



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

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

With Report of Independent Auditors

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REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF WAL-MART DE MÉXICO, S.A.B. DE C.V.

OPINION

We have audited the accompanying consolidated financial statements of Wal-Mart de México, S.A.B. de C.V. and subsidiaries (hereinafter “the Company”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wal-Mart de México, S.A.B. de C.V. and subsidiaries as at 31 December 2021 and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR AUDIT OPINION

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent from Wal-Mart de México, S.A.B. de C.V. within the meaning of the Code of Ethics for Accounting Professionals of the International Ethics Standards Board for Accountants (IESBA) and the ethical requirements applicable to our audit of the consolidated financial statements in Mexico established by the Code of Ethics of the Mexican Institute of Public Accountants (IMCP, Spanish acronym) and have fulfilled our other responsibilities under those relevant ethical requirements and the Code of Ethics of the IESBA.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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

Description and why it was considered a key audit matter

We have considered as a key audit matter the impairment analysis of property and equipment, right-of-use assets, investment properties and intangibles, because the determination of the recovery value is complex, it involves a high degree of judgment from the Company’s



management and requires significant judgments and assumptions to be made that are affected by future conditions, such as profitability and economic conditions, discount rates, operating margins, the weighted average cost of capital, capitalization rate and others, which are sensitive and are affected by economic changes and market conditions, among other factors. Additionally, the calculation of the recoverable value carries the risk that the future cash flows used in its determination differ from expectations, or that the results are different from the originally estimated values. In addition, the balances of long-lived assets subject to the determination of the recovery value for impairment tests are significant as of December 31, 2021.

Notes 3 and 8 to 11 of the accompanying consolidated financial statements include the disclosures on the impairment assessment of property and equipment, right-of-use assets, investment properties and intangibles.

How we responded to the key audit matter

We evaluated the design and tested the effectiveness of significant controls with respect to the impairment analysis process for long-lived assets as of December 31, 2021.

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

We evaluated the financial projections of future cash flows used by the Company's management in the impairment analysis of each CGU that we consider within our scope, verifying the information with which said projections were prepared and analyzing their consistency with historical trends and future business plans. We evaluated the composition of the CGUs and the assets subject to impairment analysis assigned within each CGU. We analyzed the key assumptions, considering the sensitivity of those assumptions. We involved our valuation specialists to assist us in evaluating the reasonableness of the key assumptions and the methodology used by the Company's Management in its impairment analysis according to International Accounting Standard ("IAS") 36, Impairment of assets. We independently recalculated the arithmetic

calculations of the valuation models used and analyzed the uniformity of the definition of CGU applied by the Company.

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

We also evaluated the adequacy of the disclosures related to the identification and determination of the recoverable value of property and equipment, right-of-use assets, investment properties and intangibles of the accompanying consolidated financial statements as of December 31, 2021.

OTHER INFORMATION

The other information comprises the financial and non-financial information (other than the financial statements and our audit report) presented in the annual report by the Company submitted to the National Banking and Securities Commission (the Commission) and in the annual report submitted to the shareholders for the year ended as at 31 December 2021. Management is responsible for the other information. We expect to obtain the other information after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when we have access to it and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we conclude that there is a material misstatement of the other information contained in the Annual Report filed with the Commission and/or in the annual report submitted to the Company's



shareholders, we are required to report that fact to those charged with governance and to describe the matter in our statement on the Annual Report required by the Commission.

RESPONSIBILITIES OF MANAGEMENT AND OF THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is who signs this report.

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

Carlos Carrillo

Mexico City,
February 16, 2022



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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands of Mexican pesos)

	For the years ended December 31	
	2021	2020
Net sales	\$ 730,352,316	\$ 696,710,854
Other revenues (Note 19)	5,691,707	5,023,310
Total revenues	736,044,023	701,734,164
Cost of sales	(564,204,300)	(539,694,249)
Gross profit	171,839,723	162,039,915
General expenses (Note 20)	(110,181,077)	(105,041,809)
Income before other income and expenses	61,658,646	56,998,106
Other income	2,142,255	1,069,547
Other expenses	(893,243)	(620,372)
Operating income	62,907,658	57,447,281
Financial income (Note 21)	2,218,277	3,512,917
Financial expenses (Note 21)	(7,830,287)	(11,496,111)
Income before income taxes	57,295,648	49,464,087
Income taxes (Note 16)	(13,157,576)	(16,029,226)
Consolidated net income	\$ 44,138,072	\$ 33,434,861

	For the years ended December 31	
	2021	2020
Other comprehensive income items:		
Items that do not reclassify to profit or loss of the year:		
Actuarial results on employee benefits, net of income taxes	\$ 193,834	\$ (423,816)
Items that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustment	184,327	(305,573)
Other comprehensive income (loss)	378,161	(729,389)
Comprehensive income	\$ 44,516,233	\$ 32,705,472
Basic earnings per share (in pesos)	\$ 2.528	\$ 1.915

The accompanying notes are integral part of these financial statements.



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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands of Mexican pesos)

	December 31,			December 31,	
	2021	2020		2021	2020
Assets			Liabilities and equity		
Current Assets:			Current liabilities:		
Cash and cash equivalents (Note 5)	\$ 42,816,535	\$ 35,670,360	Accounts payable	\$ 96,637,884	\$ 92,356,297
Account receivable, net (Note 6 and 12)	16,827,238	16,993,754	Short-term lease liability	3,438,469	3,216,799
Inventories, net (Note 7)	80,316,969	68,360,474	Other accounts payable (Note 13)	29,535,182	24,840,589
Prepaid expenses and other assets	856,849	700,350	Income taxes payable	3,096,932	2,656,232
Total current assets	140,817,591	121,724,938	Total current liabilities	132,708,467	123,069,917
Non-current assets:			Long-term liabilities:		
Property and equipment, net (Note 8)	140,496,598	134,828,617	Leases and other long-term liabilities (Note 15)	65,060,266	60,706,593
Right-of-use assets (Note 9)	54,137,508	50,319,784	Income tax liabilities (Note 16)	8,416,192	6,402,935
Investment properties, net (Note 10)	5,583,846	6,305,920	Employee benefits (Note 17)	2,322,543	2,584,963
Intangible assets, net (Note 11)	38,758,049	37,552,016	Total liabilities	208,507,468	192,764,408
Deferred tax assets (Note 16)	12,374,229	9,108,261	Equity (Note 18):		
Other non-current assets	2,221,650	2,043,565	Capital stock	45,468,428	45,468,428
Total assets	\$ 394,389,471	\$ 361,883,101	Retained earnings	127,310,877	111,361,546
			Other comprehensive income items	14,789,529	14,411,368
			Premium on sale of shares	4,908,573	4,543,745
			Employee stock option plan fund	(6,595,404)	(6,666,394)
			Total equity	185,882,003	169,118,693
			Total liabilities and equity	\$ 394,389,471	\$ 361,883,101

The accompanying notes are integral part of these financial statements.



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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(Amounts in thousands of Mexican pesos)

	Retained earnings		Other comprehensive income items	Premium on sale of shares	Employee stock option plan fund	Total equity	
	Capital stock	Legal Reserve					Retained earnings
Balance at December 31, 2019	\$ 45,468,428	\$ 9,104,745	\$ 99,755,463	\$ 15,140,757	\$ 4,318,104	\$ (5,642,730)	\$ 168,144,767
Movements in employee stock option plan fund					225,641	(1,023,664)	(798,023)
Dividends declared			(30,933,523)				(30,933,523)
Comprehensive income			33,434,861	(729,389)			32,705,472
Balance at December 31, 2020	45,468,428	9,104,745	102,256,801	14,411,368	4,543,745	(6,666,394)	169,118,693
Movements in employee stock option plan fund					364,828	70,990	435,818
Dividends declared			(28,188,741)				(28,188,741)
Comprehensive income			44,138,072	378,161			44,516,233
Balance at December 31, 2021	\$ 45,468,428	\$ 9,104,745	\$ 118,206,132	\$ 14,789,529	\$ 4,908,573	\$ (6,595,404)	\$ 185,882,003

The accompanying notes are integral part of these financial statements.



