WAL MART STORES INC

FORM 10-Q
(Quarterly Report)

Filed 12/11/03 for the Period Ending 10/31/03

Address	702 SOUTHWEST 8TH ST BENTONVILLE, AR 72716
Telephone	5012734000
CIK	0000104169
Symbol	WMT
SIC Code	5331 - Variety Stores
Industry	Retail (Department & Discount)
Sector	Services
Fiscal Year	01/31

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(Quarterly Report)

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Address	702 SOUTHWEST 8TH ST
	BENTONVILLE, Arkansas 72716
Telephone	501-273-4000
CIK	0000104169
Industry	Retail (Department & Discount)
Sector	Services
Fiscal Year	01/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended October 31, 2003 .
or
[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from ______to______.

Commission file number 1-6991

WAL-MART STORES, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	71-0415188 (I.R.S. Employer Identification No.)
702 S.W. Eighth Street Bentonville, Arkansas (Address of principal executive offices)	72716 (Zip Code)

(479) 273-4000
(Registrant’s telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No _____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes __X__ No _____

Applicable Only to Corporate Issuers

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practical date.

Common Stock, $.10 Par Value – 4,327,781,117 shares as of November 30, 2003.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WAL-MART STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions)

ASSETS	October 31, 2003 (Unaudited)	January 31, 2003 (* Note)
Cash and cash equivalents	$ 3,312	$ 2,737
Receivables	1,111	1,568
Inventories	31,286	24,329
Prepaid expenses and other	1,081	828
Current assets of discontinued operation	-	1,180
Total current assets	36,790	30,642
Property, plant and equipment, at cost	68,480	61,254
Less accumulated depreciation	15,523	13,084
Net property, plant and equipment	52,957	48,170
Property under capital leases	4,967	4,814
Less accumulated amortization	1,722	1,610
Net property under capital leases	3,245	3,204
Goodwill	9,446	9,389
Other assets and deferred charges	2,383	2,592
Other assets of discontinued operation	-	729
Total assets	$ **104,821**	**$ 94,726**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Commercial paper	$ 4,709	$ 1,079
Accounts payable	20,585	16,713
Accrued liabilities	10,158	9,066
Accrued income taxes	679	748
Long-term debt due within one year	2,913	4,538
Obligations under capital leases due within one year	181	176
Current liabilities of discontinued operation	-	292
Total current liabilities	39,225	32,612
Long-term debt	16,951	16,596
Long-term obligations under capital leases	2,997	2,999
Deferred income taxes and other	2,054	1,683
Long-term liabilities of discontinued operation	-	13
Minority interest	1,422	1,362
Common stock and capital in excess of par value	2,514	2,394
Retained earnings	39,750	37,576
Other accumulated comprehensive income	(92)	(509)
Total shareholders' equity	42,172	39,461
Total liabilities and shareholders' equity	**$ 104,821**	**$ 94,726**

See accompanying notes to condensed consolidated financial statements.

*Note: The balance sheet at January 31, 2003, has been derived from the audited financial statements at that date, and condensed.

WAL-MART STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Amounts in millions except per share data)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2003	**2002**	**2003**	**2002**
Revenues:				
Net sales	$ 62,480	$ 55,241	$181,835	$163,216
Other income – net	555	524	1,656	1,456
	63,035	55,765	183,491	164,672
Costs and expenses:				
Cost of sales	48,292	42,646	140,508	126,298
Operating, selling, general and administrative expenses	11,344	10,071	32,704	29,186
Operating income	3,399	3,048	10,279	9,188
Interest costs:				
Debt	178	203	539	617
Capital leases	64	61	202	189
Interest income	(36)	(34)	(110)	(100)
Income from continuing operations before Income taxes and minority interest	3,193	2,818	9,648	8,482
Provision for income taxes	1,117	995	3,377	2,988
Income from continuing operations before minority interest	2,076	1,823	6,271	5,494
Minority interest	(48)	(43)	(131)	(129)
Income from continuing operations after minority interest and income taxes	2,028	1,780	6,140	5,365
Income from discontinued operations	-	17	193	82
Net income	**$ 2,028**	**$ 1,797**	**$ 6,333**	**$ 5,447**
Net income per common share:				
Basic net income per common share:				
Net income per common share from continuing operations	$ 0.46	$ 0.40	$ 1.40	$ 1.21
Net income per common share from discontinued operations	-	$ 0.01	$ 0.05	$ 0.02
Basic net income per common share	$ 0.46	$ 0.41	$ 1.45	$ 1.23
Diluted net income per common share:				
Net income per common share from continuing operations	$ 0.46	$ 0.40	$ 1.40	$ 1.20
Net income per common share from discontinued operations	-	$ 0.01	$ 0.04	$ 0.02
Diluted net income per common share	$ 0.46	$ 0.41	$ 1.44	$ 1.22

Average number of common shares - basic	4,362	4,421	4,375	4,437
Average number of common shares - diluted	4,372	4,434	4,385	4,452
Dividends per share	$ 0.090	$ 0.075	$ 0.270	$ 0.225

See accompanying notes to condensed consolidated financial statements.

WAL-MART STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in millions)

	Nine Months Ended October 31, 2003	2002
Cash flows from operating activities:		
Net income from continuing operations	$ 6,140	$ 5,365
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,813	2,401
Decrease in accounts receivable	460	84
Increase in inventories	(6,630)	(6,731)
Increase in accounts payable	3,655	3,142
Increase in accrued liabilities	1,202	915
Other	2	451
Net cash provided by operating activities of continuing operations	7,642	5,627
Net cash provided by operating activities of discontinued operations	50	59
Net cash provided by operating activities	7,692	5,686
Cash flows from investing activities:		
Payments for property, plant and equipment	(7,403)	(6,827)
Disposal of assets	191	144
Proceeds from sale of McLane	1,500	-
Other investing activities	290	(102)
Net cash used in investing activities of continuing operations	(5,422)	(6,785)
Net cash used in investing activities of discontinued operations	(176)	(59)
Net cash used in investing activities	(5,598)	(6,844)
Cash flows from financing activities:		
Increase in commercial paper	2,135	3,601
Proceeds from issuance of long-term debt	4,110	2,042
Dividends paid	(1,180)	(998)
Payment of long-term debt	(3,500)	(1,220)
Purchase of Company stock	(3,105)	(2,293)
Other financing activities	(70)	(183)
Net cash provided by/ (used in) financing activities	(1,610)	949

Effect of exchange rates on cash and cash equivalents	70	142
Net increase/ (decrease) in cash and cash equivalents	554	(67)
Cash and cash equivalents at beginning of year	2,758	2,161
Cash and cash equivalents at end of quarter*	**$ 3,312**	**$ 2,094**
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 3,363	$ 2,927
Interest paid	835	950

* Includes cash and cash equivalents of discontinued operations of $22 million and $21 million at January 31, 2003 and October 31, 2002, respectively.

See accompanying notes to condensed consolidated financial statements.

WAL-MART STORES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Basis of Presentation

The condensed consolidated balance sheet of Wal-Mart Stores, Inc. and its subsidiaries as of October 31, 2003, and the related condensed consolidated statements of income for the three-month and nine-month periods ended October 31, 2003, and 2002, and the condensed consolidated statements of cash flows for the nine-month periods ended October 31, 2003, and 2002, are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the financial statements have been included. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in the Company’s annual report to shareholders for the fiscal year ended January 31, 2003. Therefore, the interim statements should be read in conjunction with that annual report to shareholders. Certain reclassifications have been made to prior periods to conform to current presentations.

On May 23, 2003, the Company completed the sale of McLane Company, Inc. ("McLane"). In accordance with the provisions related to discontinued operations specified within Statement of Financial Accounting Standards No. 144 ("FAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets," the accompanying consolidated financial statements and notes reflect the results of operations, financial position and cash flows of McLane as a discontinued operation.

NOTE 2. Net Income Per Share

Basic net income per share is based on the weighted average outstanding common shares for the period. Diluted net income per share is based on the weighted average outstanding common shares and reflects basic net income per share reduced by the dilutive effect of stock options and restricted stock grants (a weighted average of approximately 10 million and 13 million shares for the three-month periods ended October 31, 2003, and 2002, respectively, and 10 million and 15 million shares for the nine-month periods ended October 31, 2003, and 2002, respectively).

