

annual report 2004




wal-mart mexico

Our vision is *Contribute to improve the quality of life for Mexican families*. Thus, we invest to be near and offer them the best products at *Every Day Low Prices*.

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We are a growing company and we pursue continuous improvement in our operational efficiency, thereby allowing us to provide the best shopping experience for an ever growing number of customers.

Our growth rests on two primary pillars: our Associates and our Suppliers. We work together to generate greater efficiencies and to offer our customers merchandise when they want it, with the quality they expect, with *Every Day Low Prices, Always!*

Our enormous potential for growth, our continuous investments made to expand and be more efficient, our respect for all our Shareholders, strict adherence to the best practices in corporate governance, and our long-term vision make Wal-Mart de Mexico an excellent investment.



## results

In millions of dollars

	2004	2003	Growth %
Net sales	<b>12,547</b>	11,350	11
Operating income	<b>856</b>	697	23
Net income	<b>702</b>	515	36

Note: The financial data in this report has been derived by converting pesos of constant purchasing power as of December 31, 2004 into dollars at the exchange rate of 11.147 pesos to 1.00 dollar prevailing on the same date.

## geographical coverage

	Bodega Aurrera	Sam's Club	Wal-Mart Supercenter	Superama	Total Self-service	Suburbia	Vips	Total
Mexico City Center	63	10	28	41	142	30	151	323
Southeast	64	17	26	7	114	14	61	189
Northeast	11	11	8	-	30	3	21	54
North	8	6	8	-	22	2	20	44
Northwest	5	6	9	-	20	1	11	32
Southwest	3	7	9	-	19	-	11	30
Southwest	8	4	1	-	13	-	9	22
<b>Total</b>	<b>162</b>	<b>61</b>	<b>89</b>	<b>48</b>	<b>360</b>	<b>50</b>	<b>284</b>	<b>694</b>

### Bodega Aurrera

Austere discount stores offering a limited assortment of basic merchandise, food and house wares.



162 units

\$3,770 sales in millions of dollars

8,199,364 sales floor in sq. ft. 48,000 SKUs



### Wal-Mart Supercenter

Supercenters providing the widest merchandise assortment, from groceries and fresh to apparel and general merchandise.



89 units

\$3,406 sales in millions of dollars

8,579,895 sales floor in sq. ft. 80,000 SKUs



### Sam's Club

Membership wholesale outlets targeting businesses and consumers buying large volumes.



61 units

\$3,612 sales in millions of dollars

5,096,941 sales floor in sq. ft. 4,000 SKUs



## business formats

Wal-Mart de Mexico is a major retail chain in Mexico. It operates 694 units throughout 73 cities nationwide, including self-service stores, membership wholesale clubs, apparel stores, and restaurants.

Its stock has been listed in the Mexican Stock Exchange since 1977; its ticker symbol is WALMEX.

### Superama

Supermarkets located in residential areas, with focus on quality and convenience.



48 units

\$738 sales in millions of dollars

833,921 sales floor in sq. ft. 35,000 SKUs



### Suburbia

Apparel stores aiming at middle income families with a special focus on fashion, quality and price.



50 units

\$620 sales in millions of dollars

2,702,033 sales floor in sq. ft.

### Vips

Restaurant chains known for their service, quality, price and location. This division includes Vips and El Porton, which offers Mexican food.



284 units

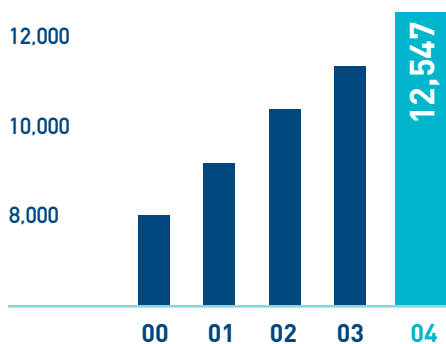
\$401 sales in millions of dollars

62,916 seats

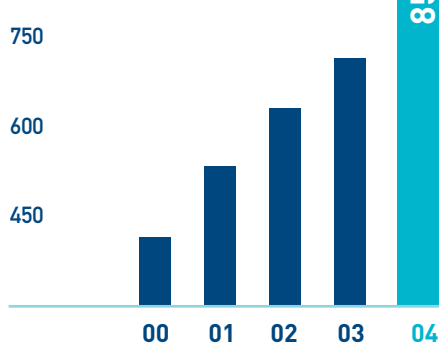


# financial highlights

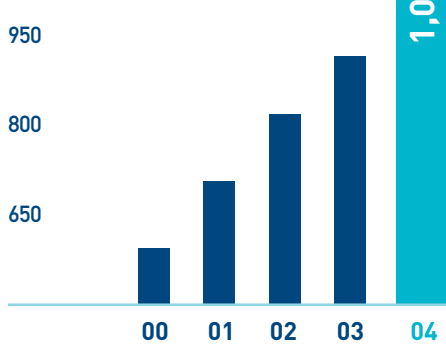
**Net sales**  
millions of dollars



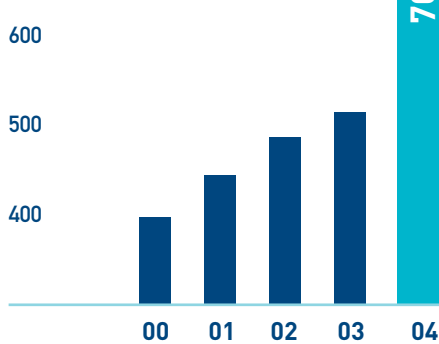
**Operating income**  
millions of dollars



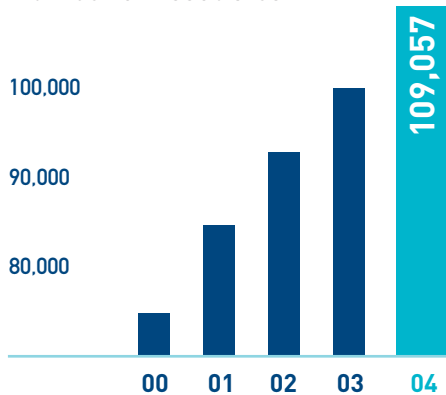
**EBITDA**  
millions of dollars



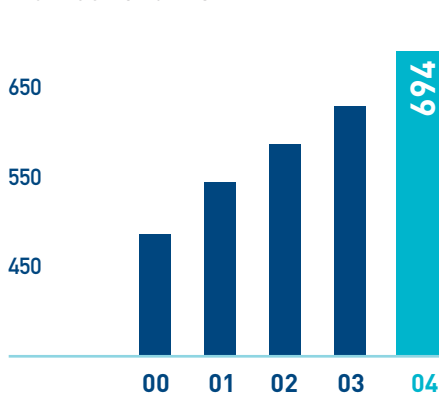
**Net income**  
millions of dollars



**Number of Associates**



**Number of units**



## letter to the shareholders

The year 2004 was for Wal-Mart de Mexico a year of great achievements, reflected in its outstanding financial results and increased profitability. All of this within the framework of our commitment to our customers and the communities that we served.

Once again, we have reaffirmed our commitment to Mexico through our investment that in 2004 surpassed the figure for net income generated by the Company during the previous year. We invested \$ 544 million dollars in renovation and modernization of our stores and restaurants, the growth of our distribution network, and the building of 58 new units: 23 Bodega Aurrera stores, 8 Sam's Clubs, 6 Wal-Mart Supercenters, 4 Superamas and 17 restaurants. These openings represent 11% growth in self-service installed capacity and 6% in restaurant seating.

We opened stores and restaurants in 34 cities throughout Mexico, 9 of which had no previous presence of any of our formats: Atlixco and Tecamachalco, both of them in the State of Puebla; Cd. Hidalgo and Zamora, in the State of Michoacan; Cd. Sahagun, in Hidalgo; Cd. del Carmen, in Campeche; Playa del Carmen and Chetumal, in Quintana Roo; and finally, Comalcalco, in the State of Tabasco. The benefits for the inhabitants of these

**\$544**  
million

we invested 105.6%  
of last year's net  
income

82,318

associates

participated in  
training courses

cities are quite clear –on the one hand, a better and wider assortment of products to meet all their shopping needs, at *Every Day Low Prices*, and on the other, permanent jobs are created.

Mexico is a young country that continues to offer great opportunities for all; therefore we will continue investing in our own growth and remain true to our Company's vision –*Contribute to improve the quality of life for Mexican families*.

Our Logistics and Distribution network becomes increasingly efficient with each passing day. Operation of a new distribution center has begun for produce, refrigerated and frozen goods with advanced technology that permits its optimum handling. This way, our customers are able to find the finest quality products in our stores and we are able to supply those very same customers with even lower prices, not only due to the considerable savings that we generate, but also because we will now have the capacity to buy merchandise directly from the producers.

