

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

FREE TRANSLATION, NOT TO THE LETTER

Mexico City, July 27th, 2017

Changes in the management team

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

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

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

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

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

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July 27 2017



Financial Results

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

Main figures are:

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

T = Times

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July 27 2017



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

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Openings 2017

México: 19 units

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

Centroamérica: 15 units

- 6 Discount Stores
- 8 Bodegas
- 1 Supermarket

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July 27 2017



Installed Capacity

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

Conference Call

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

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

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

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

Company Description

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

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

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July 27 2017



Ticker Symbols

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

Websites

Investor Relations: www.walmex.mx

Corporate: www.walmartmexicoycam.com.mx

From the different formats:

www.walmart.com.mx

www.sams.com.mx

www.suburbia.com.mx

www.superama.com.mx

Contact us

Investor Relations	Corporate Communication
Pilar de la Garza Fernández de Valle (52-55) 5283-0289 Pilar.De@wal-mart.com	Gabriela Buenrostro Ortega (52-55) 5283-0271 Gbriela.Buenrostro@wal-mart.com

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July 27 2017



Appendix 1: Quarterly Income Statements (millions of pesos)

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

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July 27 2017



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

Amounts in thousands of Mexican pesos

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

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July 27 2017



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

Amounts in thousands of Mexican pesos

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

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July 27 2017



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

Amounts in thousands of Mexican pesos

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

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