NOTE 3. Inventories

The Company uses the retail last-in, first-out (LIFO) method for the Wal-Mart Stores segment; cost LIFO for the Sam's Club segment; and other cost methods, including the retail first-in, first-out (FIFO) and average cost method, for the International segment. Inventories were not in excess of market value on the balance sheet dates. If the FIFO method of accounting had been used in the United States by the Company, inventories would have been $81 million and $64 million higher than reported at October 31, 2003, and January 31, 2003, respectively.

NOTE 4. Segments

The Company is principally engaged in the operation of mass merchandising stores that serve customers primarily through the operation of three segments. The Company identifies its segments based on management responsibility. The Wal-Mart Stores segment includes the Company's discount stores, Supercenters and Neighborhood Markets in the United States as well as the Wal-Mart.com operation. The Sam's Club segment includes the warehouse membership clubs in the United States. The International segment includes all operations in Argentina, Brazil, Canada, China, Germany, Mexico, Puerto Rico, South Korea and the United Kingdom.

Net sales by operating segment were as follows (in millions):

	Three Months Ended October 31,		**Nine Months Ended October 31,**	
	2003	**2002**	**2003**	**2002**
Wal-Mart Stores	$ 42,386	$ 37,573	$ 123,574	$ 111,631
Sam's Club	8,607	7,742	24,982	22,976
International	11,487	9,926	33,279	28,609
Total Net Sales	**$ 62,480**	**$ 55,241**	**$ 181,835**	**$ 163,216**

Operating profit and reconciliation to income from continuing operations before income taxes and minority interest are as follows (in millions):

	Three Months Ended October 31,		**Nine Months Ended October 31,**	
	2003	**2002**	**2003**	**2002**
Wal-Mart Stores	$ 2,967	$ 2,676	$ 9,036	$ 8,256
Sam's Club	270	240	783	730
International	564	439	1,509	1,250
Other	(402)	(307)	(1,049)	(1,048)
Operating profit	$ 3,399	$ 3,048	$ 10,279	$ 9,188
Interest expense	206	230	631	706
Income from continuing operations before income taxes and minority interest	**$ 3,193**	**$ 2,818**	**$ 9,648**	**$ 8,482**

Operating losses in the "Other" category are the result of expenses recorded at the corporate level and not attributable to any particular operating segment.

Goodwill is recorded on the balance sheet in the operating segments as follows (in millions):

	October 31, 2003	January 31, 2003
International	$9,141	$8,985
Sam's Club	305	305
Other	-	99
Total Goodwill	**$9,446**	**$9,389**

Changes in International segment goodwill are the result of foreign currency exchange rate fluctuations. Changes in other category goodwill resulted from the sale of McLane.

As of October 31, 2003, after consideration of stock options, the Company owned approximately 36% of Seiyu, Ltd. ("Seiyu") with warrants to purchase up to 69.4% of that company by the end of December 2007. Seiyu operates over 400 stores located throughout Japan. The Company accounts for its ownership interest in Seiyu using the equity method of accounting. The Company's share of Seiyu's results was not material.

NOTE 5. Comprehensive Income

Comprehensive income is net income plus currency translation and hedge accounting adjustments that are recorded directly to shareholders' equity.

Comprehensive income was $1.7 billion and $2.0 billion for the quarters ended October 31, 2003, and 2002, respectively, and was $6.8 billion and $6.1 billion for the nine months ended October 31, 2003 and 2002, respectively. Changes in comprehensive income were due primarily to foreign currency exchange rate fluctuations.

NOTE 6. New Accounting Pronouncements

On February 1, 2003, the Company adopted the standards of the Financial Accounting Standards Board Statement No. 143, *Asset Retirement Obligations* ("FAS 143"). FAS 143 requires the Company to recognize the fair value of a liability associated with the cost the Company would be obligated to incur in order to retire an asset at some point in the future. The adoption of this standard did not have a material impact on the Company's results of operations for the three months and nine months ended October 31, 2003, respectively.

On February 1, 2003, the Company adopted the expense recognition provisions of the Financial Accounting Standards Board Statement No. 123, *Accounting and Disclosure of Stock-Based Compensation* ("FAS 123"). Under FAS 123, compensation expense is recognized based on the fair value of stock options granted. The Company has chosen to retroactively restate its results of operations for the accounting change. Following the provisions of FAS 123, the three months ended October 31, 2003, and 2002, include $38 million and $31 million, respectively, of pretax stock option expense, and the nine months ended October 31, 2003, and 2002, include $118 million and $97 million, respectively, of pretax stock option expense, which is approximately $0.01 per share for the three months ended October 31, 2003 and 2002 and $0.03 for the nine months ended October 31, 2003, and $0.02 for the nine months ended October 31, 2002.

On February 1, 2003, the Company adopted the Financial Accounting Standards Board's Emerging Issues Task Force (EITF) Issue No. 02-16, "Accounting by a Reseller for Cash Consideration Received from a Vendor ("EITF 02-16"). The consensus reached by the EITF addressed the accounting for "Cash Consideration" (which includes slotting fees, cooperative advertising payments, etc). The consensus of the EITF establishes an overall presumption that cash received from vendors is a reduction in the price of vendor's products and should be recognized accordingly as a reduction in cost of sales at the time the related inventory is sold. Some consideration could be characterized as a reduction of expense if the cash received represents a reimbursement of specific, incremental, identifiable costs incurred by the retailer to sell the vendor's products.

As a result of adopting EITF 02-16, the Company recognized in the first quarter of fiscal year 2004 an adjustment of $101 million after taxes or $0.02 per share. The adoption of EITF 02-16 was not significant in the third quarter.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities." This interpretation addresses the consolidation of business enterprises (variable interest entities) to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. This interpretation focuses on financial interests that indicate control. It concludes that in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's assets and activities are the best evidence of control. Variable interests are rights and obligations that convey economic gains or losses from changes in the values of the variable interest entity's assets and liabilities. Variable interests may arise from financial instruments, service contracts, nonvoting ownership interests and other arrangements. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. The primary beneficiary would be required to include assets, liabilities and the results of operations of the variable interest entity in its financial statements. FIN 46 applies immediately to variable interest entities that are created after or for which control is obtained after January 31, 2003.

FASB Staff Position No. FIN 46-6, "Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities," was issued with an effective date of October 9, 2003. This FASB Staff Position deferred the effective date for applying the provisions of FIN 46 for interests held by public entities in variable interest entities or potential variable interest entities created before February 1, 2003. A public entity need not apply the provisions of FIN 46 to an interest held in a variable interest entity or potential variable interest entity until the end of the first interim or annual period ending after December 15, 2003 if both of the following apply:

1. The variable interest entity was created before February 1, 2003.

2. The public entity has not issued financial statements reporting interests in variable interest entities in accordance with FIN 46, other than certain required disclosures.

The Company will adopt the provisions of FIN 46 for our financial statements for the year ending January 31, 2004 for any variable interest entities created before February 1, 2003.

Based on our current understanding, we do not expect the adoption of FIN 46 to have a material impact on our financial statements

Note 7. Contingencies

The Company is involved in a number of legal proceedings, which include consumer, employment, tort and other litigation. The lawsuits discussed below, if decided adversely to or settled by the Company, may result in liability material to the Company’s financial condition and consolidated financial statements. The Company may enter into discussions regarding settlement of these and other lawsuits, and may enter into settlement agreements, if it believes settlement is in the best interests of the Company’s shareholders.

The Company is a defendant in numerous cases containing class action allegations in which the plaintiffs have brought claims under the Fair Labor Standards Act, under corresponding state statutes, or for breach of contract. The plaintiffs in these lawsuits are hourly associates who allege, among other things, that the Company forced them to work "off the clock" and failed to provide work breaks. The complaints generally seek unspecified monetary damages, injunctive relief, or both. Class certification has been decided in ten cases. In Georgia, Texas, Ohio, Louisiana, and Michigan, the trial or appellate courts have denied class certification as to all claims. In Oregon, a federal court has denied statewide certification as to state contract off-the-clock claims but allowed a limited class of opt-in plaintiffs to proceed with Fair Labor Standards Act and state statutory claims. A state-wide class was certified in Colorado, but the Order was vacated after settlement. State-wide class actions were certified in Indiana and Minnesota and the rulings have been appealed. In California, the court denied certification of off-the-clock and rest-period damages claims, but certified a class for meal period claims, as well as certain other classes for injunctive relief only. Class certification claims are yet to be addressed in a majority of the cases.