Once again our sales figures reached record highs, adding up to \$ 12,547 million dollars, which in turn represents a 10.5% increase in real terms, after adjusting for inflation. Comp unit sales –all units in operation over a year– grew 3.8% in real terms, a figure that favorably compares to the 0.7% decrease reported by the self-service division of the National Association of Self-service and Department Stores (ANTAD).

These results were possible thanks to the loyalty of 663 million customers who visited our stores during the year, a 10.5% increase over last year. We are thankful for their preference and recognize the significant impact that we as a Company have in helping Mexican families stretch their purchasing power. We will continue to improve what we do, to generate even further savings to lower the cost of living for Mexican families.

Our operating expenses as a percent of total revenues reached a new record low of 14.2%. We are especially proud to inform our Shareholders that this year we achieved record operating income and net income results, that is, \$ 856 million dollars and \$ 702 million dollars, respectively.

The end result is that Wal-Mart de Mexico is an increasingly more profitable company. During the year we obtained a Return on Capital Employed (ROCE) of 22.9%, an improvement of 340 basis points over the return obtained the previous year. We will continue to ensure that each peso is invested with discipline, with a long-term vision and mindful of always driving the highest possible return for all our Shareholders.

The active participation of each and every one of our Associates has been fundamental to achieving these outstanding results. We have over 109,000 Associates who through their efforts, commitment and talent make this a world-class company. Moreover, we want each and



every one of them to find in Wal-Mart de Mexico the best place to work and to develop their potential to the fullest. During 2004, more than 80,000 Associates participated in training and/or specialization courses and over 15,000 Associates received a promotion.

We value diversity and recognize that talent is not a function of age, physical capabilities or gender. We offer equal-employment opportunities, equal pay, fringe benefits, training and professional development to men and women alike. These equal opportunities also apply to senior citizens and those with different challenges, placing special interest on their abilities and skills to add value to the work they perform.

Throughout the year, the Wal-Mart de Mexico Foundation worked intensely on community support projects and on actions

that were a source of great satisfaction to all involved. Different programs aimed at ecology, education, nutrition, health, orphanages and homes for the aged directly benefited more than 800,000 Mexicans. Through our different programs, 6,745 Associates from all levels of the Company had the chance to support different volunteer programs in the magnificent task of assisting hospitals, rural schools, foundations, orphanages, homes for the aged, and others. We are deeply appreciative to all those institutions for allowing us to participate in such noble endeavors.

We reiterate our commitment to continue to maintain the highest ethical standards, invest in the creation of more and better employment opportunities, support the communities where we operate and to take our *Every Day Low Prices*, to the furthest reaches of the country.

**we obtained a return on capital employed (ROCE) of 22.9%, an improvement of 340 basis points**

Sincerely,



Cesareo Fernandez  
Chairman of the Board of Directors



Eduardo Castro-Wright  
President and CEO

shopping  
experience



Our information systems allow us to know and efficiently meet our customers' needs.





We continue to develop new products and widen our services to satisfy our customers' needs and to attract new consumers.

**663**  
million  
customers served

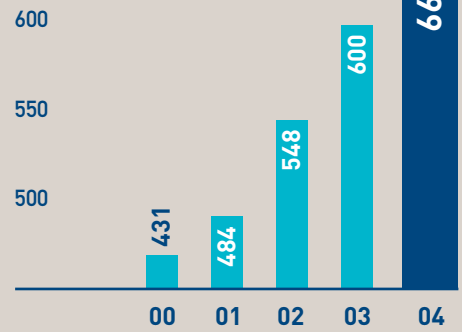
In Wal-Mart de Mexico the customer is number one; hence, we make ongoing efforts to improve their shopping experience in our stores, clubs and restaurants. The result can be seen in the growing number of customers that shop at our stores year after year.

Our price leadership has been strengthened. We have increased the investments underlying our *Every Day Low Costs* philosophy, thereby generating greater savings for our customers and reinforcing their trust in Wal-Mart de Mexico as their best option and have successfully implemented *Every Day Low Prices* at Suburbia, where customer response has been very positive.

It is essential to offer a full and distinct assortment and in this respect the investment in logistics, distribution and information systems has allowed us to drive various market initiatives. In keeping with our *store / club of the community* program, we analyze the shopping patterns of our consumers to adapt the merchandise offered at our stores and satisfy the needs of each location. This year we added more than 1,000 regional products to our assortment. Our customers have enjoyed this so much that our market share has increased in every city where we operate.

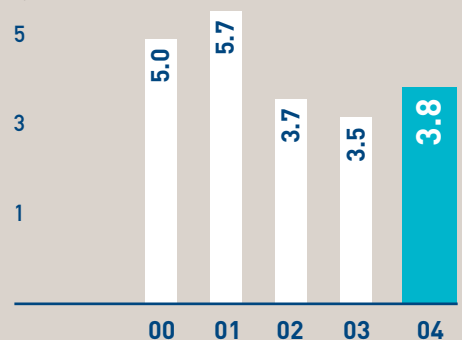
The introduction of the "George" brand of apparel in Wal-Mart Supercenter allowed us to develop new supply-chain processes that make the production of garments more efficient and significantly improve time-to-market of fashion at *Every Day Low Prices*.

Customers served  
millions



We enhanced our customers' buying experience through improved merchandising and item in-stock, offering them buying solutions that make product selection more convenient. Our customers clearly appreciate these initiatives that make their shopping experience more pleasant every day.

Sales growth in  
comparable units  
%





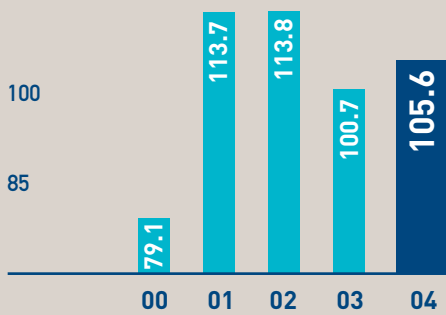
efficiency

We invest and work on being more efficient and obtain additional cost reductions, which in the end translates to a better value proposition and service to our customers.



## Fixed asset investment

as a % of net income for the prior fiscal year



We will continue investing to make our operations more efficient as it is the only way to ensure long-term sustained growth for our Company.

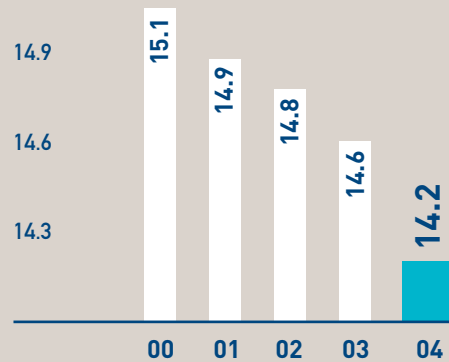
During the last five years, we have invested an average of 102.6% of our net income in the construction and/or remodeling of stores and in making our operations more efficient.

We have focused on creating synergies among our distinct formats, achieving significant cost reductions and greater productivity. Our operating expenses, as a percentage of total revenues, once again reached a new record low in the history of our Company.

Investment in Distribution Centers and improved merchandise selection have enabled us to obtain faster inventory turns, which translates to more efficient use of our facilities by achieving greater sell-thru volumes.

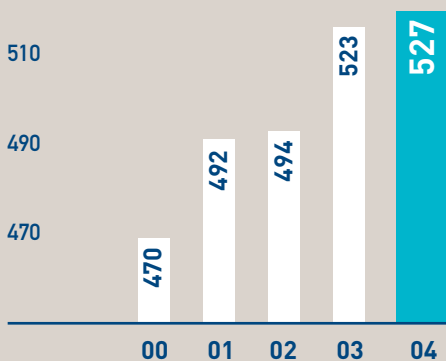
## Operating expenses

% of total revenues



## Sales per square foot

dollars



The expansion of our distribution network allows us to move an ever growing volume of merchandise to timely meet our customers' needs.

# \$527

sales per sq. ft.



# growth and profitability

Our multi-format strategy grants us the flexibility to efficiently meet the supply needs of most of the socioeconomic sectors of the Mexican population.





During 2004 we opened 58 units, 26% more than the year before, increasing our installed capacity for self-service by 2.3 million sq. ft., an 11% sales floor increase.

**694**

units in  
73 cities

We are a growing company. What is more, we invest and grow efficiently while improving our productivity, thus increasing the return on capital employed and creating value for our Shareholders.

Mexico offers wonderful growth opportunities and so we continue expanding. We have improved the discipline that has always characterized our project selection and approval processes, always mindful of the return on investment they need to produce.