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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of Mexican pesos)

	For the years ended December 31,			For the years ended December 31,	
	2021	2020		2021	2020
Operating activities			Investing activities		
Income before income taxes	\$ 57,295,648	\$ 49,464,087	Long-lived assets with defined useful lives	(20,466,364)	(16,728,102)
Items related to investing activities:			Interest collected	866,112	986,291
Depreciation and amortization	18,305,881	17,939,624	Proceeds from sale of property and equipment	388,548	397,872
Loss from disposal of property and equipment and impairment	353,054	(58,314)	Employee stock option plan fund	81,561	(1,184,945)
Stock option compensation expenses	354,257	386,922	Net cash flow used in investing activities	(19,130,143)	(16,528,884)
Interest earned	(866,112)	(986,291)	Financing activities		
Items related to financing activities:			Dividends paid	(28,188,741)	(30,933,523)
Interest on lease liabilities	6,478,994	6,409,888	Interest paid	(63,296)	(94,861)
Unrealized, exchange rate fluctuation	(27,773)	(615,274)	Payment of leases liability	(9,243,975)	(8,675,223)
Provision of labor obligations	553,537	585,943	Net cash flow used in investing activities	(37,496,012)	(39,703,607)
Interest accrued	63,296	94,861	Effect of changes in the value of cash	(1,109,265)	(327,305)
Cash flow from operating activities	82,510,782	73,221,446	Net increase (decrease) in cash and cash equivalents	7,146,175	4,813,270
Variances in:			Cash and cash equivalents at beginning of year	35,670,360	30,857,090
Accounts receivable	1,921,818	(2,711,141)	Cash and cash equivalents at end of year	\$ 42,816,535	\$ 35,670,360
Inventories	(11,906,229)	(562,523)			
Prepaid expenses and other assets	(224,786)	706,083	Non-cash transactions:		
Accounts payable	4,221,167	4,938,201	Additions of right of use assets	\$ 2,515,770	\$ 1,819,675
Other accounts payable	2,905,551	2,703,941	Right of use assets remeasurements	\$ 5,412,193	\$ 2,853,228
Income tax paid	(13,959,161)	(16,191,826)			
Employee benefits	(587,547)	(731,115)			
Net cash flow from operating activities	64,881,595	61,373,066			

The accompanying notes are integral part of these financial statements.



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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2021 and 2020

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

1. DESCRIPTION OF THE BUSINESS

a. Corporate information

Wal-Mart de Mexico, S.A.B. de C.V. (**WALMEX**, “the Company” or “the Group”) is a Mexican company incorporated under the laws of Mexico and listed on the Mexican Stock Exchange, whose headquarters are located at Nextengo #78, Santa Cruz Acayucan, 02770, in Mexico City. The principal shareholder of **WALMEX** is Walmart, Inc., a U.S. Corporation, through Intersalt, S. de R.L. de C.V., a Mexican company that holds equity interest of 70.51% in the Company.

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

Group	Line of business
Nueva Walmart	Operation in 2021 of 2,198 Bodega Aurrerá discount stores, 294 Walmart hipermarkets, 14 Superama supermarkets, 85 Walmart Express supermarkets and 165 Sam’s Club memberships self-service wholesale stores.
Import companies	Import of goods for resale.
Real estate	Property developments and management of real estate companies.
Service companies	Rendering of professional services to Group companies until June 30, 2021; and not-for-profit services to the community at large, as well as shareholding.
Walmart Central America	Operation in 2021 of 572 discount stores (Despensa Familiar and Palí), 98 supermarkets (Paiz, La Despensa de Don Juan, La Unión and Más x Menos), 158 Bodegas (Maxi Bodega and Maxi Palí); and 36 Walmart hypermarkets. These stores are located in Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador.

b. Transactions and relevant events

On May 25, 2020, **WALMEX** made a payment of \$8,079 million pesos to the Mexican Tax Authorities (SAT by its acronym in Spanish) to finalize substantial tax matters (including the sale of VIPS restaurant division to Asea). This amount is recognized in the following items in the financial statements of the year ended on December 31, 2020: general expenses (VAT) of \$1,813 million; financial expenses (surcharges) of \$2,406 million; income tax (current tax) of \$3,856 million and income tax pending to recover (balance sheet) of \$4 million.



2 NEW ACCOUNTING PRONOUNCEMENTS

The Company applied for the first-time certain International Financial Reporting Standards (“IFRS”) and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - *Interest rate benchmark reform, Phase 2*

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address issues arising during interest rate benchmark reform, including the replacement with an alternative nearly risk-free interest rate (RFR).

Phase 2 modifications provide the following temporary exceptions:

By changing the basis for determining contractual cash flows for financial assets and financial liabilities (including lease liabilities), the exceptions have the effect that the changes, which are necessary as a direct consequence of the IBOR reform and which are considered economically equivalent, they will not have an immediate effect on the income statement.

The hedge accounting exceptions will allow most IAS 39 or IFRS 9 hedging relationships that are directly affected by the IBOR reform to continue. However, additional ineffectiveness may need to be recorded.

Affected entities need to disclose information about the nature and extent of risks to which they are exposed due to IBOR reform, how the entity manages those risks, and the entity’s progress in completing the transition to alternative benchmark rates. and how you manage that transition.

The amendments are not expected to have a material impact on the Company’s consolidated financial statements.

Amendments to IFRS 16, “*Covid-19 Related Rent Concessions*”

On May 28, 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases.

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical solution, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. The lessee that chooses this option must recognize any change in the lease payments that result from the concession of rent related to COVID-19 in the same way in which it would recognize the change in accordance with IFRS 16, if said change would not constitute a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the COVID-19 pandemic continues, on March 31, 2021, the IASB extended the application period of the practical expedient until June 30, 2022. This amendment had no significant impact on the consolidated financial statements of the Company.

IAS 1, “*Presentation of financial statements*”

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

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



The amendments are not expected to have a material impact on the Company's consolidated financial statements.

IFRS issued but not yet effective

IFRS 17, "Insurance Contracts"

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

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company's management estimates that these modifications will not have a significant impact on the consolidated financial statements.

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3, "Business Combinations"

In May 2020, the IASB issued Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 "Levies", if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

The Company's management estimates that these modifications will not have a significant impact on the consolidated financial statements.

Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"

In May 2020, the IASB issued these amendments, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while



bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, directly in the income statement.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The Company's management estimates that these modifications will not have a significant impact on the consolidated financial statements.

Amendments to IAS 37, "Onerous Contracts – Costs of Fulfilling a Contract"

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The Company's management estimates that these modifications will not have a significant impact on the consolidated financial statements.

IFRS annual improvements 2018-2020

IFRS 1, "First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter"

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company's management estimates that these modifications will not have a significant impact on the consolidated financial statements.

IFRS 9, "Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities"

The amendment mentions when derecognize a financial liability that has been modified or exchanged, it must be evaluated whether the terms are substantially different between the new or modified financial liability and the original financial liability. A substantial difference is considered when the present value of the discounted cash flows under the new conditions, including commissions paid net, differs at least 10 percent from the present value of discounted cash flows that still remain from the original financial liability, using for discounting, the original effective interest rate.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The Company's management estimates that these modifications will not have a significant impact on the consolidated financial statements.



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

The amendments to IAS 12 “Income Taxes” require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

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

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

The amendment is effective for annual periods beginning on or after January 1, 2022, and early adoption is permitted. This amendment does not have a significant impact on the Company’s consolidated financial statements.

IAS 41, “Agriculture – Taxation in fair value measurements”

The amendment removes the requirement in paragraph 22 of IAS 41 where entities needed to exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

The Company’s management estimates that these modifications will not have a significant impact on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies is described below. These policies have been applied consistently with those applied in the year ended December 31, 2020.

a) Basis of preparation

The accompanying consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), including those issued previously by the former Standard Interpretations Committee (SIC).

The consolidated statements of comprehensive income were prepared based on the function of its components, which allows disclosure of cost of sales separately from other costs, operating and administrative expenses, with both expenses recognized in the statement of income at the time they are incurred.

Prior to the consolidation process, the financial statements of the Company’s foreign subsidiaries are prepared under IFRS and translated to Mexican pesos using the average exchange rate for the consolidated statement of comprehensive income and the year-end exchange rate for the consolidated statement of financial position.

The cumulative translation adjustment is the effect of translating the financial statements of the Company’s foreign subsidiaries into Mexican pesos. This effect is recognized in equity as part of other comprehensive income items.