The California Department of Labor Standards Enforcement has initiated an investigation of Wal-Mart and Sam’s Club for alleged failures to comply with California Wage and Hour laws. In addition, two putative class actions have been filed in California challenging the methodology of payments made under various associate incentive and bonus plans.

The Company is currently a defendant in a putative class action brought on behalf of assistant store managers who challenge their exempt status under the Fair Labor Standards Act. The case is pending in federal court in Michigan. No determination has been made as to class certification.

The Company is a defendant in *Dukes v. Wal-Mart Stores, Inc.* , a putative class action lawsuit commenced in June 2001 and pending in the United States District Court for the Northern District of California. The case was brought on behalf of all past and present female employees in all of the Company's retail stores and wholesale clubs in the United States. The complaint alleges that the Company has engaged in a pattern and practice of discriminating against women in promotions, pay, training, and job assignments. The complaint seeks, among other things, injunctive relief, compensatory damages including front pay and back pay, punitive damages, and attorneys' fees. A hearing on class certification was held on September 24, 2003, but the court has not yet issued a ruling. There can be no assurance as to whether a class will be certified or, if a class is certified, as to the geographic or other scope of such a class. If the Court certifies a class in this action and there is an adverse verdict on the merits, or in the event of a negotiated settlement of the action, the resulting liability could be material to the Company, as could employment-related injunctive measures, which would result in increased costs of operations on an ongoing basis.

The Company is a defendant in five putative class action lawsuits, three of which are pending in Texas, one in New Hampshire, and one in Oklahoma. In each lawsuit, the plaintiffs seek a declaratory judgment that Wal-Mart and the other defendants who purchased Corporate Owned Life Insurance (COLI) policies lacked an insurable interest in the lives of the employees who were the insureds under the policies, and seek to recover the proceeds of the policies under theories of unjust enrichment and constructive trust. In some of the suits, the plaintiffs assert other causes of action, and seek punitive damages. In August 2002, the court in the first-filed Texas lawsuit denied the Company's motion for summary judgment and granted partial summary judgment in favor of the plaintiffs on certain issues. The Texas litigation has been stayed while the Fifth Circuit Court of Appeals reviews these rulings. Class certification has not been decided in any of these cases. In the Oklahoma litigation, the judge has invited the defendants to submit motions for summary judgment, and has deferred ruling on plaintiffs' request to add 11 additional states to the litigation, pending a ruling on those motions. On September 30, the New Hampshire court entered an order dismissing some of the plaintiffs' claims and retaining others, clearing the way for discovery to begin.

The Company is a defendant in *Mauldin v. Wal-Mart Stores, Inc.,* a class action lawsuit that was filed on October 16, 2001, in the United States District Court for the Northern District of Georgia, Atlanta Division. The class was certified on August 23, 2002. On September 30, 2003, the court denied the Company's motion to reconsider that ruling. The class is composed of female Wal-Mart Associates who were participants in the Associates Health and Welfare Plan at any time from March 8, 2001 to the present and who were using prescription contraceptives. The class seeks amendment of the Plan to include coverage for prescription contraceptives, back pay for all members in the form of reimbursement of the cost of prescription contraceptives, pre-judgment interest, and attorneys' fees. The complaint alleges that the Company's Health Plan violates Title VII's prohibition against gender discrimination in that the Health Plan's Reproductive Systems provision does not provide coverage for prescription contraceptives.

The Company is a defendant in a lawsuit that was filed on August 31, 2001, in the United States District Court for the Eastern District of Kentucky. *EEOC (Janice Smith) v. Wal-Mart Stores, Inc.* is an action brought by the EEOC on behalf of Janice Smith and all other females who made application or transfer requests at the London, Kentucky Distribution Center from 1995 to the present, and who were not hired or transferred into the warehouse positions for which they applied. The class seeks back pay for those females not selected for hire or transfer during the relevant time period. The class also seeks injunctive and prospective affirmative relief. The complaint alleges that the Company based hiring decisions on gender in violation of Title VII of the 1964 Civil Rights Act as amended. The EEOC can maintain this action as a class without certification.

The Company is a defendant in seven putative class actions pending in Massachusetts, in which the plaintiffs allege that the Company violated a state regulation requiring individual price stickers to be affixed to certain items offered for retail sale. Plaintiffs seek equitable relief requiring Wal-Mart to affix individual prices to such items when they are placed for sale in Massachusetts, statutory damages of $25 for each violation in Massachusetts since 1998, treble damages, and attorneys' fees. The first suit was filed on November 26, 2002. Wal-Mart has filed motions to dismiss the statutory damage claims as to the unnamed class members and a motion to stay discovery pending the outcome of other pending motions. Class certification has not been decided in any of these cases. The court entered an Order staying all proceedings in the cases while the parties participated in mediation. A settlement agreement was reached as a result of the mediation, but it requires court approval to become effective. The court has scheduled a hearing for December 15, 2003, to review the agreement. If the court approves the settlement agreement, it will not have a material impact on the Company's financial condition and consolidated financial statements.

Note 8. Commitments

The Company has guaranteed specific obligations of certain third-party construction contractors in the amount of $110 million. In connection with debt financing of $500 million, the Company entered into related interest rate swaps. Should an unlikely event occur that terminates these financing transactions and the related swaps, we would be liable for a termination payment that at October 31, 2003, approximated $86 million. Additionally, the Company has entered into agreements with third-party companies that would require us to purchase specified transportation equipment for up to approximately $157 million in the unlikely event that some or all of these agreements are terminated.

Note 9. Discontinued Operations

On May 23, 2003, the Company completed the sale of McLane. The Company received $1.5 billion in cash for the sale. In accordance with the provisions related to discontinued operations specified within FAS 144, the accompanying consolidated financial statements and notes reflect the gain on the sale and the operations of McLane as a discontinued operation.

Following is summarized financial information for McLane operations (in millions):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2003	**2002**	**2003**	**2002**
Income from discontinued operations	-	$ 28	$ 67	$ 130
Income tax expense	-	11	25	48
Net operating income from discontinued operations	-	$ 17	$ 42	$ 82
Gain on sale of McLane net of $147 income tax expense	-	-	151	-
Income from discontinued operations, net of tax	**$ -**	**$ 17**	**$ 193**	**$ 82**

The effective tax rate on the gain on the sale of McLane was 49% as a result of the non-deductibility of $99 million of goodwill that was recorded on the Company's balance sheet at the time of the original McLane acquisition.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Wal-Mart Stores, Inc. and its subsidiaries are in the business of serving customers. In the United States, our operations are centered on retail stores and membership warehouse clubs. Internationally, our operations are centered on retail stores, warehouse clubs and restaurants. We have built our business by offering our customers quality merchandise at low prices. Through our negotiations with suppliers and by efficiently managing our distribution network we are able to obtain lower merchandise costs and pass them on to our customers. The key to our success is our ability to grow our base business. In the United States we grow our base business by building new stores and by increasing sales in our existing stores, including offering new kinds of goods and services to our customers. Internationally, we grow our business by building new stores, increasing sales in our existing stores and through acquisitions. We intend to continue to expand both domestically and internationally.

On May 2, 2003, we announced that we had entered into an agreement to sell McLane Company, Inc. ("McLane"), one of our wholly-owned subsidiaries, for $1.5 billion. McLane was sold on May 23, 2003. We anticipate that, excluding any gain on the sale, the transaction will have a dilutive effect on our earnings of approximately $0.01 per share in fiscal 2004 and $0.02 per share in fiscal 2005. As a result of this sale, we have classified McLane as a discontinued operation in the discussions and comparisons of both the current fiscal year and prior fiscal year quarters and nine-month periods ended October 31, 2003 and 2002, as well as the fiscal year ended January 31, 2003.

This discussion relates to Wal-Mart Stores, Inc. and its consolidated subsidiaries and should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended January 31, 2003, and with our consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

Results of Operations

Our net sales increased by 13.1% and 11.4% for the quarter and nine months ended October 31, 2003, respectively, when compared to the same periods in fiscal 2003. These net sales increases resulted from our domestic and international expansion programs and domestic comparable store sales increases of 6.1% and 3.9% for the quarter and nine months ended October 31, 2003, respectively. We consider comparable stores sales to be sales at stores that were open as of February 1st of the prior fiscal year and have not been expanded or relocated since February 1st of the prior fiscal year. Stores that have been expanded or relocated during that period are not included in the calculation of comparable store sales. Comparable store sales are also referred to as "same-store" sales and as "comp sales" within the retail industry.