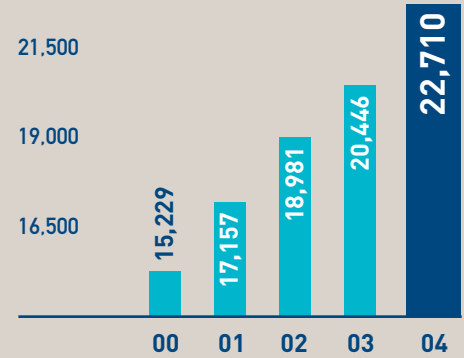
Our growth continues to be multi-format and in different regions throughout the country, thereby giving us the flexibility to efficiently meet the needs of all socio-economic sectors of the Mexican population. We opened 23 Bodega Aurrera stores, 8 Sam's Clubs, 6 Wal-Mart Supercenters, 4 Superamas and 17 restaurants. These grand openings took place in 34 cities nationwide. Wal-Mart de Mexico had no previous presence in nine of these cities.

Our Company has 694 units throughout 73 cities but we focus on operating one store at a time. Therefore, it is not uncommon to find variations in size, assortment and merchandise layout within a single format, all with the purpose of better serving the customers who visit each unit. This strategy has afforded us a competitive advantage and will continue to offer enormous potential for growth.

During the year we continued remodeling our units, with the purpose of having

### Installed capacity

Self-service, thousands of sq. ft.

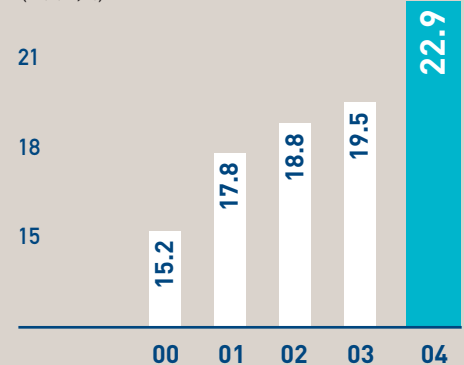


modern and functional stores and restaurants that offer a convenient and pleasant shopping experience.

Our expansion plan for the coming 12 months includes the opening of 70 units; estimated growth in terms of installed capacity will be 12% with an expected investment of \$ 736 million dollars.

### Return on capital employed

(ROCE, %)





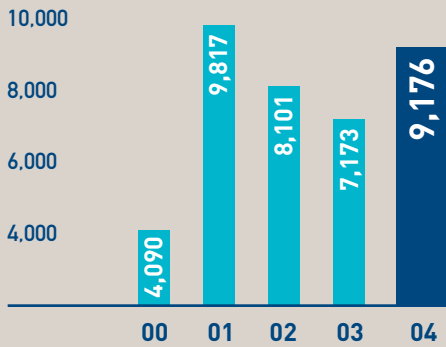
committed  
associates



In essence, Wal-Mart culture consists of achieving excellent results by working with our people, training and motivating them to exceed expectations.



### New Associates per year



During the last 5 years we have created 38,357 new direct and permanent jobs; we are 109,057 Associates that every day take care of our customers.

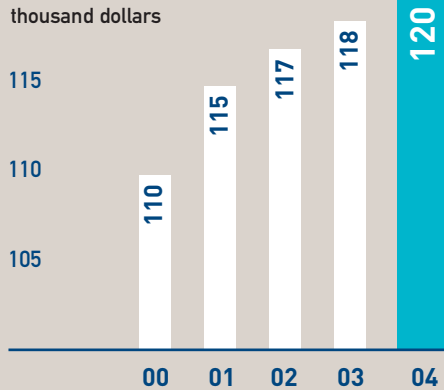
Our *Open-Door Policy* allows all concerns and suggestions from our Associates to be properly considered. In addition, we want our Associates to grow within a positive, challenging and fair work atmosphere. Our leaders are committed to lead by example and to monitor and facilitate the development of all their team members. As a result, our customers will perceive the difference in their shopping experience at our stores, clubs and restaurants.

Throughout the year, more than 80,000 Associates invested 4.2 million man-hours in training and specialization courses, allowing them to achieve a higher level of development. As a result, 15,000 Associates were promoted.

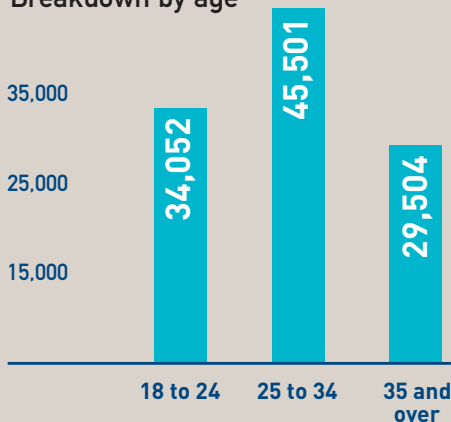
Our culture is rich in values, and is practiced every day through our three basic

beliefs: *Respect for the Individual, Customer Service, and Strive for Excellence*. We believe our culture is a determining factor in constantly increasing the value of our Company, and therefore programs developed to spread it among all our Associates will continue to be of high priority.

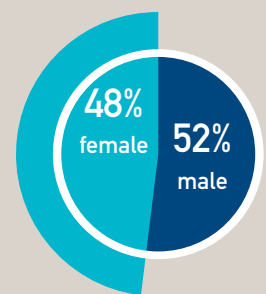
### Sales per Associate



### Breakdown by age



We offer equal-employment opportunities, equal pay, fringe benefits, training and professional development to men and women alike.



associate  
breakdown



## value for our shareholders

We will continue to ensure that each peso invested in the business has a positive impact on the creation of value for our Shareholders and that it contributes towards increasing our profitability.

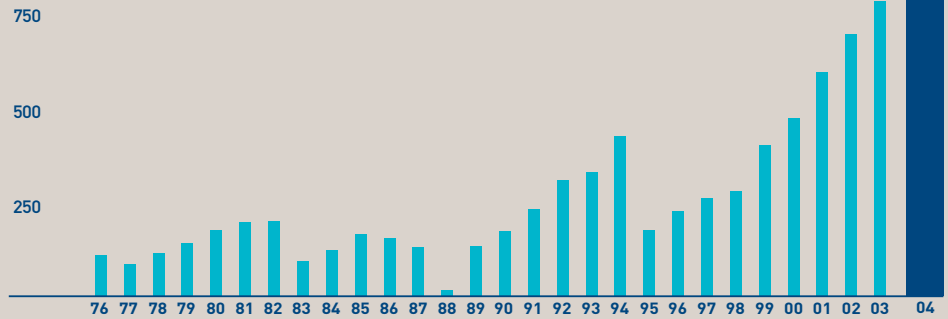






## Operating income

millions of dollars



We will continue to be a good long-term investment choice for our Shareholders.

With this in mind, we reiterate our commitment to continue implementing the best practices for sound corporate governance, in a framework of utmost respect for all of our Shareholders.

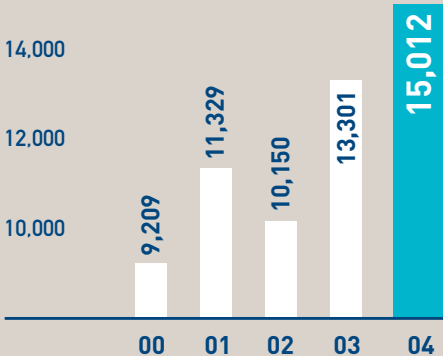
As a result, 43.7 million shares were issued and \$ 42.7 million dollars in cash were paid. In addition, we invested \$ 351 million dollars to repurchase 106 million shares, thus creating greater value for all our Shareholders.

On Feb. 25, 2004, our Shareholders' Assembly granted voting rights to holders of Series "C" shares, and converted them to Series "V". The conversion was par value, that is, a Series "V" share for each share of Series "C". Consequently, as of March 2004 all capital stock for Wal-Mart de Mexico is represented by a single series, thus giving all Shareholders equal voting rights.

Since Company stock began trading in the Mexican Stock Exchange in 1977, they have generated a 27-year rate of return of 23,176%, which represents an annual compound yield of 22%.