The statement of cash flows is prepared using the indirect method.

The preparation of consolidated financial statements requires the use of accounting estimates and assumptions based on historical experience and other factors and therefore, the actual results may differ from estimates. The estimates and assumptions are reviewed periodically and mainly include the following:

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

WALMEX has sufficient resources to continue operating as a going concern. The accompanying consolidated financial statements have been prepared on a going-concern basis and on a historical-cost basis, except for financial assets and liabilities and derivative financial instruments, which are fair valued as of the end of each period. The Mexican peso is the Company's functional and Reporting currency.

b) Consolidation

The accompanying consolidated financial statements include the financial statements of **WALMEX**, entities in which the Company was deemed the primary beneficiary and those of its Mexican and foreign subsidiaries or investee in which has control, which are grouped as described in Note 1, and prepared considering the same accounting period.

Subsidiaries or investees are consolidated from the date on which control is assumed by **WALMEX**, and until such control is lost. The results of subsidiaries or investee acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of sale, as appropriate.

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

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

Transactions and related party balances are eliminated in the consolidation.

The Company consolidates in its financial statements the balances and operations of the investees Cargill Protein S. de R.L. de C.V. and Cargill Protein Servicios S. de R.L. de C.V., according to the agreement established with them to provide services for meat processing, through which the Company obtains control solely and exclusively from the accounting point of view and applying accounting principles but not legal ones, through the right to variable returns for its participation in these entities. Net income for the consolidated year considers a remaining attributable to the results of the investees of \$(66,136) in 2021 and \$(39,343) in 2020; and the statement of financial position as of December 31, 2021 and 2020, contains a remaining attributable to the minority interest of the investees of \$(118,276) and \$(52,139), respectively.

c) Financial assets and liabilities and fair value measurement

The Company determines the classification of financial assets and liabilities at initial recognition as described below:

- I. Financial assets. These assets are classified in one of the following categories, as required: financial assets at fair value through profit or loss, accounts receivable and investments held



to maturity. The Company's financial assets primarily consist of cash and cash equivalents, trade receivables and other accounts receivable which are initially recognized at fair value. Fair value of an asset is the price in which such asset would be sold in an ordinary transaction with third parties, capable of participating in the transaction.

- II. Financial liabilities. These liabilities are classified in accounts payable, other accounts payable and lease liabilities; these liabilities are initially recognized at fair value and subsequently valued to amortized cost using the effective interest rate method. The liabilities from derivatives are recognized initially and subsequently at fair value. Fair value of a liability is the amount that would be paid to transfer the responsibility to a new creditor in an ordinary transaction among those parties.

Assets and liabilities carried at fair value are measured using the fair value hierarchy, which prioritizes the inputs used in measuring fair value. The levels of the fair value hierarchy are as follows:

Level 1. Quoted prices for identical instruments in active markets;

Level 2. Other valuations including quoted prices for similar instruments in active markets that are directly or indirectly observable, and

Level 3. Unobservable data inputs, for which the Company develops its own assumptions and valuations.

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

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

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

d) Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits, credit and debit card transfer transactions that process in less than 7 days, and highly liquid investments with maturities of less than 90 days, plus accrued interest. Cash is stated at fair value.

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

e) Derivative financial instruments

The Company has entered into currency hedging through Over the Counter (OTC) currency forward transactions (Fx-forwards) to mitigate the effects caused by variability in the exchange rate of foreign currency on its accounts payable related to import goods for sale. The maximum length of these contracts is six months.

Derivatives are initially recognized at fair value at the date the derivative contract is subscribed and subsequently revalued at fair value at the end of the reporting period. The resulting gain or loss is recognized immediately as a part of the financial income (expense) line in the consolidated statement of comprehensive income.

In accordance with our standards of corporate governance, the Company manages only Fx-forwards as derivative financial instruments.

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

WALMEX recognizes the impairment of its receivables by applying the simplified approach allowed by IFRS 9 "Financial Instruments", recognizing the expected credit losses as of the creation of the account receivable. These assets are grouped according to the characteristics of credit risk and the days past due, with the expected loss provision for each risk group determined based on the



historical credit loss and experience of the Company, adjusted for specific factors for debtors and effects in the economic environment.

g) Inventories

Inventories are valued using the retail method, except for merchandise for Sam’s Clubs, distribution centers, Agro-Industrial development (grains, edibles and meat) and perishable division, which are stated using the weighted average cost method. These methods are consistent with those applied in the prior year. Inventories, including obsolete, slow-moving and defective items or items in poor condition, are stated at the lower of cost or net realizable value.

Freight and buying allowances are capitalized in inventory and are recognized in the cost of sales based on the turnover of the inventories that gave rise to them.

h) Prepaid expenses

Prepaid expenses are recorded at cost and recognized as current assets in the consolidated statement of financial position as of the date the prepayments are made. Once the goods or services related to the prepayments are received, they should be charged to the income statement or capitalized in the corresponding asset line when there is certainty that the acquired goods will generate future economic benefits.

i) Property and equipment

Property and equipment are recorded at acquisition cost and are presented net of accumulated depreciation.

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

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

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

j) Investment properties

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

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

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

k) Leases

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



WALMEX as a lessee

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

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

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

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

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

WALMEX as a lessor

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

l) Impairment of long term definite useful life assets

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

The Company recognizes impairment in the value of this type of assets by applying the expected present value technique to determine value in use, considering each store as the minimum cash-generating unit.

The present value technique requires detailed budget calculations, which are prepared separately for each cash-generating unit where the assets are located. These budgets generally cover 5 years and, in case of a longer period, an expected growth rate is applied.

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

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

m) Intangible assets

Intangible assets are recognized when they have the following characteristics: they are identifiable, they give rise to future economic benefits and the Company has control over such benefits.

Intangible assets are valued at the lower of acquisition cost or fair value at the acquisition date and are classified based on their useful lives, which may be definite or indefinite. Indefinite-lived assets are not amortized; however, they are subject to annual impairment tests. Definite lived assets are amortized using the straight-line method at rates between 7.7% and 33.3%.



n) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of Walmart Central America at the acquisition date and is not subject to amortization.

Goodwill was assigned applying the perpetuity value technique to determine the goodwill's value in use, considering each Central American country (Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador) as a minimum cash generating unit.

Goodwill is tested for impairment annually. The Company engages the services of an independent expert to test its goodwill for impairment. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of value of money over time and the specific risks affecting such assets.

Future cash flows consider the business plan and projections used by management in its decision making for the following five years.

Goodwill is translated at the closing exchange rate and such translation is recognized in other comprehensive income.

o) Liabilities and provisions

Accrued liabilities represent current obligations (legal or assumed) for past events where outflow of economic resources is possible and can be reasonably estimated. Reimbursements are recognized net of any related obligation when it is certain that the reimbursement will be obtained. Provision expenses are presented in the consolidated statement of comprehensive income net of any corresponding reimbursements.

p) Income taxes

Current and deferred income

Income taxes are classified as current and deferred and are recognized in the consolidated statement of comprehensive income in the year they are expensed or accrued, except when they come from items directly recognized in other comprehensive income, in which case, the corresponding taxes are recognized in equity.

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

Deferred income taxes result from applying the applicable enacted or substantively enacted income tax rate at the reporting date to all temporary differences between the financial reporting and tax values of assets and liabilities in the consolidated balance sheet. Deferred tax assets are only recognized when it is probable that sufficient taxable profit will be available against which the deductions for temporary differences can be taken. The deferred tax liabilities are generally recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred assets to be used. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The deferred income tax on temporary differences arising from investments in subsidiaries is recognized, unless the period of reversal of temporary differences is controlled by **WALMEX** and it is probable that the temporary differences will not reverse in the near future.



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

Uncertain tax positions

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

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

q) Employee benefits

Employees in Mexico are entitled to a seniority premium in accordance with the Mexican Federal Labor Law. Also, **WALMEX**'s employees in each of the six countries are entitled to termination benefits to be paid in accordance to each country's respective labor laws. These employee benefits are recognized as expense during the years in which services are rendered, based on actuarial computations performed by independent experts using the projected unit credit method.

