Ps. 22,084,684
Income attributable to:				
Owners of the parent	22,253,848	(173,803)		22,080,045
Noncontrolling interest	4,639	-		4,639
	Ps. 22,258,487	Ps. (173,803)		Ps. 22,084,684

IV) Explanatory notes to the reconciliation of the consolidated statement of financial position at December 31, 2011 and at January 1, 2011 and the reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2011, are described below:

1- Accounts receivable, net

Guarantee deposits are reclassified to the other non-current assets line; there is also an IFRS effect in the sinister claims receivable account due to the change in the value of the fixed assets.

	January 1, 2011	December 31, 2011
Guarantee deposits	Ps. (255,653)	Ps. (207,814)
Sinister claims receivable account	-	(6,588)
	Ps. (255,653)	Ps. (214,402)

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2- Inventories

The change corresponds to the recognition of permanent markdowns, in conformity with IAS 2, *Inventories.* The specific change in inventory is the reversal of permanent markdowns that have not been sold at the date of the consolidated statement of financial position.

Also, the buying allowances for the distributions centers were deferred and applied to retained earnings and they will be recognized in operating results as the inventories giving rise to such allowances are sold.

	January 1, 2011	December 31, 2011
Permanent markdowns	Ps. 282,253	Ps. 333,844
Deferral of buying allowances	(974,183)	(1,161,297)
	Ps. (691,930)	Ps. (827,453)

3- Prepaid expenses and others

The counterclaims paid at the time lease agreements with third parties are signed were reclassified to the other non-current assets line.

	January 1, 2011	December 31, 2011
Counterclaims	Ps. (54,374)	Ps. (71,024)

4- Property and equipment, net

In order to comply with IAS 16, *Property, Plant and Equipment*, the Company retrospectively changed the component classification method and the useful lives of the buildings and structures and facilities on its leased properties, resulting in an increase in the accumulated depreciation of these assets.

Management reviewed the Company's lease agreement database and identified certain leases that qualify as finance leases under the new criteria used by the Company.

Software was reclassified to the intangible assets line.

	January 1, 2011	December 31, 2011
Accumulated depreciation	Ps. (4,663,845)	Ps. (4,992,969)
Finance leases	20,534	22,054
Software	(276,849)	(336,250)
	Ps. (4,920,160)	Ps. (5,307,165)

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5- Intangible assets

Reclassification to intangible assets of the following items that were presented in different lines in the consolidated statement of financial position, as described below:

- In the consolidated statement of financial position, goodwill was presented in a separate line.
- Licenses, trademarks, patents and royalties were included in the other assets line.
- Software used to be presented in the property and equipment, net line.

	January 1, 2011	December 31, 2011
Goodwill	Ps. 29,768,097	Ps. 29,768,097
Licenses, trademarks, patents and royalties	928,258	964,622
Software	276,849	336,250
	Ps. 30,973,204	Ps. 31,068,969

6- Goodwill

Goodwill was reclassified to Intangible assets.

7- Other non-current assets

Guarantee deposits and counterclaims were reclassified to this line. Licenses, trademarks, patents and royalties were reclassified from this line to intangible assets.

	January 1, 2011	December 31, 2011
Guarantee deposits	Ps. 255,653	Ps. 207,814
Counterclaims	54,374	71,024
Intangible assets	(928,258)	(964,622)
	Ps. (618,231)	Ps. (685,784)

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8- Other accounts payable

In conformity with IAS 19, *Employee Benefits,* the short-term liability for employee termination benefits was reclassified to long-term liabilities as part of the employee benefits line. Management reviewed the Company's lease agreement database and identified certain leases that qualify as finance leases under the new criteria used by the Company.

	January 1, 2011	December 31, 2011
Reclassification to long-term employee benefits	Ps. (17,552)	Ps. (19,179)
Finance leases	276	301
Other	-	(298)
	Ps. (17,276)	Ps. (19,176)

9- Other long-term liabilities

Management reviewed the lease agreement database and identified certain leases that qualify as finance leases under the new criteria used by the Company.

	January 1, 2011	December 31, 2011
Finance leases	Ps. 20,933	Ps. 20,632

10- Deferred tax

As a result of the adoption of IFRS, the Company recalculated its deferred taxes based on the changes in the temporary differences between the financial reporting and tax values of property and equipment, inventories and employee benefits. The effect of this tax was recognized in retained earnings for the effect on the financial reporting values of the corresponding lines.

	January 1, 2011	December 31, 2011
Property and equipment	Ps. (1,164,289)	Ps. (1,346,558)
Inventories	(292,254)	(348,389)
Employee benefits	21,590	15,047
	Ps. (1,434,953)	Ps. (1,679,900)

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11- Employee benefits

In conformity with IAS 19, termination benefits are recognized as a liability only when there is a formal employee dismissal plan; otherwise, they are charged to earnings as they accrue. Also, actuarial gains and losses from termination benefits are amortized as they accrue directly in the consolidated statement of comprehensive income.

WALMEX recognized termination benefits in conformity with new IAS 19, which will become effective as of January 1, 2013 and but may be adopted early. The short-term portion of this liability is now also included in this line.