## Market value as of December 31

millions of dollars



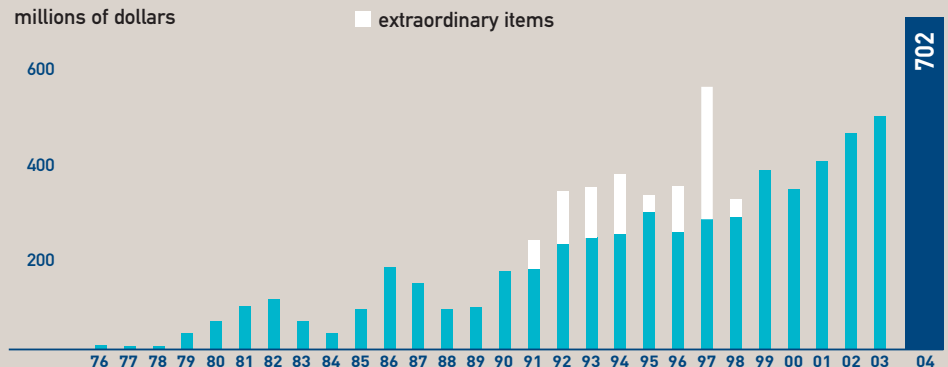
During the year we distributed dividends, which were paid either in cash at the rate of \$ 0.0395 per share, or in shares at the rate of a new share for each 75.82 shares already owned, as per the choice of each Shareholder.

# 82%

accumulated return in dollar terms obtained by Walmex share during last 5 years.

## Net income

millions of dollars



giving back  
to the community

Wal-Mart de Mexico has a long history of social commitment to each of the communities where our 694 units are located.





We are a Socially Responsible Company, which means that in Wal-Mart de Mexico we will always be mindful of managing our business in an ethical manner –without ever compromising our image or our good name– by promoting growth, improving the quality of life for our Associates and supporting the development of the communities where our units operate.

Environmental protection is of paramount importance. We are especially careful with non-renewal natural resources; therefore we place special emphasis on water and energy use and conservation. During the year, we saved 40 million kilowatts/hour, which is equal to the energy used by a town of 20,000 homes in one year. We ensure proper handling of waste and implement collection and recycling programs in every location where we are present.

Finally, reforestation and improvement campaigns in parks and gardens in various parts of the country –especially in the greater metropolitan areas– have had a very positive effect and encourage us to continue these efforts.

The Wal-Mart de Mexico Foundation embodies our ongoing commitment to our country, especially in the communities where our units operate. We continue to seek new ways to benefit those communities, drive their development and support high-impact community programs.

The Foundation includes all Wal-Mart de Mexico Associates, and we all work together

towards solving the most sensitive social issues in our country, such as nutrition.

Through our volunteer programs and community support brigades, Wal-Mart de Mexico Associates, at all levels, meet and foster corporate social responsibility.



Further information on these subjects can be found in the *2004 Walmex Social Responsibility Report*, which has been attached to this document.

**804,302**  
mexicans  
have benefited  
from our different  
programs

## corporate governance

We adhere to the best corporate governance practices because throughout the history of Wal-Mart de Mexico this subject has been of great importance. Compliance with good corporate governance defines the structure and duties of our Board of Directors, our Code of Ethics and all the activities of our Company.

### Board of Directors

A Board of Directors manages our Company.

### Composition

- All the members are appointed each year by Shareholders during an Ordinary Shareholders' Meeting
- A minimum of 25% of all board members must be independent directors
- Every minority of Shareholders whose shares represent at least ten percent of the Company's equity will have the right to appoint a board member and his/her alternate, who can only be removed at the same time as all the other board members
- The Board of Directors must meet at least once every three months

### Main Responsibilities

- Appoint the CEO
- Function as advisor/counselor for senior management
- Work actively with the CEO to develop the Company strategy
- Oversee the performance of senior management
- Conduct a yearly review of the performance of the CEO

### Other Practices

- The Board evaluates the performance of individual directors
- Independent directors have experience in the core business of the Company
- The Board has access to independent advisors
- The Non-Executive Chairman and CEO perform entirely different duties
- There is a limited number of Boards to which the CEO and the Directors may belong

An independent director assumed the position of Non-Executive Chairman of the Board as of January 1, 2005. This ratifies our commitment to the best practices of corporate governance that has characterized our Company throughout its long history.

Two committees assist the Board of Directors in its management:

### Audit Committee

Consisting of three members, all of them are independent. Among other duties, it must select the Outside Auditor for the Company and establish its fees, ensure that internal controls are appropriate and that the Company is in full compliance with all applicable accounting and legal regulations. Additionally, the Audit Committee must review any and all related-party operations in which the Company engages.

Moreover, this Committee has the authority to review financial statements to ensure they fully reflect the financial situation of the Company.

There is a procedure in place to receive, keep a record of, and reply to complaints regarding accounting practices and controls, in addition to those involving auditing matters. Likewise, there is a procedure that guarantees the anonymity of any person filing a complaint regarding accounting issues.

The Audit Committee has the necessary authority and resources to retain lawyers and any other type of outside advisors required to assist in the performance of its duties.

Other practices of the Audit Committee are as follows:

- All Audit Committee members are independent directors
- All Audit Committee members are experts in the field of finance
- Outside auditors do not provide consultancy services for the Company
- Outside auditors are periodically changed
- The Audit Committee receives periodic reports from the areas of Internal Audit Services, Legal and Corporate Compliance

### Audit Committee:

John Lewis \*  
Jesus Reyes-Heroles \*  
Ernesto Vega \*



## Board of Directors 2004

**Chairman**

Cesareo Fernandez<sup>1</sup>  
Board member since 1989

**Secretary**

Jose Luis Rodriguezmacedo

**Assistant Secretary**

Enrique Ponzanelli

**Examiner**

Alberto Tiburcio

**Alternate Examiner**

Agustin Aguilar

**Directors**

Eduardo Castro-Wright  
Board member since 2001

Cesareo Fernandez  
Board member since 1989

Craig R. Herkert\*  
Board member since 2001

John Lewis\*  
Board member since 2004

Rafael Matute  
Board member since 1998

John B. Menzer\*  
Board member since 2000

Jesus Reyes-Herolles\*  
Board member since 2004

Eduardo Solorzano  
Board member since 2000

Ernesto Vega\*  
Board member since 2001

**Alternate Directors**

Jose Angel Gallegos  
Board member since 2004

R. Lee Stucky\*  
Board member since 2000

Marc N. Rosen\*  
Board member since 2001

R. Lee Stucky\*  
Board member since 2000

Jose Angel Gallegos  
Board member since 2004

Marc N. Rosen\*  
Board member since 2001

Marc N. Rosen\*  
Board member since 2001

Jose Angel Gallegos  
Board member since 2004

R. Lee Stucky\*  
Board member since 2000

<sup>1</sup>Ernesto Vega, an independent director and Board Member since 2001, assumed the position of Non-Executive Chairman of the Board as of January 1, 2005.

**Executive Committee**

Consisting of five members, the majority are independent. Among other duties, it is charged with overseeing the strategic planning for the Company, evaluating executives and establishing their compensation.

**Executive Committee:**

Eduardo Castro-Wright

Cesareo Fernandez

John Lewis \*

John B. Menzer \*

Craig R. Herkert \*

**Code of Ethics**

For Wal-Mart de Mexico, honesty and integrity continue being absolutely non-negotiable core values, and we permanently oversee that these permeate all our activities.

The following are some of the major points covered under our Code of Ethics:

- Open-door policy
- Supplier relations
- Accounting and computer standards
- Information disclosure
- No discrimination
- Use of Company property, facilities and assets
- Conflicts of interest
- Gifts and gratuities
- Privileged information
- Health, safety and environment
- Equal employment opportunities

- Conflict of interest on the job
- Harassment and inappropriate behavior
- Hiring of family members

Wal-Mart de Mexico has an area of corporate compliance charged with communicating and fostering compliance with our ethical behavior policies and corporate governance, as well as strict adherence to the statutes which govern our Company.

Each year we reply and send to the Mexican Stock Exchange the *Code of Corporate Best Practices*, which is available on their website.

\* Independent directors



# audit committee report

**To the Board of Directors  
Wal-Mart de Mexico, S.A. de C.V.**

Dear Gentlemen,

In compliance with the Article 14 of the Mexican Securities Market Law and the Board of Directors' Policies, on behalf of the Audit Committee I submit my report regarding activities carried out during the year ended on December 31, 2004.

In addition to the Mexican Securities Market Law, we have taken into account the recommendations set forth in the Corporate Best Practices Code and in the Ethics Code for Wal-Mart in the performance of our duties. As part of the surveillance process, the Committee meets regularly in sessions with the Administration, and Independent and Internal Auditors.

The Committee evaluated the performance of the Independent Auditors, who have the responsibility of rendering an opinion on the reasonability of Company's financial statements and their compliance with Generally Accepted Accounting Principles in Mexico. It was decided that the partners of Mancera, S.C. (a member firm of Ernst & Young Global) comply with the needs for professional quality and independence of criteria and solvency action as required. Accordingly, the retaining of their services was suggested with the purpose to examine and issue the report on the financial statements of Wal-Mart de Mexico, S.A. de C.V. and its Subsidiaries as of December 31, 2004.