At October 31, 2003, we had 1,476 Wal-Mart stores, 1,430 Supercenters, 533 Sam’s Clubs and 60 Neighborhood Markets in the United States. Internationally, we operated units in Argentina (11), Brazil (25), Canada (220), Germany (92), Mexico (609), Puerto Rico (52), South Korea (15), the United Kingdom (265) and under joint venture agreements in China (31). At October 31, 2002, we had 1,567 Wal-Mart stores, 1,243 Supercenters, 522 Sam’s Clubs and 39 Neighborhood Markets in the United States. Internationally, we operated units in Argentina (11), Brazil (22), Canada (201), Germany (95), Mexico (587), Puerto Rico (19), South Korea (14), the United Kingdom (256) and under joint venture agreements in China (22).

Our total gross profit as a percentage of sales (our "gross margin") decreased from 22.8% in the third quarter of fiscal 2003 to 22.7% during the third quarter of fiscal 2004. For the nine-month period ended October 31, 2003, gross margin was 22.7%, up from 22.6% in the same period in fiscal 2003. The decrease in gross margin during the quarter resulted from lower margins in Wal-Mart and Sam’s Clubs. Additionally, the percentage of total sales generated by the International segment increased relative to the Sam’s Club segment sales for both the three-month and nine-month periods ended October 31, 2003, when compared to the same periods in the prior fiscal year. Because the International segment sales yield higher gross margins than does the Sam’s Club segment, this change in sales mix favorably impacted the Company’s total gross margin.

Operating, selling, general and administrative expenses, as a percentage of sales, were 18.2% for the third quarter of fiscal 2004 and 2003, and 18.0% and 17.9% for the first nine months of fiscal 2004 and 2003, respectively. The increase for the nine-month period was primarily due to expenses increasing at a rate greater than that at which sales increased as a result of increases in operating expenses in the Wal-Mart segment.

Interest costs on debt and capital leases, net of interest income, as a percentage of sales decreased 0.1% for both the third quarter and first nine months of fiscal 2004 when compared to the same periods in fiscal 2003. These decreases resulted from lower average interest rates on our outstanding indebtedness and the positive impacts of our interest rate swap program. Both our U.S. and international operating units generate interest income. The largest contributors of interest income are our operations in Mexico and in the United Kingdom.

As a result of the foregoing factors and the $151 million net gain realized from the sale of McLane, our net income increased by 12.9% and 16.3% for the quarter and nine months ended October 31, 2003, respectively, when compared to our net income for the same periods in fiscal 2003. Our effective income tax rate from continuing operations for the three-month and nine-month periods of fiscal 2004 and fiscal 2003 was approximately 35%.

Wal-Mart Stores Segment

Three months ended October 31, 2003

The following table gives selected financial information for the three months ended October 31, 2003 and 2002:

Fiscal Year	Segment sales (in millions)	Segment sales increase from prior fiscal year third quarter	Segment operating income (in millions)	Segment operating income increase from prior fiscal year third quarter	Operating income as a percentage of segment sales
2004	$42,386	12.8%	$2,967	10.9%	7.0%
2003	$37,573	11.8%	$2,676	15.5%	7.1%

The third quarter fiscal 2004 sales increase of the Wal-Mart Stores segment resulted from our continued expansion activities within the segment and sales increases in comparable stores. Expansion during the third quarter of fiscal 2004 consisted of the opening of 17 Wal-Mart Stores, 7 Neighborhood Markets and 74 Supercenters (including the conversion of 49 existing Wal-Mart Stores into Supercenters) and added 12,114,223 of additional store square footage. The comparable store sales increase for the segment was 5.7% for the third quarter of fiscal 2004. Segment sales as a percentage of our total net sales for the quarter ended October 31, 2003,was 67.8%, a decrease of 0.2% from the quarter ended October 31, 2002. This decrease resulted from the International segment’s net sales growing at a faster rate than the Wal-Mart segment.

The decrease in Wal-Mart Stores segment’s operating income as a percentage of segment sales resulted primarily from an increase in the segment’s operating expenses as a percentage of segment sales and a decrease in the segment’s gross margin. Operating expenses increased as the result of increases in wages, health care insurance and accident insurance costs. The decrease in gross margin resulted from increased markdowns, primarily in apparel.

Nine months ended October 31, 2003

The following table gives selected financial information for the nine months ended October 31, 2003 and 2002:

Fiscal	Segment sales (in	Segment sales increase/ from prior fiscal year first nine	Segment operating income (in	Segment operating income increase from prior fiscal year first nine	Operating income as a percentage of segment

Year	millions)	months	millions)	months	sales
2004	$123,574	10.7%	$9,036	9.4%	7.3%
2003	$111,631	13.7%	$8,256	16.3%	7.4%

The sales increase for the first nine months of fiscal 2004 resulted from our continued expansion activities within the Wal-Mart Stores segment and sales increases in comparable stores. Expansion during the first nine months of fiscal 2004 consisted of the opening of 28 Wal-Mart Stores, 11 Neighborhood Markets and 172 Supercenters (including the conversion of 120 existing Wal-Mart Stores into Supercenters) and added 25,577,734 of additional store square footage. The comparable store sales increase for the segment was 3.7% for the first nine months of fiscal 2004. Segment sales as a percentage of our total net sales for the nine months ended October 31, 2003,was 68.0%, a decrease of 0.4% from the nine months ended October 31, 2002. This decrease resulted from the International segment's net sales growing at a faster rate than the Wal-Mart segment.

The decrease in Wal-Mart Stores segment's operating income as a percentage of segment sales resulted primarily from an increase in the segment's operating expenses as a percentage of segment sales which was offset by a slight improvement in the segment's gross margin. Operating expenses increased as the result of increases in wages, health care insurance and accident insurance costs. The slight improvement in gross margin occurred despite an increase in markdowns taken, primarily in apparel.

Sam's Clubs Segment

Three months ended October 31, 2003

The following table gives selected financial information for the three months ended October 31, 2003 and 2002:

Fiscal Year	Segment sales (in millions)	Segment sales increase from prior fiscal year third quarter	Segment operating income (in millions)	Segment operating income increase/ (decrease) from prior fiscal year third quarter	Operating income as a percentage of segment sales
2004	$8,607	11.2%	$270	12.5%	3.1%
2003	$7,742	6.1%	$240	(2.0%)	3.1%

The Sam's Clubs segment sales increase for the quarter ended October 31, 2003, resulted from the Sam's Clubs segment's continued expansion activities and sales increases in comparable clubs. Expansion during the third quarter of fiscal year 2004 consisted of the opening of 5 new clubs and adding 1,056,618 of additional club square footage. For the segment, the comparable sales increase was 8.0% for the quarter ended October 31, 2003. Segment sales as a percentage of our total net sales was 13.8%, a decrease of 0.2% from the quarter ended October 31, 2002. The reduction in the Sam's Clubs segment's sales as a percentage of total Company sales largely resulted from the International segment's net sales growing at a rate faster than the Sam's Clubs segment.

The Sam's Clubs segment's operating income as a percentage of segment sales remained unchanged for the third quarter of fiscal year 2004 when compared to the same period in the prior fiscal year. This was the result of a decrease in the segment's operating expenses, offset by a decrease in the segment's gross margin.

Nine months ended October 31, 2003

The following table gives selected financial information for the nine months ended October 31, 2003 and 2002:

Fiscal Year	Segment sales (in millions)	Segment sales increase from prior fiscal year first nine months	Segment operating income (in millions)	Segment operating income increase from prior fiscal year first nine months	Operating income as a percentage of segment sales
2004	$24,982	8.7%	$783	7.3%	3.1%
2003	$22,976	8.9%	$730	0.3%	3.2%

The Sam’s Clubs segment sales increase for the nine months ended October 31, 2003, resulted from the Sam’s Clubs segment’s continued expansion activities and sales increases in comparable clubs. Expansion during the first nine months of fiscal year 2004 consisted of the opening of 8 new clubs and adding 1,587,290 of additional club square footage. For the segment, the comparable sales increase was 4.6% for the nine months ended October 31, 2003. Segment sales as a percentage of our total net sales for the nine months ended October 31, 2003, was 13.7%, a decrease of 0.3% from the nine months ended October 31, 2002. The reduction in the Sam’s Clubs segment’s sales as a percentage of total Company sales resulted largely from the International segment’s net sales growing at a rate faster than the Sam’s Clubs segment.