In Mexico, the seniority premium is granted to employees who retire from the Company with a minimum of 15 years of seniority. The amount paid to the associate is equivalent to 12 days for each year worked, without exceeding the amount for each day of twice the minimum wage. The Company has set up a defined benefits trust fund to cover seniority premiums accruing to employees. Employees make no contributions to this fund.

In Central America, the termination benefits for associates are paid when required in case of unjustified dismissal or death, in accordance with the Labor Law of each country where the Company operates. The benefits range from 20 days to one month of salary for each year of uninterrupted service.

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

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

r) Equity

Legal reserve:

As of December 31, 2021, the Company's legal reserve amounts to \$9,104,745, which represents 20% of its capital stock, which under the Mexican Corporations Act is the maximum level the balance of the reserve can reach.

Dividends:

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

Employee stock option plan funds and stock option compensation:

The employee stock option plan fund is comprised of **WALMEX** shares which are acquired in the secondary market and are presented at acquisition cost. The plan is designed to grant stock options to executives of the companies of the Group, as approved by the Mexican National Banking and Securities Commission.



The shares subject to the plan are assigned, taking as a reference the weighted average price of the purchase and sale transactions in the secondary market of such shares.

The current policy has two grant plans to executives; the first one Grants stock options and the second one Grants restricted shares (the last one is offered only to certain executive levels). In the stock option plan, the term to exercise the option is released in four years in two equal parts: 50% in two years and the remaining 50% by the end of the fourth year. The term to exercise the rights is 10 years from the grant date.

The vesting period for the restricted shares plan is 3 years and the term to exercise the option is up to 10 years starting from the date of the assignment. The amount of the restricted shares is subject to compliance with certain metrics that are evaluated after the first year after the grant, which may cause the original allocation to decrease or increase within a range of 0% up to 213%.

According to the previous policy, **WALMEX** executives may exercise their option to acquire shares in equal parts over five years. The right to exercise the employee stock option expired after 10 years as of the grant date or 60 days after the employee's termination date; and in regards of the restricted shares plan, until March 23, 2021, the amount was subject to compliance with certain metrics that were evaluated after the first year, and that could cause the original allocation to be modified, in a range from 0% to 150%.

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

Premium on sale of shares:

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

s) Revenue recognition

Revenue from merchandise sales, including online sales ("e-Commerce") is recognized in the consolidated statement of comprehensive income at the time the obligation is satisfied (when "control" of the goods has been transferred to the customer). Revenue from services is recognized at the time the service is provided.

Extended warranties, service commissions and cell phone airtime are recognized net in the net sales line in the consolidated statement of comprehensive income at time the service is provided.

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

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

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

t) Basic earnings per-share

Basic earnings per share is the result of dividing the net income of the year attributable to the controlling interest by the weighted average number of outstanding shares. Diluted earnings per share are the same as basic earnings per share since there is currently no potentially dilutive common stock.

The effect on earnings per share, which represents the remaining attributable to the results of the investees in 2021 and 2020 is of \$0.004 and \$0.002 pesos per share, respectively.



u) Operating segments

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

v) Foreign currency transactions

The Company's foreign currency denominated assets and liabilities are translated to the functional currency at the prevailing exchange rate at the date of the consolidated statement of financial position. Exchange differences are recognized in the consolidated statement of comprehensive income in the financial income (expenses) lines.

4. RISK MANAGEMENT

a) General risk factors

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

- I. Changes in exchange rates. Exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power, which could ultimately adversely affect the Company's sales, in particular due to the purchase of imported goods.
- II. Competition. The retail sector has become very competitive in recent years, which has led to the need for all the players in the market to constantly look for ways to set themselves apart from the competition. This puts the Company's market share at risk. Other factors affecting the Company's market share could be the business expansion of its competitors and the possible entrance of new competitors into the market.

III. Inflation. A significant increase in inflation rates could have a direct effect on the purchasing power of the Company's customers and the demand for its products and services, as well as employment and salaries.

IV. Changes in government regulations. The Company is exposed to the changes in different laws and regulations, which, after becoming effective, could affect the Company's operating results, such as an impact on sales, expenses for payroll indirect taxes and changes in applicable rates. Currently, the level of scrutiny and discretion by the tax authorities has greatly increased. Mexican legal courts have changed their position favoring the authorities and ignoring violations of form and procedure.

V. Recent developments. The COVID-19 pandemic has resulted in widespread and ongoing impacts on the local and international economy, on our associates, suppliers, customers, and other individuals and entities with whom we do business. There is considerable uncertainty regarding the extent to which COVID-19 will continue to spread (including additional outbreaks or spikes in the number of COVID-19 cases, future mutations or related strains of the virus in the areas in which we operate) and the scope and duration of measures to try to contain the virus, such as travel bans and restrictions, quarantines, government closures and other restrictions on the mobility of people.

Other uncertainty factors include but are not limited to: the availability and prevalence of access to effective medical treatments and vaccines for COVID-19; the pace of economic recovery when the pandemic subsides; and the long-term impact of the COVID-19 pandemic on our business, including changing consumer behavior. These risks and their impacts are difficult to predict and could adversely affect our operations and our financial performance.

As of the date of this report, the financial effect of the combination of these events has not had a significant adverse impact on the financial statements taken as a whole.



b) Financial risk factors:

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

Exchange rate risk:

The Company operates with foreign companies and therefore is exposed to the risk of exchange rate operations with foreign currencies, particularly the US dollar (“USD”).

As of December 31, 2021, the exchange rate used to translate assets and liabilities denominated in US dollars was \$20.46 per dollar (\$19.90 in 2020).

Considering the net monetary position in dollars at December 31, 2021, if there was an increase or decrease in the exchange rate of the US dollar against the Mexican peso of 5%, there would be a favorable or unfavorable effect on the financial income (expenses) and equity of the Company of \$128,247.

The Company has entered into Fx-forward contracts for foreign currency in order to protect itself from exposure to variability in the exchange rate for the payment of liabilities in Mexico related to the purchase of imported goods agreed in US dollars.

The valuation techniques used by the Company to determine and disclose the fair value of its financial instruments are based on the fair value hierarchy level 2. (See Note 3 “Summary of significant accounting policies – Financial assets and liabilities and fair value measurement”).

As of December 31, 2021 and 2020, the Company has Fx-forward contracts with a term of no more than four months, recorded in other accounts payable, which are shown below:

	2021		2020	
Current contracts		284		281
Notional amount (millions of USD)	US\$	192.31	US\$	163.83
Notional amount (millions of Mexican Pesos)	MXN\$	4,069.20	MXN\$	3,357.56
Fair value, net (millions of pesos)	MXN\$	(106.25)	MXN\$	(82.19)

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

Interest rate risk:

The Company has temporary investments in government paper which generate financial income. By reducing the interest rate, the financial income of the Company also decreases. The interest rate of these investments fluctuated during the year 2021 between 1.20% and 5.24%. As of December 31, 2021 the financial income amounted to \$866,112 (\$986,291 in 2020).

Considering the highly liquid instruments as of December 31, 2021, if there was an increase or decrease in the interest rate of 0.50%, there would be a favorable or unfavorable effect on the financial income of the Company of \$130,458.

Liquidity risk

The Company is subject to liquidity risks to meet its payment obligations to suppliers, payment of taxes, acquisitions of fixed assets and other working capital requirements, which are settled through the cash flow generated in the operation. For this reason, in order to avoid the breach of its obligations, the Company has available lines of credit and overdraft with different banks. As of December 31, 2021, the available and unused credit and overdraft lines amounted \$51,255 (\$41,001 in 2020) million (these include \$17,931 (\$13,222 in 2020) million corresponding to pre-approved lines of credit and \$33,324 (\$27,229 in 2020) million to contracted lines of credit) that give, if necessary, additional liquidity to that generated by the operating activities.



5. CASH AND CASH EQUIVALENTS

An analysis of cash and cash equivalents as of December 31, 2021 and 2020, is as follow:

	2021	2020
Cash and cash in bank	\$ 35,127,748	\$ 26,577,187
Highly marketable investments	7,688,787	9,093,173
	\$ 42,816,535	\$ 35,670,360

As of December 31, 2021, the restricted cash amounted \$225,643 (\$188,487 in 2020) and it is presented in the consolidated statement of financial position in the other non-current assets item.