We were informed in detail on the goals, programs, and work performed by Independent and Internal Auditors, as well as on their findings and regularization programs.

During this year, special attention was given to review the internal control processes. In our opinion, the controls fulfill the required effectiveness so the Company can operate within an overall atmosphere of control.

We were apprised of the Company's legal situation and of the control processes related to compliance with the Ethics Code, and there are no comments thereto.

Based on the work performed, we recommend the Board of Directors submit to the Shareholders' Meeting for their approval the financial statements for the fiscal year ended on December 31, 2004 of Wal-Mart de Mexico, S.A. de C.V. and its Subsidiaries.

Sincerely,



**Ernesto Vega**  
Chairman

Mexico City, February 7, 2005

# financial summary

In millions of dollars, as of December 31, 2004

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
GDP (Growth, %)	4.2	1.3	0.7	-0.1	6.6	3.7	4.9	6.8	5.1	-6.2
ANNUAL INFLATION (%)	5.2	4.0	5.7	4.4	9.0	12.3	18.6	15.7	27.7	52.0
PESO DEVALUATION (%)	-1.2	8.7	13.3	-4.8	1.3	-3.9	22.5	2.2	2.6	55.7
EXCHANGE RATE (Peso / Dollar)	11.1	11.3	10.4	9.2	9.6	9.5	9.9	8.1	7.9	7.7
AVERAGE INTEREST RATE (28 day Cetes, %)	6.8	6.2	7.1	11.4	15.3	21.5	24.8	19.8	31.4	48.5
<b>RESULTS</b>										
NET SALES	12,547	11,350	10,382	9,183	8,007	7,170	6,821	6,166	5,601	6,031
% of growth	11	9	13	15	12	5	11	10	-7	-6
OTHER INCOME	54	26	48	42	35	26	22	18	17	19
% of growth	108	-46	14	21	34	20	20	5	-8	-7
TOTAL REVENUES	12,601	11,376	10,430	9,225	8,042	7,196	6,843	6,184	5,618	6,050
% of growth	11	9	13	15	12	5	11	10	-7	-6
GROSS PROFIT	2,650	2,360	2,163	1,910	1,639	1,453	1,355	1,269	1,084	1,157
% of profit margin	21.0	20.7	20.7	20.7	20.4	20.2	19.8	20.5	19.3	19.1
OPERATING EXPENSES	1,794	1,663	1,543	1,379	1,215	1,092	1,101	1,032	878	994
As percentage of total revenues	14.2	14.6	14.8	14.9	15.1	15.2	16.1	16.7	15.6	16.4
OPERATING INCOME	856	697	620	531	424	361	254	237	206	163
As percentage of total revenues	6.8	6.1	5.9	5.8	5.3	5.0	3.7	3.8	3.7	2.7
% of growth	23	12	17	25	18	42	7	15	27	-57
EBITDA	1,090	914	817	706	593	520	400	370	335	302
As percentage of total revenues	8.6	8.0	7.8	7.7	7.4	7.2	5.8	6.0	6.0	5.0
COMPREHENSIVE FINANCING INCOME	92	79	93	131	149	162	216	177	192	293
INCOME BEFORE TAX	928	760	698	641	557	534	475	439	413	456
INCOME TAX & EMPLOYEES' PROFIT SHARING	226	245	213	206	171	119	136	105	100	109
INCOME BEFORE EXTRAORDINARY ITEMS	702	515	485	435	386	415	339	334	313	347
% of growth	36	6	12	13	-7	22	2	7	-10	12
NET INCOME	702	515	485	435	386	419	369	571	392	375
% of growth	36	6	12	13	-8	14	-36	46	4	-9
CASH GENERATED	1,162	1,001	887	822	735	687	591	554	508	498
<b>FINANCIAL POSITION</b>										
CASH	1,063	1,110	958	975	1,299	1,097	1,000	1,021	833	718
INVENTORIES	1,074	1,013	1,057	914	851	824	694	752	633	616
OTHER ASSETS	206	217	226	197	152	142	107	201	468	439
FIXED ASSETS	4,105	3,855	3,618	3,336	3,080	2,945	2,906	2,832	2,719	2,953
TOTAL ASSETS	6,448	6,195	5,859	5,422	5,382	5,008	4,707	4,806	4,653	4,726
SUPPLIERS	1,437	1,405	1,362	1,276	1,347	1,210	1,025	1,128	984	930
OTHER LIABILITIES	799	837	778	739	706	157	176	108	101	174
SHAREHOLDERS' EQUITY	4,212	3,953	3,719	3,407	3,329	3,641	3,506	3,570	3,568	3,622
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,448	6,195	5,859	5,422	5,382	5,008	4,707	4,806	4,653	4,726
<b>OTHER INFORMATION AT THE END OF THE YEAR</b>										
NUMBER OF UNITS	694	641	595	550	496	458	414	388	369	352
NUMBER OF ASSOCIATES	109,057	99,881	92,708	84,607	74,790	70,700	61,145	57,649	49,510	47,129

# report of independent auditors

## To Shareholders of Wal-Mart de Mexico, S.A. de C.V.

We have audited the accompanying consolidated balance sheets of Wal-Mart de Mexico, S.A. de C.V. and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are prepared in conformity with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wal-Mart de Mexico, S.A. de C.V. and subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations, changes in their shareholders' equity and changes in their financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

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



**Felizardo Gastelum**

**Mexico City, January 28, 2005**

# opinion of the statutory auditor

## To Shareholders of Wal-Mart de Mexico, S.A. de C.V.

In my capacity as statutory auditor and in compliance with the provisions of Article 166 of the Mexican Corporations Act and the bylaws of Wal-Mart de Mexico, S.A. de C.V., I am pleased to submit my report on the consolidated financial statements for the year ended December 31, 2004, presented to you by the Board of Directors.

Among the auditing procedures applied, I personally attended, or in my absence the alternate statutory auditor attended, the stockholders' and the Board of Directors' meetings to which I was summoned. I reviewed, to the extent that I considered necessary in the circumstances, the unqualified report of the Company's independent auditors, dated January 28, 2005, issued as a result of their audit of the consolidated financial statements mentioned in the preceding paragraph made in accordance with auditing standards generally accepted in Mexico. Such financial statements are the responsibility of the Company's management.

In my opinion, based on my review and that of the independent auditors, the accounting and reporting policies and criteria observed by the Company in the preparation of the consolidated financial statements that are being presented to the stockholders are adequate and sufficient and were applied on a basis consistent with that of the prior year. Consequently, it is also my opinion that the above-mentioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wal-Mart de Mexico, S.A. de C.V. and subsidiaries at December 31, 2004, and the consolidated results of their operations, changes in their shareholders' equity and changes in their financial position for the year then ended, in conformity with accounting principles generally accepted.



**Alberto Tiburcio**  
**Statutory Auditor**

**Mexico City, January 28, 2005**



# consolidated balance sheets

(Notes 1 and 2)

Thousands of Mexican pesos with purchasing power at December 31, 2004

DECEMBER 31

	2004	2003
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	Ps. 11,846,246	Ps. 12,374,281
Accounts receivable – net (Note 3)	1,940,677	2,085,445
Inventories	11,971,065	11,293,240
Prepaid expenses	351,358	338,824
Total current assets	26,109,346	26,091,790
Property and equipment – net (Note 4)	45,761,492	42,968,649
Total assets	Ps. 71,870,838	Ps. 69,060,439
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable to suppliers (Note 5)	Ps. 16,017,139	Ps. 15,664,541
Other accounts payable (Note 5)	3,777,387	3,899,543
Total current liabilities	19,794,526	19,564,084
Long-term other liabilities (Note 8)	136,553	50,641
Deferred income tax (Note 9)	4,967,400	5,356,852
Seniority premiums (Note 10)	24,841	26,126
Total liabilities	24,923,320	24,997,703
Shareholders' equity (Note 11):		
Capital stock	14,472,108	13,132,132
Legal reserve	2,625,489	2,548,687
Retained earnings	38,852,821	34,105,658
Reserve for repurchase of shares	-	2,725,456
Accumulated result of restatement	(9,547,694)	(9,021,561)
Premium on sale of shares	2,100,990	2,155,963
Employee stock option plan fund	(1,556,196)	(1,583,599)
Total shareholders' equity	46,947,518	44,062,736
Total liabilities and shareholders' equity	Ps. 71,870,838	Ps. 69,060,439

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

# consolidated statements of income

(Notes 1 and 2)