The decrease in the segment’s operating income as a percentage of segment sales for the first nine months of fiscal year 2004 resulted from a decrease in gross margin partially offset by a reduction in operating expenses. The reduction in gross margin was driven primarily by the effect of the adoption of the Financial Accounting Standards Board’s Emerging Issues Task Force (EITF) Issue No. 02-16, "Accounting by a Reseller for Cash Consideration Received from a Vendor ("EITF 02-16") in the first nine months. Other income, which consists mainly of club membership revenue, as a percentage of segment sales, increased slightly in the first nine months of fiscal 2004 when compared to the prior year which partially offset the decrease in gross margin.

International Segment

Three months ended October 31, 2003

The following table gives selected financial information for the three months ended October 31, 2003 and 2002:

Fiscal Year	Segment sales (in millions)	Segment sales increase from prior fiscal year third quarter	Segment operating income (in millions)	Segment operating income increase from prior fiscal year third quarter	Operating income as a percentage of segment sales
2004	$11,487	15.7%	$564	28.5%	4.9%
2003	$9,926	14.4%	$439	44.9%	4.4%

The International segment sales for the quarter ended October 31, 2003, when compared to the sales in the same period in fiscal 2003, increased as a result of continued expansion activities within the segment, comparable store sales increases and the positive impact of $364 million from foreign currency exchange rate fluctuations. During the third quarter of fiscal year 2004, expansion in the International segment included the opening of 31 units and the net addition of 2,969,707 square feet in 5 countries. Our strongest comparable store sales increases were in the United Kingdom, Argentina, Mexico and Canada. International sales as a percentage of our total net sales increased from 18.0% in the quarter ended October 31, 2002, to 18.4% for the quarter ended October 31, 2003

International segment’s operating income included a positive impact of $14 million from foreign currency exchange rate fluctuations during the period.

Nine months ended October 31, 2003

The following table gives selected financial information for the nine months ended October 31, 2003 and 2002:

Fiscal Year	Segment sales (in millions)	Segment sales increase from prior fiscal year first nine months	Segment operating income (in millions)	Segment operating income increase from prior fiscal year first nine months	Operating income as a percentage of segment sales
2004	$33,279	16.3%	$1,509	20.7%	4.5%
2003	$28,609	15.9%	$1,250	71.5%	4.4%

The International segment sales for the nine months ended October 31, 2003, when compared to the sales in the same period in fiscal 2003, increased as a result of continued expansion activities within the segment, comparable store sales increases and the positive impact of $1.2 billion from foreign currency exchange rate fluctuations. During the first nine months of fiscal year 2004, expansion in the International segment included the opening of 52 units, the closing of 4 units, and the net addition of 4,725,806 square feet in 6 countries. Our strongest comparable store sales increases were in the United Kingdom, Mexico and Canada. International sales as a percentage of our total net sales increased from 17.5% in the nine months ended October 31, 2002, to 18.3% for the nine months ended October 31, 2003.

International segment’s operating income as a percent of the segment’s sales for the nine months ended October 31, 2003 increased despite the second quarter write-off of the intangible pharmacy licenses in the United Kingdom, the second quarter Mexico Sam’s Club VAT charges, and the adoption of EITF 02-16 in the first quarter. Without the these impacts, operating income would have increased by 31.8% from the prior year’s first nine months rather than by 20.7% as noted above. International segment’s operating income included a positive impact of $46 million from foreign currency exchange rate fluctuations during the period.

Liquidity and Capital Resources

Cash flows provided by operating activities provide us with a significant source of liquidity. Cash flows provided by operating activities in the first nine months of fiscal 2004 were $7.7 billion, compared with $5.7 billion for the comparable period in fiscal 2003. Operating cash flow increased for the first nine months of fiscal 2004, compared with the comparable period in fiscal 2003, primarily due to an increase in net income for the period; improved inventory management and better leveraging of inventories resulting in inventories growing at a slower rate than sales and accounts payables growing at a faster rate than inventories compared to the same period of fiscal 2003; a decrease in accounts receivable of $460 million compared to a decrease of $84 million in the same period of fiscal 2003 due to the collection of foreign taxes receivable; and an increase in accrued liabilities of $1.2 billion compared with an increase of $915 million in the same period of fiscal 2003 due to increases in accruals for insurance, salaries and interest.

During the first nine months of fiscal 2004, we paid dividends of $1.2 billion, made $7.4 billion in capital expenditures, issued long-term debt totaling $4.1 billion, issued commercial paper of $2.1 billion (net of commercial paper repaid in that period), repaid $3.5 billion of long-term debt and re-purchased $3.1 billion of the outstanding shares of our common stock. In addition, we received cash of $1.5 billion in May 2003, from the sale of McLane.

At October 31, 2003, we had total assets of $104.8 billion compared with total assets of $94.7 billion at January 31, 2003. Our working capital deficit at October 31, 2003, was $2.4 billion, a change of $465 million from the deficit of $2.0 billion at January 31, 2003. The ratio of our current assets to our current liabilities was 0.9 to 1.0, at October 31, 2003 and January 31, 2003.

In March 2003, we announced that we had increased the annual dividend on our common stock by 20% to $0.36 per share. We have increased our dividend every year since our first declared dividend in March 1974.

In February 2003, we sold $1.5 billion of our floating rate notes due 2005 which bear interest at a per annum rate of LIBOR minus 0.0425%. In April 2003, we sold $1.5 billion of our 4.55% notes that will mature in calendar 2013. In September 2003, we sold $1.0 billion of our 3.375% notes that will mature in calendar 2008.

During June 2003, our Board of Directors restored the authorization level for our share repurchase program to $5 billion. The Company purchased 56.2 million of its common shares for a total of $3.1 billion for the nine month period ended October 31, 2003. Shares purchased under our share repurchase program are constructively retired and returned to unissued status. We consider several factors in determining when to make share repurchases, including among other things, our current cash needs, our cost of borrowing, and the market price of the stock. There is no expiration date governing the period over which we can make our share repurchases. The share repurchase program had a remaining authorized balance of $2.8 billion for future common stock repurchases as of October 31, 2003.

If our operating cash flows are not sufficient to pay the increased dividend and to fund our capital expenditures, we anticipate funding any shortfall in these expenditures with a combination of commercial paper and long-term debt. We plan to refinance existing long-term debt as it matures and may desire to obtain additional long-term financing for other corporate purposes. We anticipate no difficulty in obtaining long-term financing in view of our credit rating and favorable experiences in the debt market in the recent past. Standard & Poors ("S&P"), Moody's and Fitch currently rate our commercial paper A-1+, P-1 and F1+ and our long-term AA, Aa2 and AA, respectively. As of October 31, 2003, we have $6 billion of debt securities remaining under a shelf registration statement previously filed with the United States Securities and Exchange Commission which are eligible for issuance, subject to market conditions in the public markets. Our objective is to maintain a debt to total capitalization ratio of approximately 40%. At October 31, 2003, and January 31, 2003, the ratio of our debt to our total capitalization was 39.7% and 39.1%, respectively.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

Market risks relating to our operations result primarily from changes in interest rates and changes in foreign currency exchange rates. Our market risks at October 31, 2003, are similar to those disclosed in our Form 10-K for the year ended January 31, 2003. However, during the first nine months of fiscal 2004, we added a $1.5 billion notional floating interest to fixed interest rate swap in connection with our issuance of $1.5 billion of floating interest rate notes in February 2003. The fair value of the swap was ($5.6 million) at October 31, 2003, with the fair value of our total portfolio being $664.4 million.

The information concerning market risk under the sub-caption "Market Risk" of the caption "Management's Discussion and Analysis" on pages 25 through 28 of the Annual Report to Shareholders for the year ended January 31, 2003, that is an exhibit to our Annual Report on Form 10-K for the year ended January 31, 2003, is hereby incorporated by reference into this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures.