6. ACCOUNTS RECEIVABLE

An analysis of accounts receivable as of December 31, 2021 and 2020, is as follows:

	2021	2020
Income tax, VAT, IEPS pending to recover	\$ 13,118,127	\$ 13,304,798
Vouchers issuers and trade receivables	1,415,900	1,605,021
Other accounts receivable	2,847,115	2,554,894
Related parties (Note 12)	-	33,543
Allowance for impairment of other receivables ⁽¹⁾	(553,904)	(504,502)
	\$ 16,827,238	\$ 16,993,754

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

⁽¹⁾ In 2021, includes \$224 million of allowance for impairment of other receivables corresponding to ATM's services supplier.

In 2020, includes \$187 million of allowance for impairment of other receivables corresponding to tenant rent receivables. The rents receivable amounted to \$487 million and are included in the other accounts receivable item. Due to the contingency generated by the COVID-19 pandemic, their recovery risk increased during that year. As of December 31, 2021, the provision for impairment of other accounts receivable decreased due to their recovery.

7. INVENTORIES

An analysis of inventories as of December 31, 2021 and 2020, is as follows:

	2021	2020
Merchandise for sale	\$ 74,466,819	\$ 64,648,896
Agro-industrial development	1,315,037	842,787
	75,781,856	65,491,683
Merchandise in transit	4,535,113	2,868,791
	\$ 80,316,969	\$ 68,360,474

As of December 31, 2021 and 2020, the effect of inventory impairment is \$1,294,599 and \$1,351,173, respectively, which was included in cost of sales in the consolidated comprehensive income statement.



8. PROPERTY AND EQUIPMENT

An analysis of property and equipment as of December 31, 2021 and 2020, is as follows:

	December 31, 2019	Additions	Disposals	Transfers	Translations effect	December 31, 2020	Additions	Disposals	Transfers	Translations effect	December 31, 2021
Cost:											
Land	\$ 31,132,440	\$ 417,018	\$ (56,797)	\$ 180,312	\$ 20,107	\$ 31,693,080	\$ 605,782	\$ (106,636)	\$ 309,400	\$ (22,057)	\$ 32,479,569
Buildings	68,113,426	1,337,321	(209,148)	2,939,215	99,484	72,280,298	1,276,226	(503,028)	3,135,993	13,787	76,203,276
Facilities and leasehold improvements	48,664,166	968	(2,260)	3,558,317	214,515	52,435,706	244,830	(528,437)	4,065,345	152,415	56,369,859
Furniture and equipment	81,760,542	3,928,784	(16,255,015)	3,758,754	286,294	73,479,359	3,888,848	(4,405,776)	4,599,689	202,702	77,764,822
Subtotal	229,670,574	5,684,091	(16,523,220)	10,436,598	620,400	229,888,443	6,015,686	(5,543,877)	12,110,427	346,847	242,817,526
Accumulated depreciation:											
Buildings	(31,504,154)	(2,964,692)	141,274	(118,591)	30,656	(34,415,507)	(2,977,245)	319,881	(69,076)	(14,710)	(37,156,657)
Facilities and leasehold improvements	(22,653,694)	(3,067,257)	5,160	(19,132)	(49,293)	(25,784,216)	(3,046,909)	413,686	(96,907)	(68,655)	(28,583,001)
Furniture and equipment	(48,425,663)	(7,178,999)	16,074,474	36,502	(5,490)	(39,499,176)	(7,255,124)	4,261,397	8,663	(102,064)	(42,586,304)
Subtotal	(102,583,511)	(13,210,948)	16,220,908	(101,221)	(24,127)	(99,698,899)	(13,279,278)	4,994,964	(157,320)	(185,429)	(108,325,962)
Construction in progress	5,032,442	10,224,241	8,870	(10,467,560)	(158,920)	4,639,073	13,636,456	(61,598)	(12,194,434)	(14,463)	6,005,034
Total	\$ 132,119,505	\$ 2,697,384	\$ (293,442)	\$ (132,183)	\$ 437,353	\$ 134,828,617	\$ 6,372,864	\$ (610,511)	\$ (241,327)	\$ 146,955	\$ 140,496,598

Depreciation expense for the years ended December 31 2021 and 2020, was \$12,937,408 and \$12,876,087, respectively, and is included in the general expenses line in the consolidated statement of comprehensive income. The depreciation included in cost of sales was \$341,870 and \$334,861, respectively.

Property and equipment impairment for the years ended December 31, 2021 and 2020, was \$159,133 and \$8,143, respectively, and is presented in the disposals column. As of December 31, 2020 impairment reversal amounted to \$2,097.



9. LEASES

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

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

WALMEX sub-leases some of its investment properties.

The right of use assets balance is as follows:

	December 31, 2019	Additions	Modifications	Transfers	Translations effect	December 31, 2020	Additions	Modifications	Transfers	Translations effect	December 31, 2021
Cost:											
Property	\$ 54,195,381	\$ 1,632,226	\$ 2,803,590	\$ 498	\$ 467,592	\$ 59,099,287	\$ 1,876,726	\$ 5,194,427	\$ (2,541)	\$ (156,575)	\$ 66,011,324
Furniture and equipment	3,378,274	187,449	(733,919)	(295,108)	1,137	2,537,833	639,044	(93,684)	(377,605)	(7,798)	2,697,790
Subtotal	57,573,655	1,819,675	2,069,671	(294,610)	468,729	61,637,120	2,515,770	5,100,743	(380,146)	(164,373)	68,709,114
Accumulated depreciation:											
Property	(6,706,439)	(3,514,541)	(12,434)	2,045	(196,577)	(10,427,946)	(3,630,535)	198,356	-	340,973	(13,519,152)
Furniture and equipment	(1,192,031)	(378,857)	513,913	155,491	12,094	(889,390)	(493,792)	92,419	215,692	22,617	(1,052,454)
Subtotal	(7,898,470)	(3,893,398)	501,479	157,536	(184,483)	(11,317,336)	(4,124,327)	290,775	215,692	363,590	(14,571,606)
Total	\$ 49,675,185	\$ (2,073,723)	\$ 2,571,150	\$ (137,074)	\$ 284,246	\$ 50,319,784	\$ (1,608,557)	\$ 5,391,518	\$ (164,454)	\$ 199,217	\$ 54,137,508



An analysis of the lease liabilities is as follows:

Year	December 31, 2021
2022	\$ 9,178,557
2023	8,667,495
2024	8,336,234
2025	8,080,953
2026	7,834,908
2027 and thereafter	105,960,150
Nominal lease payments	148,058,297
Net present value adjustment	(83,366,919)
Lease liabilities - net	\$ 64,691,378

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

The amounts recognized in the consolidated statements of income for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Depreciation expense for the right of use assets, by type:		
Property	\$ 3,630,535	\$ 3,514,541
Equipment	\$ 493,792	\$ 378,857
Interest on lease liabilities	\$ 6,478,994	\$ 6,409,888
Expenses related to short-term leases	\$ 181,653	\$ 379,211
Expenses related to leases of low-value assets	\$ 37,840	\$ 13,853
Variable lease payments (not included in the measurement of lease liabilities)	\$ 3,782,845	\$ 3,291,749
Sub lease revenue	\$ (1,225,533)	\$ (471,070)

Amounts recognized in consolidated statement of cash flows as well as non-cash transaction, for the years ended December 31, 2021 and 2020, are as follow:

	2021	2020
Rent payments – principal	\$ 2,764,981	\$ 2,265,335
Rent payments – interest	\$ 6,478,994	\$ 6,409,888
Additions of right of use assets	\$ 2,515,770	\$ 1,819,675
Modifications and updates	\$ 5,412,193	\$ 2,853,228



10. INVESTMENT PROPERTIES

An analysis of investment properties as of December 31, 2021 and 2020 is as follows:

	December 31, 2019	Additions	Disposals	Modifications and updates	Transfers	December 31, 2020	Additions	Disposals	Modifications and updates	December 31, 2021
Land	\$ 2,550,279	\$ -	\$ (63,264)	\$ -	\$ -	\$ 2,487,015	\$ 78,778	\$ 3,818	\$ -	\$ 2,569,611
Buildings	5,951,769	14,595	(38,302)	133,972	(498)	6,061,536	-	(625,311)	(20,003)	5,416,222
Facilities and improvements	1,652,582	-	(124,352)	-	-	1,528,230	-	(392,455)	-	1,135,775
Subtotal	10,154,630	14,595	(225,918)	133,972	(498)	10,076,781	78,778	(1,013,948)	(20,003)	9,121,608
Accumulated depreciation	(3,510,412)	(358,985)	99,961	(1,465)	40	(3,770,861)	(308,754)	506,904	34,949	(3,537,762)
Total	\$ 6,644,218	\$ (344,390)	\$ (125,957)	\$ 132,507	\$ (458)	\$ 6,305,920	\$ (229,976)	\$ (507,044)	\$ 14,946	\$ 5,583,846

Depreciation expense for the years ended December 31, 2021 and 2020, was \$308,754 and \$358,985, respectively, and is included in the general expenses line in the consolidated statement of comprehensive income.