Thousands of Mexican pesos with purchasing power at December 31, 2004

	YEAR ENDED DECEMBER 31	
	2004	2003
Net sales	Ps. 139,862,629	Ps. 126,522,979
Other income	597,317	286,815
Total revenues	140,459,946	126,809,794
Cost of sales	(110,924,311)	(100,507,594)
Gross profit	29,535,635	26,302,200
Operating expenses	(20,002,903)	(18,540,982)
Operating income	9,532,732	7,761,218
Comprehensive financing income:		
Financial income - net	767,672	670,466
Exchange gain	2,849	12,207
Monetary position gain	250,332	200,893
	1,020,853	883,566
Other expenses - net	(208,378)	(174,016)
Income before income tax and employee profit sharing	10,345,207	8,470,768
Income tax and employee profit sharing (Note 9)	(2,513,903)	(2,730,326)
Net income	Ps. 7,831,304	Ps. 5,740,442
Earnings per share (in pesos)	Ps. 1.767	Ps. 1.289

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

# consolidated statements of changes in shareholders' equity

For the years ended December 31, 2004 and 2003

(Notes 1, 2, and 11)

Thousands of Mexican pesos with purchasing power at December 31, 2004

	CAPITAL STOCK	LEGAL RESERVE
Balances at January 1, 2003	Ps. 13,170,730	Ps. 2,280,198
Movements in employee stock option plan fund		
Increase in legal reserve		268,489
Repurchase of shares	(38,598)	
Dividends paid		
Comprehensive income		
Balances at December 31, 2003	13,132,132	2,548,687
Movements in employee stock option plan fund		
Increase in legal reserve		76,802
Repurchase of shares	(170,004)	
Dividends capitalized and paid	1,509,980	
Comprehensive income		
<b>Balances at December 31, 2004</b>	<b>Ps. 14,472,108</b>	<b>Ps. 2,625,489</b>

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



RETAINED EARNINGS	RESERVE FOR REPURCHASE OF SHARES	ACCUMULATED RESULT OF RESTATEMENT	PREMIUM ON SALE OF SHARES	EMPLOYEE STOCK OPTION PLAN FUND	TOTAL
Ps. 30,397,651	Ps. 3,552,586	Ps. (8,590,987)	Ps. 2,177,152	Ps. (1,532,207)	Ps. 41,455,123
			(21,189)	(51,392)	(72,581)
(268,489)					-
	(827,130)				(865,728)
(1,763,946)					(1,763,946)
5,740,442		(430,574)			5,309,868
34,105,658	2,725,456	(9,021,561)	2,155,963	(1,583,599)	44,062,736
			(54,973)	27,403	(27,570)
(76,802)					-
(1,014,853)	(2,725,456)				(3,910,313)
(1,992,486)		6,774			(475,732)
7,831,304		(532,907)			7,298,397
<b>Ps. 38,852,821</b>	<b>Ps. -</b>	<b>Ps. (9,547,694)</b>	<b>Ps. 2,100,990</b>	<b>Ps. (1,556,196)</b>	<b>Ps. 46,947,518</b>

# consolidated statements of changes in financial position

(Notes 1 and 2)

Thousands of Mexican pesos with purchasing power at December 31, 2004

## YEAR ENDED DECEMBER 31

	2004	2003
<b>OPERATING ACTIVITIES</b>		
Net income	Ps. 7,831,304	Ps. 5,740,442
Charges (credits) not requiring the use of (providing) resources:		
Depreciation	2,616,721	2,426,209
Seniority premiums	26,687	24,428
Deferred income tax	(336,020)	(385,649)
	10,138,692	7,805,430
Changes in:		
Accounts receivable	144,768	225,303
Inventories	(1,219,666)	58,795
Prepaid expenses	(12,534)	(130,913)
Accounts payable to suppliers	352,598	480,218
Other accounts payable	(89,676)	1,042,882
Seniority premiums	(28,754)	(25,915)
Resources provided by operating activities	9,285,428	9,455,800
<b>FINANCING ACTIVITIES</b>		
Repurchase of shares	(3,910,313)	(865,728)
Payment of dividends	(475,732)	(1,763,946)
Resources used in financing activities	(4,386,045)	(2,629,674)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(6,062,611)	(5,444,783)
Sale and retirement of property and equipment	662,763	381,575
Employee stock option plan - net	(27,570)	(72,581)
Resources used in investing activities	(5,427,418)	(5,135,789)
(Decrease) increase in cash and cash equivalents	(528,035)	1,690,337
Cash and cash equivalents at beginning of year	12,374,281	10,683,944
Cash and cash equivalents at end of year	Ps. 11,846,246	Ps. 12,374,281

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

# notes to consolidated financial statements

At December 31, 2004 and 2003

Thousands of Mexican pesos with purchasing power at December 31, 2004, unless otherwise indicated

## NOTE 1 – DESCRIPTION OF THE BUSINESS:

Wal-Mart de Mexico, S.A. de C.V. (WALMEX or “the Company”) is a Mexican corporation whose shares are traded on the Mexican Stock Exchange. The Company’s majority shareholder is Wal-Mart Stores, Inc., a U.S. corporation through one of its subsidiaries.

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

GROUP	LINE OF BUSINESS
Nueva Wal-Mart	Operation of 61 (53 in 2003) Sam’s Club membership self-service wholesale stores, 162 (140 in 2003) Bodega Aurrera, discount stores, 89 (83 in 2003) Wal-Mart Supercenter hypermarkets and 48 (44 in 2003) Superama supermarkets.
Suburbia	Operation of 50 (52 in 2003) Suburbia stores with apparel and accessories for the entire family.
Vips	Operation of 226 (215 in 2003) Vips restaurants serving international cuisine, 51 (47 in 2003) El Porton restaurants serving Mexican food, and 7 restaurants specializing in Italian food during both years.
Real estate	Real estate developments and management of real estate companies.
Services companies	Providing of professional services to companies in the Group and not-for-profit services to the community at large.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES:

The most important accounting policies observed in the preparation of the financial statements are described below:

- The accompanying consolidated financial statements include the statements of WALMEX and those of its subsidiaries, which are grouped as described in Note 1. All related party balances and transactions were eliminated in the consolidation.
- The consolidated financial statements provide comprehensive recognition of the effects of inflation on the financial information as required by accounting Bulletin B-10 issued by the Mexican Institute of Public Accountants (IMCP).
- The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates in some items. Actual results might differ from these estimates.
- Cash equivalents are stated at cost plus accrued interest, not in excess of market value.  
The Company has no financial instruments (derivatives).
- Inventories are stated at average cost, determined largely using the retail method. Due to the rapid turnover of inventories, the cost so determined is considered to be similar to replacement cost at the balance sheet date, not in excess of market value.  
The buying allowances are charged to operations based on the turnover of inventories that gave rise them.
- Property and equipment are recorded initially at cost and then restated using the constant-peso-value method as described in Note 4.  
Fixed asset depreciation is computed using the straight-line method, at rates ranging from 3% to 33%.
- Foreign currency denominated monetary assets and liabilities are translated to Mexican pesos using the prevailing exchange rate at the balance sheet date. Exchange differences determined are charged or credited to income.
- Deferred income tax is recognized on basically all temporary differences in balance sheet accounts for financial and tax reporting purposes, using the enacted income tax rate at the time the differences are expected to reverse.  
Current year employee profit sharing is charged to results of operations and represents a liability due and payable in a period of less than one year.
- Seniority premiums accruing to employees in terms of Mexican labor law are recognized as a cost of the years in which services are rendered, based on independent actuarial computations.

All other payments accruing to employees or their beneficiaries in the event of separation in terms of Mexican labor law are charged to income, if and when the expense is incurred.

- j. The most important inflation accounting concepts and procedures are described below:

The accumulated effect of restatement includes the accumulated monetary position result at the time the effects of inflation on the financial information were first recognized, as well as the result from holding nonmonetary assets, which represents the change in the specific value of nonmonetary assets over or under the rate of inflation as measured by the National Consumer Price Index (NCPI).

The net monetary position result is determined by applying the NCPI to net monetary assets and liabilities during the period.

- k. The employee stock option plan fund is comprised of WALMEX shares presented at acquisition cost, as restated based on the NCPI. The plan is designed to grant stock options to executives of the companies in the Group, as approved by the National Banking and Securities Commission.
- l. The premium on the sale of shares represents the difference between the restated value of the shares and the value at which such shares were assigned to executives of companies in the Group, net of the corresponding income tax.
- m. Comprehensive income consists of the current year net income plus the current year restatement.
- n. Sales revenues are recognized at the time the merchandise is delivered to the customer.  
Revenues from the sales of Sam's Club membership cards are deferred over the twelve-month term of the membership.
- o. Segment financial information has been prepared using the management approach established in Mexican accounting Bulletin B-5 issued by the IMCP.
- p. On January 1, 2004, IMCP issued Bulletin C-15, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Bulletin C-15 establishes the criteria for identifying, recording and disclosing impairment in the value of long-lived assets. (See Note 13).