The Company maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. An evaluation of the effectiveness of the design and operation of Wal-Mart's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"))("Disclosure Controls") was performed as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that these Disclosure Controls are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

There has been no change in the Company's internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We discuss certain legal proceedings pending against us in Part I of this Quarterly Report on Form 10-Q under the caption "Item 1. Financial Statements," in Note 7 to our financial statements, which is captioned: "Contingencies," and refer you to that discussion for important information concerning those legal proceedings, including the basis for such action and the relief sought. We provide the following additional information concerning those legal proceedings:

Immigration Matter: On October 23, 2003, the United States Bureau of Immigration and Customs Enforcement ("BICE") (formerly, the Immigration and Naturalization Service) entered 61 of Wal-Mart's stores located in 21 states and arrested approximately 230 people, most of whom were employees of third-party contractors that the Company retained to provide floor cleaning in its stores and 10 of whom were employed directly by the Company. The arrests were part of an investigation by the BICE and the U.S. Attorney's Office for the Middle District of Pennsylvania into possible violations of the Immigration and Naturalization Act. The Company has been formally advised by the U.S. Attorney's Office that it is a target of the investigation. The outcome of the investigation and any potential liability on the part of the Company cannot be determined at this time.

WAGE AND HOUR "Off the Clock" CLASS ACTIONS: *Armijo v. WM,* 1st Judicial Dist. Ct., Rio Arriba County, NM, 9/18/00; *Bailey v. WM,* Marion County Superior Ct. IN, 8/17/00; *Barnett v. WM,* Superior Ct. of WA, King County, 9/10/01; *Basco v. WM,* US Dist. Ct. ("USDC"), Eastern Dist. of LA, 9/5/00; *Braun v. WM,* 1st Judicial Dist. Ct. Dakota County MN, 9/12/01; *Braun v. WM,* Ct. of Common Pleas, Philadelphia County, PA, 3/20/02; *Brown v. WM,* 14th Judicial Circuit Ct., Rock Island, IL, 6/20/01; *Carr v. WM,* Superior Ct. of Fulton County, GA, 8/14/01; *Carrillo v. WM,* Superior Ct. of AZ, Pima County, 11/30/01; *Carter v. WM,* Ct. of Common Pleas, Colleton County, SC, 7/31/02; *Gamble v. WM,* Supreme Ct. of the State of NY, County of Albany, 12/7/01; *Hale v. WM,* Circuit Ct., Jackson County, MO, 8/15/01; *Hall v. WM,* 8th Judicial Dist. Ct., Clark County, NV, 9/9/99; *Harrison v. WM,* Superior Ct. of Forsyth County, NC, 11/29/00; *Holcomb v. WM,* State Ct. of Chatham County, GA, 3/28/00; *Iliadis v. WM,* Superior Ct. of NJ, Middlesex County, 5/30/02; *Jackson v. WM,* USDC, Middle Dist. of AL, Northern Div., 2/24/03; *James v. WM,* Superior Ct., Middlesex County, MA, 8/21/01; *Kuhlmann (In Re: Wal-Mart Employee Litigation) v. WM,* Circuit Ct., Milwaukee County, WI, 8/30/01; *Lerma v. WM,* Dist. Ct., Cleveland County, OK, 8/31/01; *Lopez v. WM,* 23rd Judicial Dist. Ct. of Brazoria County, TX, 6/23/00; *Michell v. WM,* USDC, Eastern Dist. of TX, Marshall Div., 9/13/02; *Montgomery v. WM,* USDC, Southern Dist. of MS, 12/30/02; *Mussman v. WM,* IA Dist. Ct., Clinton County, 6/5/01; *Nagy v. WM,* Circuit Ct. of Boyd County, KY, 8/29/01; *Pickett v. WM* , Circuit Court, Shelby County, TN, 10/22/03; *Pittman v. WM,* Circuit Ct. for Prince George's County, MD, 7/31/02; *Richards v. WM,* Circuit Ct. of Harrison County, WV, 6/26/98; *Robinson v. WM,* Circuit Ct., Holmes County, MS, 12/30/02; *Sago v. WM,* Circuit Ct., Holmes County, MS, 12/31/02; *Sarda v. WM,* Circuit Ct., Washington County, FL, 9/21/01; *Savaglio v. WM,* Superior Ct. of CA, Alameda County, 2/6/01; *Smith v. WM,* Circuit Ct., Holmes County, MS, 12/31/02; *Thiebes v. WM,* USDC, Dist. of OR, 6/30/98; *Willey v. WM,* Dist. Ct. of Wyandotte County, KS, 9/21/01; *Wilson v.* WM, Common Pleas Ct. of Butler County, OH, 10/27/03; Winters *v. WM,* Circuit Ct., Holmes County, MS, 5/28/02

CALIFORNIA LABOR CODE CASES: *Cruz v. WM* , Superior Ct. of CA, Los Angeles County, CA, 10/24/03; *UFCW v. WM* , Superior Ct. of CA, Alameda County, CA, 10/30/03

EXEMPT STATUS CASE: *Ramsey v. WM,* USDC, Western Dist. of MI, Northern Div., 12/23/02

DUKES v. WM: *Dukes v. WM,* USDC, Northern Dist. of CA, San Francisco Div., 6/19/01

COLI LITIGATION: *Mayo v. Hartford Life Ins. Co.,* USDC, Southern Dist. of TX, Houston Div., 6/28/01; *Waller v. AIG Life Ins. Co.,* USDC, Northern Dist. of TX, Fort Worth Div., 7/3/01; *Rice v. WM,* USDC, Dist. of NH, 7/23/02; *Miller v. WM,* USDC, Southern Dist. of TX, Houston Div., 10/22/02; *Lewis v. WM,* USDC, Northern Dist. of OK, 12/18/02

MAULDIN V. WM: *Mauldin v. WM,* USDC, Northern Dist. of GA, Atlanta Div., 10/16/01

EEOC (SMITH) v. WM: *EEOC (Smith) v. WM,* USDC, Eastern Dist. of KY, London Div., 8/31/01

ITEM PRICING LITIGATION: *Herman v. WM,* 11/27/02; *Downing v. WM,* 11/26/02; *Carmel v. WM,* 12/5/02; *Sullivan v. WM,* 12/6/02; *Cutlip v. WM,* 12/5/02; *Cameron v. WM,* 12/20/02; *Tierney v. WM,* 12/24/02; all pending in the Middlesex Superior Ct., MA

ENVIRONMENTAL MATTERS: Item 103 of the Securities and Exchange Commissions Regulation S-K requires disclosure of certain environmental matters. The following matters are disclosed in accordance with that requirement:

During fiscal 2001, the State of Connecticut filed suit against the Company in the State of Connecticut Superior Court for the Judicial District of Hartford alleging various violations of state environmental laws and alleging that the Company failed to obtain the appropriate permits or failed to maintain required records relating to storm water management practices at 12 stores. The suit seeks to ensure the Company’s compliance with the general permit for the discharge of stormwater associated with those stores.

The United States Environmental Protection Agency (EPA) has alleged that the Company and some of its construction contractors have violated the EPA's stormwater regulations on specific sites primarily in Colorado and Utah, but also in other parts of the country. On July 31, 2003, the Company served the EPA with a Notice of Dispute as required by the national consent decree entered into between the Company and the EPA in August, 2001. Serving the Notice of Dispute initiates an informal dispute resolution process in accordance with the terms of the consent decree. The Company also filed a copy of the Notice with the United States District Court for the Western District of Arkansas.

On July 29, 2002, the United States Environmental Protection Agency (EPA) advised the Company that it had initiated an investigation involving the Company’s compliance with sections 608 and 609 of the Clean Air Act and regulations promulgated thereunder with regard to the sales of Class I and Class II refrigerant products. The statutes provide that the sales of these products are restricted to persons and/or entities which are properly licensed. The EPA asserts that, during the relevant time period, the Company made approximately 20 such sales to non-licensed persons and/or entities. The Company has reached a tentative agreement to settle these allegations without admitting any wrongdoing or violations of the statutes by paying a $400,000 civil penalty and entering into a Consent Decree with the EPA. When approved by the Court, the Consent Decree will require that the Company comply fully with the relevant Clean Air Act sections and regulations in the future.

In August 2003, the Company was served with a grand jury subpoena in connection with an investigation by the Office of District Attorney of Harris County, Texas. The subpoena seeks information related to the waste disposal activities of one of the Company’s photo processing labs. The Company is cooperating with the investigation.