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

As of December 31, 2021 and 2020, the fair values of the properties are based on Management's valuations. To calculate the value of a commercial property, the rental approach was used, applying the corresponding gross rent multiplier (GRM). The Company determines the estimated fair value based on its annual rental income before expenses, divided by the capitalization rate used in the real estate sector (Cap rate). Annual rental income before expenses for the year ended December 31, 2020 was reduced by 24% from the previous year mainly due to the contingency caused by the COVID-19 pandemic; On the other hand, the capitalization rates used for the year ended December 31, 2021 and 2020, were 8.5%, in both periods. Effects on annual income and the update of the capitalization rate were considered in the calculation of the estimated fair value.

The Company's Management determined that there is no impairment in the investment properties as of December 31, 2021 and 2020. The estimated fair value of the investment properties as of December 31, 2021 and 2020 is \$5,911,220 and \$7,011,501, respectively. The Company compares the estimated fair value and the net book value to determine if there are impairment.



11. INTANGIBLE ASSETS

An analysis of intangible assets as of December 31, 2021 and 2020, is as follows:

	December 31, 2019	Additions	Disposals	Transfers	Translations effect	December 31, 2020	Additions	Disposals	Transfers	Translations effect and others	December 31, 2021
Goodwill	\$ 35,145,361	\$ -	\$ -	\$ -	(147,981)	\$ 34,997,380	\$ -	\$ -	\$ -	769,861	\$ 35,767,241
Trademarks	856,787	625	-	-	13,902	871,314	-	(84,934)	-	2,405	788,785
Licenses and software	3,429,092	804,550	(14,657)	269,841	41,137	4,529,963	735,444	(898,513)	387,232	8,410	4,762,536
Customer base	219,100	-	-	-	(3,875)	215,225	-	(211,838)	-	(3,387)	-
Subtotal	4,504,979	805,175	(14,657)	269,841	51,164	5,616,502	735,444	(1,195,285)	387,232	7,428	5,551,321
Accumulated amortization	(2,566,750)	(476,293)	5,853	(126)	(24,550)	(3,061,866)	(593,522)	1,096,792	371	(2,288)	(2,560,513)
Subtotal	1,938,229	328,882	(8,804)	269,715	26,614	2,554,636	141,922	(98,493)	387,603	5,140	2,990,808
Total	\$ 37,083,590	\$ 328,882	\$ (8,804)	\$ 269,715	\$ (121,367)	\$ 37,552,016	\$ 141,922	\$ (98,493)	\$ 387,603	\$ 775,001	\$ 38,758,049

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

Licenses, software and customer amortization expense for the years ended December 31, 2021 and 2020, were \$593,522 and \$476,293, respectively, and is included in the general expenses line of the consolidated statement of comprehensive income.

As a result of its impairment testing, the Company concluded that there was no impairment in the value of the Goodwill as of December 31, 2021 and 2020.

The assumptions used in the goodwill impairment test are:

- Net book value of long-lived assets with a defined and indefinite life.
- Projection period of financial and operational assumptions (Revenues, EBITDA, Working Capital and Capex) of 5 years for each cash-generating unit (CGU).

- Estimate of the terminal value in perpetuity based on the latest estimated flow, considering a growth between 2.2% and 4.2% in nominal terms, which correspond to the estimated average inflation for each CGU.
- Appropriate discount rate, based on the weighted average cost of capital (WACC) methodology, which vary in a range of 8.1% to 10.8% determined according to the associated risks for each CGU.
- The effect of the contingency caused by the COVID-19 pandemic did not have a significant impact on the growth of cash flows.

In 2021 the Company corrected an excess of goodwill impairment amount determined in 2012 and 2014, and allocated to Honduras cash generating unit by \$574,804, which was recognized in other income item. Such income is not part of the core operations of the Company.



12. RELATED PARTIES

a) Related party balances

As of December 31, 2021 and 2020, the consolidated statement of financial position includes the following balances with related parties:

	2021	2020
Accounts receivable, net:		
Walmart Inc.	\$ -	\$ 33,543
Accounts payable:		
C.M.A. – U.S.A., L.L.C.	\$ 691,981	\$ 795,111
Swiss Asia Minor GmbH	-	152,934
WMGS Commercial Services Limited	223,700	-
	\$ 915,681	\$ 948,045
Other short-term accounts payable:		
Walmart Inc.	\$ 1,160,011	\$ 1,088,239
Newgrange Platinum Services LTD	59,949	228,591
	\$ 1,219,960	\$ 1,316,830
Other long-term accounts payable:		
Walmart Inc.	\$ 85,964	\$ -

Additionally, as of December 31, 2021 and 2020, the company has other accounts payable with others related parties of \$405 y \$26,672, respectively.

Balances with related parties consist of current accounts that bear no interest, are payable in cash and have no guarantees. Balances with related parties are considered recoverable and consequently, for the years ended December 31, 2021 and 2020, there were no uncollectible related party balances.

b) Related party transactions

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

- Imports of goods for resale, which are interest-free and payable monthly with CMA USA LLC.
- Purchase commissions with Swiss Asia Minor GmbH (until June 30, 2021), and WMGS Commercial Services Limited (as from July 1st, 2021) that are payable on a recurring basis.
- Technical assistance and services with Walmart, Inc. that are payable monthly.
- Administrative and Operating services with Newgrange Platinum Service, LTD, that are payable monthly.
- Royalties for trademark use with Walmart, Inc., payable quarterly based on a percentage of sales of the retail businesses and Sam's.

The terms of the related party transactions are consistent with those of an arm's length transaction.

The Company had the following transactions with related parties during the years ended December 31, 2021 and 2020.

	2021	2020
Purchases and commissions related to the import of Good for resale:		
C.M.A. – U.S.A., L.L.C.	\$ 4,369,447	\$ 4,361,302
Swiss Asia Minor GmbH	72,085	278,351
WMGS Commercial Services Limited	222,341	-
	\$ 4,663,873	\$ 4,639,653
Costs and expenses related to technical assistance, services and royalties:		
Walmart Inc.	\$ 7,295,135	\$ 6,438,839
Newgrange Platinum Services LTD	537,761	417,956
	\$ 7,832,896	\$ 6,856,795

For the years ended December 31, 2021 and 2020, the Company made transactions with other related parties of \$26,268 y \$178,727, respectively.



c) Remuneration of principal officers

Remuneration to the Company’s principal officers and Board of Directors for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Short-term benefits	\$ 1,687,623	\$ 1,352,873
Termination benefits	74,885	41,588
Share-based payments	119,166	149,400
	\$ 1,881,674	\$ 1,543,861

13. OTHER ACCOUNTS PAYABLE

An analysis of other accounts payable as of December 31, 2021 and 2020, is as follows:

	2021	2020
Accrued liabilities and others	\$ 24,410,508	\$ 19,467,070
Dividends	170,717	154,752
Contingencies (Note 14)	2,241,507	2,443,823
Deferred revenues ^(a)	1,492,490	1,458,114
Related parties (Note 12)	1,219,960	1,316,830
	\$ 29,535,182	\$ 24,840,589

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

14. COMMITMENTS AND CONTINGENCIES

a) Commitments

As of December 31, 2021, the Company has entered into agreements with suppliers for the acquisition of inventories, property and equipment, maintenance services, as well as renewable energy supply services, as shown below:

Year	Amount
2022	\$ 30,146,142
2023	\$ 3,291,682
2024	\$ 3,354,316
2025	\$ 2,867,713
2026	\$ 2,979,480
2027 and thereafter	\$ 17,662,958

The Company has lease commitments as explained in Note 9.

b) Contingencies

The Company is subject to several lawsuits and contingencies for legal proceedings (labor, civil, commercial and administrative proceedings) and tax proceedings. The Company has recognized a provision of \$2,241,507 as of December 31, 2021, (\$2,443,823 in 2020) which is presented in other accounts payable. In the opinion of the Company, none of the legal proceedings are significant either individually or as a whole.