**NOTE 3 – ACCOUNTS RECEIVABLE - NET:**

The balance of this account at December 31, 2004 and 2003, is presented net of an allowance for bad debts of Ps. 337,993 and Ps. 324,857, respectively.

**NOTE 4 – PROPERTY AND EQUIPMENT:**

Mexican accounting Bulletin B-10 specifies that property and equipment owned at December 31, 1996 that were restated at such date on the basis of appraisals made by independent experts are to be restated thereafter using the constant-peso-value method. Property and equipment acquired on or after January 1, 1997 are recorded initially at historical cost and then restated using the constant-peso-value method.

An analysis of this caption is as follows:

	DECEMBER 31	
	2004	2003
Land	Ps. 16,778,429	Ps. 16,167,718
Buildings	18,030,579	16,735,234
Facilities and leasehold improvements	9,966,242	9,045,296
	<u>27,996,821</u>	<u>25,780,530</u>
Less:		
Accumulated depreciation	(8,111,123)	(7,310,952)
	<u>19,885,698</u>	<u>18,469,578</u>
Fixtures and equipment	17,647,825	16,194,349
Less:		
Accumulated depreciation	(9,328,183)	(8,770,527)
	<u>8,319,642</u>	<u>7,423,822</u>
Construction in progress	777,723	907,531
Total	<u>Ps. 45,761,492</u>	<u>Ps. 42,968,649</u>



**NOTE 5 – RELATED PARTY BALANCES AND TRANSACTIONS:**

Accounts payable to suppliers and other accounts payable include the following balances due to related parties:

	DECEMBER 31	
	2004	2003
Accounts payable to suppliers:		
CMA - U.S.A., L.L.C.	Ps. 726,048	Ps. 717,564
Broadstreet Global Activities, L.L.C. (formerly WMGS Co., LTD.)	75	15,268
	<b>Ps. 726,123</b>	<b>Ps. 732,832</b>
Other accounts payable:		
Wal-Mart Stores, Inc.	Ps. 187,361	Ps. 194,905

In the years ended December 31, the Company had the following transactions with related parties:

	DECEMBER 31	
	2004	2003
Imported merchandise for sale	Ps. 3,440,082	Ps. 3,749,041
Technical assistance, services and royalties	Ps. 835,183	Ps. 797,762

**NOTE 6 – FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:**

An analysis is as follows:

	(THOUSANDS OF U.S. DOLLARS) DECEMBER 31	
	2004	2003
Assets	\$ 206,707	\$ 155,759
Liabilities	\$ 122,833	\$ 154,364

An analysis of U.S. dollar denominated transactions (excluding property and equipment) is as follows:

	(THOUSANDS OF U.S. DOLLARS) DECEMBER 31	
	2004	2003
Imported merchandise for sale	\$ 712,264	\$ 705,859
Technical assistance, services and royalties	\$ 75,156	\$ 71,351

The exchange rate at December 31, 2004, used to translate U.S. dollar denominated balances was Ps. 11.1470 (Ps. 11.2850 at December 31, 2003) per U.S. dollar. At the date of the audit report, the exchange rate was Ps. 11.2931 per U.S. dollar.

**NOTE 7 – COMMITMENTS:**

At December 31, 2004, the Company has the following commitments:

1. Acquisition of inventories, property and equipment for Ps. 3,056,933.
2. The Company has entered into leases with third parties on compulsory terms ranging from 2 to 15 years. Rental payments under these leases are computed based on a percentage of sales made in each store. Compulsory annual rental payments under such agreements over the next five years are as follows:

YEAR	AMOUNT
2005	Ps. 61,326
2006	Ps. 42,155
2007	Ps. 35,743
2008	Ps. 31,988
2009	Ps. 12,224

Rental expense for the years ended December 31, 2004 and 2003 was Ps. 1,079,334 and Ps. 1,037,329, respectively.

**NOTE 8 – LONG-TERM OTHER LIABILITIES:**

In compliance with ecological protection standards, the Company has agreements for sewage treatment plants under leases stipulating compulsory terms of 4.5 years. Annual rental payments during the next four years are as follows:

YEAR	AMOUNT
2005	Ps. 58,460
2006	Ps. 56,786
2007	Ps. 46,408
2008	Ps. 33,359

Related payments made in 2005 are presented as part of other accounts payable in less than one year.

**NOTE 9 – INCOME TAX AND EMPLOYEE PROFIT SHARING:**

The Company and its subsidiaries have been authorized by the Ministry of Finance and Public Credit to determine their tax results on a consolidated basis.

An analysis of taxes charged to results of operations of the years ended December 31, 2004 and 2003 is as follows:

	2004	2003
Current year income tax	Ps. 2,722,246	Ps. 3,005,316
Deferred income tax	(192,058)	(261,624)
Subtotal	2,530,188	2,743,692
Monetary position gain on initial effect and nonmonetary items of deferred income tax	(50,675)	(53,828)
Employee profit sharing	34,390	40,462
Total	Ps. 2,513,903	Ps. 2,730,326

An analysis of deferred tax liabilities (assets) derived from temporary differences is as follows:

	2004	2003
Property and equipment	Ps. 2,701,945	Ps. 3,008,604
Inventories	3,175,128	3,293,768
Other items – net	(909,673)	(945,520)
Total	Ps. 4,967,400	Ps. 5,356,852

Through December 31, 2004, the corporate income tax rate was 33%. The statutory income tax rate will be 30% in 2005, 29% in 2006 and 28% as of 2007.

In conformity with Mexican accounting Bulletin D-4, at December 31, 2004, deferred taxes are recognized on basically all temporary differences using the enacted income tax rate at the time the differences are expected to reverse. As a result of this computation, deferred taxes decreased by Ps. 832,255.

As specified in recent amendments to the Income Tax Law, starting in 2005, only the cost of finished goods sold rather than inventories acquired will be deductible. Such amendments also establish that for the purposes of determining the cost of goods sold, inventory stock at December 31, 2004 may not be deducted, unless the amount of such goods accrues over a specific number of years as of 2005 in conformity with the specific procedure defined in the law. Consequently, the amount of inventories at December 31, 2004 will accrue over periods of up to 8 years.

The Company has tax losses from prior years which, in conformity with the current Mexican Income Tax Law, may be carried forward, against taxable earnings generated in the next ten years. An analysis is as follows:

EXPIRATION DATE	AMOUNT
2009	Ps. 76,329
2010	4,300
2011	6,360
2014	77,281
	Ps. 164,270

**NOTE 10 – SENIORITY PREMIUMS:**

The Company has set up a defined benefits trust fund to cover seniority premiums accruing to employees, contributions to the fund are determined using the projected unit-credit method, employees make no contributions to the fund.

An analysis of assets, liabilities and costs related to seniority premiums, as well as assumptions considered in the computations is as follows:

	DECEMBER 31	
	2004	2003
Vested benefit obligation	Ps. 102,360	Ps. 85,730
Current benefit obligation	Ps. 196,705	Ps. 174,772
Projected benefit obligation	Ps. 199,032	Ps. 177,252
Plan assets	(190,927)	(174,053)
Variations in assumptions and experience adjustments	16,736	22,927
Net projected liability	Ps. 24,841	Ps. 26,126
Labor cost	Ps. 28,393	Ps. 26,067
Financing cost	9,189	8,298
Return on plan assets	(10,657)	(9,597)
Amortization	(238)	(340)
Net period cost	Ps. 26,687	Ps. 24,428
Benefits paid	11,510	11,642
Fund contributions	28,754	25,915
Amortization period of variances assumptions and experience adjustments (years)	23.0	23.4

The rates considered in the actuarial computations for 2004 and 2003 were as follows:

Discount rate for labor obligations	5.5%
Salary increase	1.0%
Return on plan assets	6.5%

**NOTE 11 – SHAREHOLDERS' EQUITY:**

## a. Regular shareholders' meetings:

The following resolutions were adopted at a regular shareholders' meeting held on February 25, 2004:

1. Authorization of a maximum amount to be used in 2004 to repurchase the Company's own shares of Ps. 4,000,000 (nominal pesos).
2. Cancellation of 27,619,700 series "C" shares derived from the repurchase of the Company's own shares.
3. Increase in the rights of the holders of series "C" shares so as to be entitled to vote on corporate matters and to convert such shares into series "V" shares.
4. Increase in the legal reserve of Ps. 73,903 (nominal pesos) through a charge to retained earnings. The increase in constant pesos is Ps. 76,802.
5. A declared dividend, for which shareholders may receive payment either in cash at Ps. 0.44 nominal pesos or in Company shares at an exchange factor determined based on the average closing market price of the share on March 22, 2004 and the Ps. 0.44 nominal pesos per share. Such dividend shall be paid on March 31, 2004.
6. Increase in the variable portion of capital stock for up to Ps. 1,949,299 (nominal pesos). Such increase will be covered by issuing a maximum of 98,449,465 common ordinary shares to be used solely for payment of the stock dividend.