Item 5. Other Information

This Quarterly Report contains statements that Wal-Mart believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. These forward-looking statements generally can be identified by use of phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee" or other similar words or phrases. Similarly, descriptions of our objectives, strategies, plans, goals or targets are also forward-looking statements. These statements discuss, among other things, expected growth, future revenues, future cash flows, future performance and the anticipation and expectations of Wal-Mart and its management as to future occurrences and trends. These forward-looking statements are subject to risks, uncertainties and other factors, in the United States and internationally, including, the cost of goods, the cost of electricity and other energy requirements, competitive pressures, inflation, consumer spending patterns and debt levels, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, unemployment levels, interest rate fluctuations, changes in government regulations, changes in tax laws and other capital market conditions, and other risks. We discuss certain of these matters more fully in other of our filings with the SEC, including our Annual Report on Form 10-K for our fiscal year 2003, which was filed with the SEC on April 15, 2003; this Quarterly Report should be read in conjunction with our Annual Report on Form 10-K, and together with all our other filings, including Current Reports on Form 8-K, made with the SEC through the date of this report. You are urged to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements. As a result of these matters, including changes

in facts, assumptions not being realized or other circumstances, our actual results may differ materially from historical results or from anticipated results expressed or implied in these forward-looking statements. The forward-looking statements included in this Quarterly Report are made only as of the date of this report and we undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

Item 6. Exhibits and Reports on Form 8-K

(a) The following document is filed as an exhibit to this Form 10-Q:

Exhibit 3(i) – Restated Certificate of Incorporation of the Company is incorporated herein by reference to Exhibit 3(a) from the Annual Report on Form 10-K of the Company for the year ended January 31, 1989, the Certificate of Amendment to the Restated Certificate of Incorporation is incorporated herein by reference to Registration Statement on Form S-8 (File Number 33-43315) and the Certificate of Amendment to the Restated Certificate of Incorporation is incorporated hereby by reference to the Current Report on Form 8-K dated June 27, 1999.

Exhibit 3(ii) - By-Laws of the Company, as amended June 3, 1993, are incorporated herein by reference to Exhibit 3(b) to the Company's Annual Report Form 10-K for the year ended January 31, 1994. This document is located in the Securities and Exchange Commission's Public Reference Room in Washington, D.C. in the Securities and Exchange Commission's file no. 1-6991

Exhibit 12 – Statement Re Computation of Fixed Charges.

Exhibit 31.1 – Chief Executive Officer Section 302 Certification

Exhibit 31.2 – Chief Financial Officer Section 302 Certification

Exhibit 32.1 – Chief Executive Officer Section 906 Certification

Exhibit 32.2 – Chief Financial Officer Section 906 Certification

Exhibit 99 - All information incorporated by reference in Part I, Item 3 of this Quarterly Report on Form 10-K from the Annual Report on Form 10-K of the Company for the year ended January 31, 2003.

(b) Reports on Form 8-K.

Report on Form 8-K, furnished August 7, 2003, with respect to the Company's August 7, 2003,press release regarding its results of operations for its month ended July 31, 2003.

Report on Form 8-K, furnished August 13, 2003, with respect to the Company's August 13, 2003, press release regarding its results of operations for its quarter and six months ended July 31, 2003, and its consolidated statements of income for the quarters and six months ended July 31, 2002, and 2003, condensed consolidated balance sheets as of July 31, 2002, and 2003, and condensed consolidated statements of cash flows for the six months ended July 31, 2002, and 2003.

Report on Form 8-K, filed on September 30, 2003,disclosing the Company's entry into a Pricing Agreement and an Underwriting Agreement related to the proposed sale of $1,000,000,000 aggregate principal amount of notes.

Report on Form 8-K, filed September 30, 2003, disclosing the Company's completion of the sale of $1,000,000,000 aggregate principal amount of notes.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WAL-MART STORES, INC.

Date: December 11, 2003

/s/ H. Lee Scott, Jr.
H. Lee Scott
President and
Chief Executive Officer

Date: December 11, 2003

/s/ Thomas M. Schoewe
Thomas M. Schoewe
Executive Vice President
and Chief Financial Officer

Index to Exhibits

Exhibit Number	**Description of Document**
3(i)	Restated Certificate of Incorporation of the Company is incorporated herein by reference to Exhibit 3(a) from the Annual Report on Form 10-K of the Company for the year ended January 31, 1989, the Certificate of Amendment to the Restated Certificate of Incorporation is incorporated herein by reference to Registration Statement on Form S-8 (File Number 33-43315) and the Certificate of Amendment to the Restated Certificate of Incorporation is incorporated hereby by reference to the Current Report on Form 8-K dated June 27, 1999.
3(ii)	By-Laws of the Company, as amended June 3, 1993, are incorporated herein by reference to Exhibit 3(b) to the Company’s Annual Report on Form 10-K for the year ended January 31, 1994. This document is located in the Securities and Exchange Commission’s Public Reference Room in Washington, D.C. in the Securities and Exchange Commission’s file no. 1-6991.
12	Statement Re Computation of Ratios.
31.1	Chief Executive Officer Section 302 Certification.
31.2	Chief Financial Officer Section 302 Certification.
32.1	Chief Executive Officer Section 906 Certification.
32.2	Chief Financial Officer Section 906 Certification.
99	All information incorporated by reference in Part I, Item 3 of this Quarterly Report on Form 10-K from the Annual Report on Form 10-K of the Company for the year ended January 31, 2003.

Exhibit 12

Statement re computation of ratios

	Nine Months Ended		Fiscal Years Ended				
	10/31/2003	10/31/2002	2003	2002	2001	2000	1999
Income before income taxes	9,648	8,482	12,368	10,396	9,783	9,110	7,020
Capitalized interest	(93)	(98)	(124)	(130)	(93)	(57)	(41)
Minority interest	(131)	(129)	(193)	(183)	(129)	(170)	(153)
Adjusted profit before tax	9,424	8,255	12,051	10,083	9,561	8,883*	6,826

Fixed Charges							
Debt interest	539	617	799	1,080	1,103	777	517
Capital lease interest	202	189	260	274	279	266	268
Capitalized interest	93	98	124	130	93	57	41
Interest component of rent	67	66	81	77	47	43	52
Total fixed expense	901	970	1,264	1,561	1,522	1,143	878
Profit before taxes and fixed expenses	10,325	9,225	13,315	11,644	11,083	10,026	7,704
Fixed charge coverage	**11.46**	**9.51**	**10.53**	**7.46**	**7.28**	**8.77**	**8.77**

* Does not include the cumulative effect of accounting change recorded by the Company in Fiscal 2000

Certain reclassifications have been made to prior periods to conform to current presentations. In addition, the impacts of McLane as a discontinued operation have been removed effective for all periods presented.

EXHIBIT 31.1

I, H. Lee Scott, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wal-Mart Stores, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   A. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   B. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
   C. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   A. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   B. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control.

Date: December 11, 2003

/s/ H. Lee Scott, Jr.

H. Lee Scott, Jr.
President and
Chief Executive Officer

EXHIBIT 31.2

I, Thomas M. Schoewe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wal-Mart Stores, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   A. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   B. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
   C. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   A. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   B. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control.

Date: December 11, 2003 /s/ Thomas M. Schoewe

Thomas M. Schoewe
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350 (AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Wal-Mart Stores, Inc. (the "Company") on Form 10-Q for the period ending October 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Lee Scott, Jr., President and Chief Executive Officer of the Company, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

IN WITNESS WHEREOF, the undersigned has executed this Certificate, effective as of December 11, 2003.

/s/ H. Lee Scott, Jr.

H. Lee Scott, Jr.
President and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Wal-Mart Stores, Inc. and will be retained by Wal-Mart Stores, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350 (AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Wal-Mart Stores, Inc. (the "Company") on Form 10-Q for the period ending October 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas M. Schoewe, Executive Vice President and Chief Financial Officer of the Company, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

IN WITNESS WHEREOF, the undersigned has executed this Certificate, effective as of December 11, 2003.