	January 1, 2011	December 31, 2011
Reclassification of short-term liability	Ps. 17,552	Ps. 19,179
IFRS effect of termination benefit	(71,965)	(102,778)
Actuarial loss	-	52,618
	Ps. (54,413)	Ps. (30,981)

12- Shareholders' equity

In conformity with IAS 29, *Financial Reporting in Hyperinflationary Economies*, the cumulative effects of inflation from 1999 to 2007 were eliminated since said years do not qualify for consideration as hyperinflationary.

	January 1, 2011	December 31, 2011
Capital stock	Ps. (5,991,789)	Ps. (5,957,138)
Legal reserve	(1,022,837)	(1,022,837)
Other comprehensive income items	-	(52,618)
Premium on sale of shares	(476,853)	(432,715)
Employee stock option plan fund	182,138	148,719
Total inflation adjustment	Ps. (7,309,341)	Ps. (7,316,589)

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The effects of the adoption of IFRS on retained earnings are as follows:

	January 1, 2011	December 31, 2011
Inflation adjustment	Ps. 7,309,341	Ps. 7,316,589
Inventories	(691,930)	(827,453)
Property and equipment	(4,663,845)	(4,999,557)
Employee benefits	71,965	50,157
Deferred tax	1,434,953	1,679,900
Finance leases	(675)	1,422
	Ps. 3,459,809	Ps. 3,221,058

13- Net sales

The cost of cell phone minutes of Ps. (3,742,048) was reclassified to net sales to show the net income rather than the total revenues.

14- Other income

In addition to membership revenues and Walmart Bank interest income, the income includes the following:

	December 31, 2011
Rental income	Ps. 769,567
Service commissions	226,200
Sales of waste	285,478
Parking	193,132
Other income	210,820
	Ps. 1,685,197

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15- Cost of sales

The effects on and reclassifications to cost of sales are shown below:

	December 31, 2011
Effects:	
Deferral of supplier buying allowances	Ps. (200,433)
Permanent markdowns	65,688
	(134,745)
Reclassifications:	
Cell phone minutes	3,742,048
Cost of sales of other income	(127,049)
Cancellation of provision from prior years	(17,782)
Other	5,499
	3,602,716
	Ps. 3,467,971

16- General expenses

The effects on and reclassifications to general expenses are shown below:

	December 31, 2011
Effects:	
Depreciation	Ps. (259,715)
Employee benefits	30,811
Finance leases	544
	(228,360)
Reclassifications:	
Other income	(1,685,197)
Other non-operating income	(402,394)
Cost of sales of other income	127,049
Cancellation of provision from prior years	326,510
Employee profit sharing	(92,485)
	(1,726,517)
	Ps. (1,954,877)

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17- Other (expenses) income, net

Employee profit sharing and cancellations of provisions of prior years were reclassified to general expenses. There is also an IFRS effect corresponding to the loss from disposals of property and equipment.

	December 31, 2011
Employee profit sharing	Ps. 92,485
Reclassification of cancellation of provision from prior years	(308,728)
Other non-operating income	402,394
Loss from disposals of property and equipment	(53,505)
Other	(5,499)
	Ps. 127,147

18- Financial (expenses) income, net

Management reviewed the lease agreement database and identified certain leases that qualify as finance leases under the new criteria used by the Company. The effect of interest was Ps. (1,394).

19- Taxes on profits

Deferred taxes for the year were recalculated due to the change in the temporary differences between the financial reporting and tax values in the consolidated statement of financial position mentioned above.

b) Exceptions and exemptions in the adoption of IFRS

The obligatory exceptions mentioned in IFRS 1 do not apply to the Company.

The exemptions that applied to the Company are described below:

Business combination

The Company did not retroactively apply IFRS 3, *Business Combinations*, to its business combinations carried out in prior periods and it continued to recognize the same values and goodwill for the acquisition of Walmart Central America at the transition date.

Deemed cost

The Company recognized the book value at the transition date (January 1, 2011) as the deemed cost of certain assets.

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Actuarial losses and gains

Regarding the exemption from recognizing all employee benefit actuarial gains and losses for past services, the Company applied these amounts against retained earnings.

Cumulative translation adjustment

Since the Company's foreign business is a recent acquisition, the Company decided to recognize the related values separately in shareholders' equity.

19.- NEW ACCOUNTING PRONOUNCEMENTS:

Below is a description of the new standards issued by the IAS that will become effective as of January 1, 2013 and that can be adopted early:

a. IFRS 10, *Consolidated Financial Statements*. This standard establishes a single model of control that is applicable to any entity (including special purpose entities) IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements*, and SIC 12, *Consolidation – Special Purpose Entities.*

b. IFRS 11, *Joint Arrangements*. This standard establishes the principles for financial reporting by parties to a joint arrangement. The option of applying the proportional consolidation method is eliminated for joint ventures (understood based on the new definition). This standard supersedes IAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers.*

c. IFRS 12, *Disclosure of Interests in Other Entities*. This standard brings all of the different disclosure requirements for subsidiaries, joint arrangements, associates and structured entities together in a single standard.

d. IFRS 13, *Fair Value Measurement*. This standard defines the concept of fair value and requires the disclosure of fair value measurements.

The adoption of these new IFRS will have no effect on the Company's financial statements.

20. - APPROVAL OF THE FINANCIAL STATEMENTS:

The accompanying financial statements and its notes for the years ended December 31, 2012 and 2011 were approved on February 1, 2013 for its issuance and public release by the Company's management and must be approved later by the Board of Directors and the Shareholders' Meeting of the Company.

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