15. LEASES AND OTHER LONG-TERM LIABILITIES

Leases and other long-term liabilities as of December 31, 2021 and 2020, includes:

	2021	2020
Long – term leases	\$ 61,252,909	\$ 56,521,412
Deferred rental income	3,702,241	4,172,623
Related parties (Note 12)	85,964	-
Others	19,152	12,558
	\$ 65,060,266	\$ 60,706,593



16. INCOME TAXES

The income tax provision includes taxes payable by **WALMEX**'s subsidiaries in Mexico and abroad, determined in accordance with the tax laws in force in each country. On December 31, 2021, companies in Mexico determined and paid their income tax under the general tax law.

An analysis of income taxes charged to the income statement for the years ended December 31, 2021 and 2020, is as follows:

	2021	2020
Current income taxes:		
Mexico	\$ (12,056,598)	\$ (15,174,917)
Central America	(2,035,475)	(2,291,392)
Consolidated	(14,092,073)	(17,466,309)
Deferred income taxes:		
Mexico	514,918	1,559,510
Central America	419,579	(122,427)
Consolidated	934,497	1,437,083
	\$ (13,157,576)	\$ (16,029,226)

As of December 31, 2021 and 2020, the Company's effective tax rate is 23.0% and 32.4%, respectively. The difference between the statutory tax rate and Company's effective tax rate is mainly due to inflationary effects and other permanent items. As of December 31, 2020, permanent items include \$3,856 of taxes paid on May 2020 to the Mexican tax authorities (SAT) to conclude substantial fiscal matters, as is mentioned in Note 1 paragraph b.

The income tax rates applicable to each country are shown below:

	Rate
Mexico	30%
Costa Rica	30%
Guatemala	25%
Honduras	30%
Nicaragua	30%
El Salvador	30%

An analysis of the effects of the long term income taxes (assets and liabilities), as of December 31, 2021 and 2020, is as follows:

	2021	2020
Deferred tax assets:		
Leases and other long-term liabilities	\$ 4,891,049	\$ 3,193,277
Other accounts payable	4,447,485	2,795,104
Inventories	1,128,513	893,041
Labor obligations	788,563	860,356
Tax losses carryforward froms subsidiaries	790,594	1,075,277
Provisions for impairment of other receivable	174,169	127,346
Other ítems	153,856	163,860
	\$ 12,374,229	\$ 9,108,261
Deferred tax liabilities:		
Property and equipment	\$ 6,018,208	\$ 4,727,787
Prepaid expenses	254,024	293,405
Investment in subsidiaries and other ítems	1,161,739	33,550
Deferred income tax	\$ 7,433,971	\$ 5,054,742
Long - term income tax	982,221	1,348,193
Income taxes	\$ 8,416,192	\$ 6,402,935

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

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

Year of expiration	Amount
2027	\$ 218,532
2028	908
2029	1,502,790
2030	452,519
2031	460,563
	\$ 2,635,312



Changes in the assets and liabilities for long-term income taxes, net as of December 31, 2021 and 2020, is as follows:

	2021		2020	
Balance as of beginning of the year	\$	2,705,326	\$	1,166,998
Income tax charged in the year		1,507,077		1,691,467
Excess of previous years	(572,580)	(254,384)
Other comprehensive income items	(85,795)		171,100
Long-term income taxes		382,433	(95,584)
Translation effect		21,576		25,729
Balance as of end of the year	\$	3,958,037	\$	2,705,326

17. EMPLOYEE BENEFITS

As of December 31, 2021 and 2020, an analysis of the Company's assets and liabilities for seniority premiums and retirement benefits is as follows:

	Seniority premiums		Retirement benefits	
	2021	2020	2021	2020
Defined benefit obligations	\$ 1,916,026	\$ 1,844,268	\$ 1,618,477	\$ 1,787,649
Plan assets	(1,211,960)	(1,046,954)	-	-
Net projected liability	\$ 704,066	\$ 797,314	\$ 1,618,477	\$ 1,787,649

Changes in the net present value of the defined benefit obligations (DBO) as of December 31, 2021 and 2020, are shown below:

	Seniority premiums		Retirement benefits	
	2021	2020	2021	2020
DBO at beginning of year	\$ 1,844,268	\$ 1,489,633	\$ 1,787,649	\$ 1,528,323
Net period cost charged to results:				
Labor cost from actual services	215,814	194,426	181,970	210,392
Interest cost on DBO	129,066	110,799	109,430	149,141
Other comprehensive income items	(85,233)	192,933	(172,581)	357,993
Benefits paid	(186,893)	(143,523)	(322,476)	(505,133)
Transfers	(996)	-	(266)	-
Translation effect	-	-	34,751	46,933
DBO at end of the year	\$ 1,916,026	\$ 1,844,268	\$ 1,618,477	\$ 1,787,649

Changes in the net present value of the plan assets (PA) as of December 31, 2021 and 2020, are shown below:

	Seniority premiums	
	2021	2020
PA at beginning of year	\$ (1,046,954)	\$ (929,670)
Return on plan assets	(82,538)	(77,456)
Other comprehensive income items	(5,350)	43,990
Plan contributions	(263,896)	(227,229)
Benefits paid	186,778	143,411
PA at the end of the year	\$ (1,211,960)	\$ (1,046,954)

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

As of December 31, 2021 and 2020, the plan assets have been invested through the trust mostly in money market instruments. As of December 31, 2021 and 2020, actuarial gains/losses from labor obligations, net of taxes are recognized as a component of other comprehensive income in the amount of \$1,098,830 and \$1,292,664, respectively.



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

	Mexico		Central America	
	2021	2020	2021	2020
Financial:				
Discount rate	8.20%	7.00%	1.92% - 8.04%	1.35% - 8.79%
Salary increase rate	5.25%	5.25%	3.50% - 6.30%	3.50% - 6.30%
Minimum salary increase rate	4.75%	4.50%	2.00%	2.00%
Inflation rate	4.00%	4.00%	0.70% - 4.70%	0.50% - 4.70%
Biometriccs:				
Mortality	IMSS 2009⁽¹⁾	IMSS 2009 ⁽¹⁾	RP - 2000 ⁽²⁾	RP - 2000 ⁽²⁾
Disability	21.04%	21.04%	4.5% - 15.40%	4.5% - 15.40%
Retirement age	65 años	65 años	50 - 65 años	50 - 65 años

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

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

A sensitivity analysis of the DBO as of December 31, 2021, is as follows:

	Amount
DBO December 31, 2021	\$ 3,534,503
DBO at discount rate + 1%	\$ 3,353,365
DBO at discount rate - 1%	\$ 3,901,876
Effects over DBO:	
Discount rate + 1%	\$ (297,878)
Discount rate - 1%	\$ 340,230

The discount rate in Mexico is determined using the curve of government bonds issued by the Federal Government known as M Bonds. In Central America, the discount rate is determined using the curve of government bonds of United States of America plus the risk of each country.

18. EQUITY

a) At an ordinary meeting held on March 23, 2021, the shareholders adopted the following resolutions:

1. Approval of a cap of \$5,000,000 on the amount the Company would use in 2021 to repurchase its own shares. There was no repurchase of its own shares as of December 31, 2021.
2. The shareholders declared an ordinary cash dividend of \$0.90 pesos per share, paid in two installments of \$0.45 each; the first one on November 24, 2021, and the second one on December 28, 2021; and an extraordinary dividend to be paid in cash at a rate of \$0.73 pesos per share in two installments: \$0.36 pesos per shares on November 24, 2021 and \$0.37 pesos per share on December 28, 2021.

b) At an ordinary meeting held on March 24, 2020, the shareholders adopted the following resolutions:

1. Approval of a cap of \$5,000,000 on the amount the Company would use in 2020 to repurchase its own shares. There was no repurchase of its own shares as of December 31, 2020.
2. The shareholders declared an ordinary cash dividend of \$0.87 pesos per share, paid in three installments; the first one of \$0.27 pesos per share on June 24, and two of \$0.30 pesos per share the dates November 25, and December 16, 2020; and an extraordinary dividend to be paid in cash at a rate of \$0.92 pesos per share in two installments: \$0.45 pesos per share on November 25, 2020 and \$0.47 pesos per share on December 16, 2020.