Those shares that are not subscribed and delivered to the shareholders shall be cancelled and the proposed capital increase shall be reduced proportionally.

7. The movement between fixed capital stock and variable capital was formalized in a shareholders' meeting. The Company's fixed capital is Ps. 878,310 (nominal pesos) and variable capital is unlimited.

The shareholders' deadline for deciding on whether to accept the cash dividend or the stock dividend in terms of the resolution adopted at the shareholders' meeting held on February 25, 2004, expired on March 29, 2004. The

Company delivered 43,703,087 new series "V" shares representing an increase of Ps. 1,457,935 (nominal pesos), and cancelled 54,746,378 unsubscribed shares. This situation gave rise to a decrease in capital stock of Ps. 491,364 (nominal pesos).

Based on the preceding paragraph and per Article 112 of the Mexican Corporations Act that establishes that all of an entity's shares must have the same theoretical value, the Company recomputed its capital stock by determining a fixed minimum amount of Ps. 820,853 (nominal pesos).

The following resolutions were adopted at a regular shareholders' meeting held on February 26, 2003:

1. Approval of the maximum amount to be used by the Company in 2003 to repurchase its own shares. Such amount is Ps. 3,248,032 (nominal pesos).
2. Cancellation of 34,909,400 series "C" shares that were repurchased by the Company.
3. Increase of Ps. 247,154 (nominal pesos) in the legal reserve through a charge to retained earnings. The increase in constant pesos was Ps. 268,489.
4. Payment of cash dividend at Ps. 0.37 nominal pesos per share, irrespective of the series. The dividend will be paid starting March 13, 2003.
5. Approval of a movement between fixed and variable capital. Fixed capital is Ps. 650,372 (nominal pesos) and variable capital may not exceed ten times such amount.
6. Approval of the creation of Fundacion Wal-Mart de Mexico. Annual contributions to the Foundation may not exceed 0.05% of sales.

- b. An analysis of capital stock without restatement at December 31, 2004 and 2003 is as follows:

CAPITAL STOCK	2004	2003
Fixed	Ps. 820,853	Ps. 650,372
Variable	6,036,191	4,914,896
<b>Total</b>	<b>Ps. 6,857,044</b>	<b>Ps. 5,565,268</b>

Capital stock at December, 31 2004 and 2003 consisted of the following registered shares with no par value:

SERIES	2004	2003
Series "V" free subscription common shares	4,370,174,732	3,909,124,724
Series "C" free subscription shares without voting rights	-	523,780,121
<b>Total number of shares</b>	<b>4,370,174,732</b>	<b>4,432,904,845</b>

The maximum amount of authorized capital stock is unlimited.

Capital stock at December 31, 2004 and 2003 includes capitalized earnings of Ps. 3,103,169 (nominal pesos) and Ps. 1,645,234 (nominal pesos), respectively, and Ps. 899,636 (nominal pesos) in both years in capitalized restatement accounts.

- c. For the years ended December 31, 2004 and 2003, WALMEX acquired its own shares, resulting in the following reduction in capital stock:

	2004	2003
Number of shares	106,433,200	28,999,000
Theoretical historical value	Ps. 166,159	Ps. 36,407
Theoretical restated value	Ps. 170,004	Ps. 38,598



The difference between the theoretical restated value and the repurchase cost of the shares acquired was applied to the previously established reserve for the repurchase of shares, which was completely exhausted. As of October 2004, such difference was applied from retained earnings.

- d. Distributed earnings and capital reductions in excess of the balance of the net tax profit account (CUFIN), the net reinvested tax profit account (CUFINRE), and the restated contributed capital account (CUCA) will be subject to taxation in terms of Articles 11 and 89 of the Mexican Income Tax Law.

At December 31, 2004 and 2003, the balance of the aforesaid tax accounts related to shareholders' equity aggregate Ps. 35,829,712 and Ps. 32,900,651, respectively.

- e. The employee stock option plan fund consists of 53,521,611 WALMEX shares, of which 40,888,474 shares have been placed in a trust created for such purpose. All employee stock options are granted to executives at a value that is not less than the market value on the date of grant.

In accordance with current policies, Company executives may exercise their option to acquire the shares as follows: stock options granted before 2000, 50% at the end of the third year and 50% at the end of the fourth year, from the date of grant; and stock options granted after 2000 may be exercised in equal parts over five years. In all cases, the right to exercise and employee stock option expires in a period of ten years from the date the option is granted, or sixty days following the executive's retirement from the Company.

Compensation for the Company's employee stock option plan is measured and recorded using the intrinsic value method following the guidelines of APB Opinion 25, as supplementary guidance to accounting principles generally accepted in Mexico.

An analysis of movements in the Company's employee stock option plan during 2004 and 2003 is as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE PER SHARE (NOMINAL PESOS)
Balance at January 1, 2003	62,885,187	19.60
Granted	16,616,186	24.99
Exercised	(11,294,169)	14.71
Canceled	(6,817,029)	21.87
Balance at December 31, 2003	61,390,175	21.71
Granted	15,812,001	33.88
Exercised	(23,229,665)	17.94
Canceled	(1,196,325)	28.49
Balance at December 31, 2004	52,776,186	26.86

Shares available for option grant:

December 31, 2004	745,425
December 31, 2003	621,675

At December 31, 2004, the employee stock options granted and exercisable and included in the employee stock option plan fund were as follows:

RANGE OF EXERCISE PRICE (NOMINAL PESOS)	NUMBER OF SHARES	GRANTED		EXERCISABLE	
		WEIGHTED AVERAGE REMAINING LIFE IN YEARS	WEIGHTED AVERAGE PRICE PER SHARE (NOMINAL PESOS)	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE PER SHARE (NOMINAL PESOS)
12.36	115,000	3.6	12.36	115,000	12.36
19.92 – 22.82	12,518,137	5.9	22.00	4,710,859	22.09
21.45 – 25.28	10,585,167	7.2	25.05	2,874,927	24.94
23.10 – 27.49	14,214,876	8.2	25.01	2,000,572	25.09
33.79 – 36.36	15,343,006	9.2	33.88	-	-
	52,776,186	7.7	26.86	9,701,358	23.44

**NOTE 12 – SEGMENT INFORMATION:**

The Company's segment information was prepared based on a managerial approach and the criteria established in Mexican accounting Bulletin B-5, Financial Information by Segment. The "Others" segment consists of department stores, restaurants and real estate transactions with third parties.

An analysis of segment information at December 31, 2004 and 2003 is as follows:

SEGMENT	TOTAL REVENUES		OPERATING INCOME	
	2004	2003	2004	2003
Self services	Ps. 129,076,760	Ps. 115,993,801	Ps. 7,764,260	Ps. 6,194,370
Other	11,383,186	10,815,993	1,768,472	1,566,848
Consolidated	Ps. 140,459,946	Ps. 126,809,794	Ps. 9,532,732	Ps. 7,761,218

SEGMENT	PURCHASE OF PROPERTY AND EQUIPMENT		DEPRECIATION	
	2004	2003	2004	2003
Self service	Ps. 5,618,770	Ps. 5,067,014	Ps. 2,180,505	Ps. 1,988,491
Other	443,841	377,769	436,216	437,718
Consolidated	Ps. 6,062,611	Ps. 5,444,783	Ps. 2,616,721	Ps. 2,426,209

SEGMENT	TOTAL ASSETS		CURRENT LIABILITIES	
	2004	2003	2004	2003
Self service	Ps. 56,493,967	Ps. 52,377,294	Ps. 17,016,319	Ps. 16,735,853
Other	7,960,995	8,234,243	1,402,028	1,426,210
Unassignable items	7,415,876	8,448,902	1,376,179	1,402,021
Consolidated	Ps. 71,870,838	Ps. 69,060,439	Ps. 19,794,526	Ps. 19,564,084

Unassignable items refer primarily to reserve land, cash and cash equivalents of the parent and real-estate companies, as well as income tax payable.

The Company operates in Mexico and makes sales to the general public.

**NOTE 13 – ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS:**

In conformity with Mexican accounting Bulletin C-15, the Company computed the carrying amount of its long-lived assets at their present value, considering each of the Company's stores or restaurants as a minimum cash generating unit. The initial effect and the effect for the year ended December 31, 2004 of the determined impairment was not deemed to be material.

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WALMEX

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