/s/ Thomas M. Schoewe

Thomas M. Schoewe
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Wal-Mart Stores, Inc. and will be retained by Wal-Mart Stores, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Market Risk

Market risks relating to our operations include changes in interest rates and changes in foreign exchange rates. We enter into interest rate swaps to minimize the risk and costs associated with financing activities, as well as to attain an appropriate mix of fixed and floating rate debt. The swap agreements are contracts to exchange fixed or variable rates for variable or fixed interest rate payments periodically over the life of the instruments. The following tables provide information about our derivative financial instruments and other financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and interest rates by contractual maturity dates. The applicable floating rate index is included for variable rate instruments. All amounts are stated in United States dollar equivalents.

Interest Rate Sensitivity as of January 31, 2003
Principal (Notional) Amount by Expected Maturity
Average Interest (Swap) Rate

(Dollar Amounts in Millions)	2004	2005	2006	2007	2008	Thereafter	Total	Fair value 1/31/03
Liabilities								
U.S. dollar denominated long-term debt including current portion								
Fixed rate debt	$ 4,529	$ 2,290	$ 2,755	$ 2,019	$ 1,576	$ 6,201	$ 19,370	$ 18,604
Average interest rate – USD rate	5.4%	6.4%	6.0%	6.2%	6.6%	6.9%	6.3%	
Great Britain pound denominated long-term debt including current portion								
Fixed rate debt	9	94	–	37	–	1,635	1,775	1,860
Average interest rate	9.6%	4.4%		8.4%		5.2%	5.2%	

Interest Rate Sensitivity as of January 31, 2003
Principal (Notional) Amount by Expected Maturity

Average Interest (Swap) Rate

(Dollar amounts in millions)	2004	2005	2006	2007	2008	Thereafter	Total	Fair value 1/31/03
Interest Rate Derivative Financial Instruments Related to Debt								
Interest rate swaps –								
Pay variable/receive fixed	–	$ 1,250	–	–	–	$ 3,250	$ 4,500	$ 426
Weighted average rate paid – Rate D plus 1.70%								
Weighted average fixed rate received – USD rate	–	6.6%	–	–	–	6.9%	6.8%	
Interest rate swap –								
Pay variable/receive fixed	–	500	$ 1,097	$ 1,750	–	445	3,792	377
Weighted average rate paid – Rate B plus .84%								
Weighted average fixed rate received – USD rate	–	7.5%	5.1%	5.8%	–	7.3%	6.0%	
Interest rate basis swap	–	–	–	–	–	500	500	2
Weighted average rate paid – Rate C								
Weighted average rate received – Rate A minus 0.06%								

Rate A – one-month U.S. LIBOR
Rate B – three-month U.S. LIBOR
Rate C – U.S. commercial paper
Rate D – six-month U.S. LIBOR

Interest Rate Sensitivity as of January 31, 2002
Principal (Notional) Amount by Expected Maturity
Average Interest (Swap) Rate

(Dollar amounts in millions)	2003	2004	2005	2006	2007	Thereafter	Total	Fair value 1/31/02
Liabilities								
U.S. dollar denominated long-term debt including current portion								
Fixed rate debt	$ 2,164	$ 3,445	$ 1,874	$ 704	$ 2,235	$ 5,850	$ 16,272	$ 17,201
Average interest rate – USD rate	6.3%	6.0%	6.7%	6.7%	6.7%	7.2%	6.7%	
Great Britain pound denominated long-term debt including current portion								
Fixed rate debt	93	129	–	–	–	1,450	1,672	1,718
Average interest rate	9.6%	3.8%				7.3%	6.9%	

Interest Rate Sensitivity as of January 31, 2002
Principal (Notional) Amount by Expected Maturity
Average Interest (Swap) Rate

(Dollar amounts in millions)	2003	2004	2005	2006	2007	Thereafter	Total	Fair value 1/31/02

Interest Rate Derivative Financial Instruments Related to Debt								
Interest rate swap –								
Pay variable/receive fixed	$ 500	–	–	–	–	–	$ 500	$ 28
Weighted average rate paid –								
Rate A minus 0.15%								
Weighted average fixed rate								
received – USD rate	6.9%	–	–	–	–	–	6.9%	
Interest rate swap –								
Pay variable/receive fixed	–	–	$ 500	$ 597	$ 1,750	$ 445	3,292	144
Weighted average rate paid –								
Rate B plus 1.01%								
Weighted average fixed rate								
received – USD rate	–	–	7.5%	5.9%	5.9%	7.3%	6.3%	
Interest rate basis swap	–	–	–	–	–	500	500	1
Average rate paid – Rate C								
Average rate received –								
Rate A minus 0.06%								

Rate A – one-month U.S. LIBOR
Rate B – three-month U.S. LIBOR
Rate C – U.S. commercial paper

The Company holds currency swaps to hedge its net investment in the United Kingdom. In addition to the instruments in the table below, the Company has designated debt of approximately GBP 1 billion as hedges of the net investment in the United Kingdom. The following tables provide information about our cross-currency interest rate swap agreements by functional currency, and presents the information in United States dollar equivalents. For these instruments the tables present notional amounts, exchange rates and interest rates by contractual maturity date.

The Company also holds cross currency swaps which hedge the foreign currency risk of debt denominated in currencies other than the local currency.

Foreign Currency Exchange Rate Sensitivity as of January 31, 2003
Principal (Notional) Amount by Expected Maturity

(Dollar amounts in millions)	2004	2005	2006	2007	2008	Thereafter	Total	Fair value 1/31/03
Currency Swap Agreements								
Payment of Great Britain pounds								
Notional amount	–	–	–	–	–	$ 1,250	$ 1,250	$ 126
Average contract rate	–	–	–	–	–	0.6	0.6	
Fixed rate received – USD rate	–	–	–	–	–	7.4%	7.4%	
Fixed rate paid –								
Great Britain pound rate	–	–	–	–	–	5.8%	5.8%	
Payment of Canadian dollars								
Notional amount	–	–	–	–	–	325	325	8
Average contract rate	–	–	–	–	–	1.5	1.5	
Fixed rate received – USD rate	–	–	–	–	–	5.6%	5.6%	
Fixed rate paid – Canadian dollar rate	–	–	–	–	–	5.7%	5.7%	
Payment of Japanese yen								
Notional amount	–	–	–	–	$ 432	–	432	2
Average contract rate	–	–	–	–	120	–	120	
Fixed rate received – USD rate	–	–	–	–	3.6%	–	3.6%	
Fixed rate paid – Japanese yen rate	–	–	–	–	0.2%	–	0.2%	

Foreign Currency Exchange Rate Sensitivity as of January 31, 2002
Principal (Notional) Amount by Expected Maturity

(Dollar amounts in millions)	2003	2004	2005	2006	2007	Thereafter	Total	Fair value 1/31/02
Currency Swap Agreements								
Payment of Great Britain pounds								
Notional amount	–	–	–	–	–	$ 1,250	$ 1,250	$ 192
Average contract rate	–	–	–	–	–	0.6	0.6	
Fixed rate received – USD rate	–	–	–	–	–	7.4%	7.4%	
Fixed rate paid –								
Great Britain pound rate	–	–	–	–	–	5.8%	5.8%	
Payment of Canadian dollars								
Notional amount	–	–	–	–	–	325	325	8
Average contract rate	–	–	–	–	–	1.5	1.5	
Fixed rate received – USD rate	–	–	–	–	–	5.6%	5.6%	
Fixed rate paid – Canadian dollar rate	–	–	–	–	–	5.7%	5.7%	

During the fourth quarter of fiscal 2002, the Company terminated certain cross currency instruments that hedged portions of the Company’s investments in Canada, Germany and the United Kingdom. The instruments terminated had notional amounts of $6.7 billion. The Company received $1.1 billion in cash related to the fair value of the instruments at the time of the terminations. Prior to the terminations, these instruments were classified as net investment hedges and were recorded at fair value as current assets on the balance sheet with a like amount recorded in the shareholders’ equity section of the balance sheet in line "other accumulated comprehensive income." No gain related to the terminations was recorded in the Company’s income statement.

We routinely enter into forward currency exchange contracts in the regular course of business to manage our exposure against foreign currency fluctuations on cross-border purchases of inventory. These contracts are generally for durations of six months or less. At January 31, 2003 and 2002, we held contracts to purchase and sell various currencies with notional amounts of $185 million and $117 million, respectively, and net fair values of less than $1 million at either fiscal year.

The fair values of the currency swap agreements are recorded in the consolidated balance sheets within the line "other assets and deferred charges."