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



As of December 31, 2021 and 2020, the decreed dividends are as follows:

	2021	2020
Dividends in cash decreed and paid		
Ordinary dividend \$0.90 per share (\$0.87 in 2020)	\$ 15,564,332	\$ 15,033,906
Extraordinary dividend \$0.73 per share (\$0.92 in 2020)	12,624,409	15,899,617
	\$ 28,188,741	\$ 30,933,523

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

As of December 31, 2021 and 2020, an analysis of paid-in stock and the number of shares representing it is as follows:

Common stock	Amount
Fixed minimum capital	\$ 5,591,362
Variable capital	36,935,265
Subtotal	42,526,627
Inflation effects	2,941,801
Total	\$ 45,468,428
Number of freely subscribed common shares	17,461,402,631

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

As of December 31, 2021 and 2020, the total balance of the tax accounts related to equity is \$68,143,228 and \$63,746,299, respectively, in conformity with the current tax laws.

e) The employee stock option plan fund consists of 166,860,474 WALMEX shares, which have been placed in a trust created for the plan.

The total compensation cost charged to Operating results during the year ended December 31, 2021 and 2020 was \$354,257 and \$386,922, respectively, which represented no cash outflow for the Company and it is included in the general expenses line in the consolidated comprehensive income statement.

Changes in the stock option plan are as follows:

	Number of shares	Weighted average price per share (pesos)
Balance as of December 31, 2019	158,548,465	41.87
Granted	33,132,414	55.41
Exercised	(23,651,790)	38.59
Cancelled	(11,521,595)	47.21
Balance as of December 31, 2020	156,507,494	44.64
Granted	38,038,202	64.25
Exercised	(27,740,024)	41.20
Cancelled	(4,116,186)	53.96
Balance as of December 31, 2021	162,689,486	49.76
Shares available for option grant:		
December 31, 2021	4,170,988	
December 31, 2020	21,882,987	

As of December 31, 2021, the granted and exercisable shares under the stock option plan fund are 162,689,486 and 58,517,725 respectively.



19. OTHER DISCLOSURES OF REVENUE

a) The other revenue that forms part of the main activity of the Company as of December 31, 2021 and 2020 is as follows:

	2021	2020
Memberships	\$ 2,216,732	\$ 1,991,653
Rent	2,546,968	2,032,467
Sale of waste	846,716	641,578
Bank bonuses	-	278,415
Parking	81,291	79,197
Total	\$ 5,691,707	\$ 5,023,310

As of December 31, 2021, rental income includes investment properties of \$479,092 (\$541,698 in 2020).

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

An analysis of income from contracts with customers for the year ended December 31, 2021 and 2020 is as follows:

	2021	2020
Mexico:		
Self-service	61.3%	61.0%
Price Clubs	21.4%	20.8%
Central America:	17.3%	18.2%

Of **WALMEX**'s total net sales, approximately \$29.4 billion and \$21.6 billion relates to electronic commerce in Mexico for the years ended December 31, 2021 and 2020, respectively.

In Central America, the net sales related to electronic commerce are \$853 million and \$962 million for the years ended December 31, 2021 and 2020, respectively, and includes the sales made through home delivery platforms.

20. COST OF SALES AND GENERAL EXPENSES

Cost of sales and general expenses are presented in the consolidated statement of comprehensive income and mainly include the purchase of merchandise, personnel expenses, depreciation and amortization, rent, advertising, maintenance, utilities, royalties, and technical assistance. Additionally, as of December 31, 2020 it included the payment to Mexican tax authorities (SAT) of \$1,813 million of non-deductible expenses, to conclude substantial fiscal matters, made on May, 2020, as mentioned in Note 1 paragraph b.

21. FINANCIAL INCOME (EXPENSES)

An analysis of financial income (expenses) for the years ended December 31, 2021 and 2020, is as follows:

	2021	2020
Financial income:		
Financial income	\$ 866,112	\$ 986,291
Currency exchange gain	789,624	1,514,149
Income on changes in fair value of derivatives	562,541	1,012,477
	\$ 2,218,277	\$ 3,512,917
Financial expenses:		
Interest on finance leases	\$ (6,478,994)	\$ (6,409,888)
Currency exchange los	(778,259)	(1,256,758)
Loss on changes in fair value of derivatives	(586,603)	(1,038,764)
Other financial income (expenses)	13,569	(2,790,701)
	\$ (7,830,287)	\$ (11,496,111)

Financial income primarily consists of interest earned on investments.

As of December 31, 2020 other financial income (expenses) include mainly the payment to Mexican tax authorities (SAT) of \$2,406 million to conclude substantial fiscal matters, made on May, 2020, as mentioned in Note 1 paragraph b.



22. SEGMENT FINANCIAL INFORMATION

Segment financial information is prepared based on the information used by the CODM to make business decisions.

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

Year ended December 31, 2021			
Segment	Operating income	Financial expenses, net	Income before income taxes
Mexico	\$ 55,526,742	\$ (4,823,930)	\$ 50,702,812
Central America	7,380,916	(788,080)	6,592,836
Consolidated	\$ 62,907,658	\$ (5,612,010)	\$ 57,295,648

Year ended December 31, 2020			
Segment	Operating income	Financial expenses, net	Income before income taxes
Mexico	\$ 50,088,473	\$ (6,943,394)	\$ 43,145,079
Central America	7,358,808	(1,039,800)	6,319,008
Consolidated	\$ 57,447,281	\$ (7,983,194)	\$ 49,464,087

Year ended December 31, 2021				
Segment	Purchase of long term definite-lived assets	Depreciation and amortization	Total assets	Current liabilities
Mexico	\$ 17,650,154	\$ 14,144,339	\$ 278,742,447	\$ 109,278,330
Central America	2,816,210	4,161,542	79,879,783	23,430,137
Goodwill	-	-	35,767,241	-
Consolidated	\$ 20,466,364	\$ 18,305,881	\$ 394,389,471	\$ 132,708,467

Segment	Year ended December 31, 2020			
	Purchase of long term definite-lived assets	Depreciation and amortization	Total assets	Current liabilities
Mexico	\$ 13,396,116	\$ 13,502,523	\$ 254,187,765	\$ 101,306,858
Central America	3,331,986	4,437,101	72,697,956	21,763,059
Goodwill	-	-	34,997,380	-
Consolidated	\$ 16,728,102	\$ 17,939,624	\$ 361,883,101	\$ 123,069,917

An analysis of income from customer contracts is presented in note 19.

23. OTHER DISCLOSURES

- Since April 24, 2021, approved laws related to subcontracting became effective. As of December 31, 2021, the Company has fully implemented said reforms and contemplates that it will continue to comply with them in the future.
- On November 23, 2020, **WALMEX** received a notification from the Federal Economic Competition Commission (COFECE), in connection to an ex officio investigation initiated in the wholesale supply and distribution of consumer goods, retail and related services market for an alleged commission of relative monopolistic practices. The Company has attended the request of information and is awaiting review comments by the regulator.

WALMEX is confident that its actions have always adhered to applicable legislation, and that its participation in the Mexican market has always resulted in lower prices for the consumer, particularly benefiting lower-income Mexican families, and in remote areas of the country that have not been served by others, which we will demonstrate before the corresponding authorities and in the appropriate forums, in which we will exercise our rights.



24. SUBSEQUENT EVENTS

The Company informed its shareholders and the investing public at large that, as approved by its Board of Directors, it is considering strategic alternatives regarding its operations in El Salvador, Honduras and Nicaragua as it focuses efforts and capital on its core business and geographies.

These alternatives could include, among others, possible joint ventures, strategic partnerships or alliances, a sale or other possible transactions.

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

25. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements and accompanying notes for the years ended December 31, 2021 and 2020, were approved by the Company's management and Board of Directors on February 16, 2022 and are subject to approval by the Shareholders meeting. Subsequent events are considered through this date.