

WAL MART STORES INC

FORM 10-Q (Quarterly Report)

Filed 12/09/08 for the Period Ending 10/31/08

| | |
|-------------|---|
| 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 |

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2008.

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)

702 S.W. 8th Street
Bentonville, Arkansas
(Address of principal executive offices)

71-0415188
(I.R.S. Employer
Identification No.)

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Check One:

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes 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 –3,922,552,337 shares as of December 3, 2008.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|-----------------------------------|-----------------|----------------------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Revenues: | | | | |
| Net sales | \$97,634 | \$90,826 | \$293,248 | \$268,099 |
| Membership and other income | 1,008 | 1,039 | 3,243 | 3,034 |
| | <u>98,642</u> | <u>91,865</u> | <u>296,491</u> | <u>271,133</u> |
| Costs and expenses: | | | | |
| Cost of sales | 74,114 | 69,251 | 223,557 | 205,073 |
| Operating, selling, general and administrative expenses | 19,236 | 17,653 | 56,513 | 50,984 |
| Operating income | <u>5,292</u> | <u>4,961</u> | <u>16,421</u> | <u>15,076</u> |
| Interest: | | | | |
| Debt | 464 | 474 | 1,402 | 1,326 |
| Capital leases | 73 | 63 | 222 | 174 |
| Interest income | (81) | (77) | (216) | (246) |
| Interest, net | <u>456</u> | <u>460</u> | <u>1,408</u> | <u>1,254</u> |
| Income from continuing operations before income taxes and minority interest | 4,836 | 4,501 | 15,013 | 13,822 |
| Provision for income taxes | <u>1,690</u> | <u>1,556</u> | <u>5,186</u> | <u>4,764</u> |
| Income from continuing operations before minority interest | 3,146 | 2,945 | 9,827 | 9,058 |
| Minority interest | <u>(113)</u> | <u>(99)</u> | <u>(365)</u> | <u>(305)</u> |
| Income from continuing operations | 3,033 | 2,846 | 9,462 | 8,753 |
| Income (loss) from discontinued operations, net of tax | 105 | 11 | 146 | (118) |
| Net income | <u>\$ 3,138</u> | <u>\$ 2,857</u> | <u>\$ 9,608</u> | <u>\$ 8,635</u> |
| Net income per common share: | | | | |
| Basic income per common share from continuing operations | \$ 0.77 | \$ 0.70 | \$ 2.40 | \$ 2.14 |
| Basic income (loss) per common share from discontinued operations | 0.03 | 0.01 | 0.04 | (0.03) |
| Basic net income per common share | <u>\$ 0.80</u> | <u>\$ 0.71</u> | <u>\$ 2.44</u> | <u>\$ 2.11</u> |
| Diluted income per common share from continuing operations | \$ 0.77 | \$ 0.70 | \$ 2.39 | \$ 2.14 |
| Diluted income (loss) per common share from discontinued operations | 0.03 | — | 0.04 | (0.03) |
| Diluted net income per common share | <u>\$ 0.80</u> | <u>\$ 0.70</u> | <u>\$ 2.43</u> | <u>\$ 2.11</u> |
| Weighted-average number of common shares: | | | | |
| Basic | 3,931 | 4,051 | 3,944 | 4,092 |
| Diluted | 3,944 | 4,056 | 3,956 | 4,097 |
| Dividends declared per common share | \$ — | \$ — | \$ 0.95 | \$ 0.88 |

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

| | October 31, 2008 | October 31, 2007 | January 31, 2008 |
|---|-------------------------|-------------------------|-------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 5,920 | \$ 5,518 | \$ 5,492 |
| Receivables | 3,250 | 3,062 | 3,642 |
| Inventories | 40,416 | 39,535 | 35,159 |
| Prepaid expenses and other | 3,245 | 2,880 | 2,760 |
| Current assets of discontinued operations | 25 | 511 | 532 |
| Total current assets | <u>52,856</u> | <u>51,506</u> | <u>47,585</u> |
| Property and equipment, at cost: | | | |
| Property and equipment, at cost | 125,173 | 120,396 | 122,256 |
| Less accumulated depreciation | <u>(31,467)</u> | <u>(27,537)</u> | <u>(28,531)</u> |
| Property and equipment, net | 93,706 | 92,859 | 93,725 |
| Property under capital lease: | | | |
| Property under capital lease | 5,420 | 5,690 | 5,736 |
| Less accumulated amortization | <u>(2,581)</u> | <u>(2,563)</u> | <u>(2,594)</u> |
| Property under capital lease, net | 2,839 | 3,127 | 3,142 |
| Goodwill | 15,416 | 14,898 | 16,071 |
| Other assets and deferred charges | 2,789 | 3,031 | 2,748 |
| Non-current assets of discontinued operations | <u>237</u> | <u>238</u> | <u>243</u> |
| Total assets | <u><u>\$167,843</u></u> | <u><u>\$165,659</u></u> | <u><u>\$163,514</u></u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Commercial paper | \$ 7,932 | \$ 9,126 | \$ 5,040 |
| Accounts payable | 30,782 | 31,376 | 30,344 |
| Dividends payable | 993 | 896 | — |
| Accrued liabilities | 15,343 | 14,773 | 15,725 |
| Accrued income taxes | 355 | — | 1,000 |
| Long-term debt due within one year | 4,753 | 4,412 | 5,913 |
| Obligations under capital lease due within one year | 314 | 309 | 316 |
| Current liabilities of discontinued operations | <u>128</u> | <u>50</u> | <u>116</u> |
| Total current liabilities | 60,600 | 60,942 | 58,454 |
| Long-term debt | 30,803 | 30,070 | 29,799 |
| Long-term obligations under capital lease | 3,268 | 3,520 | 3,603 |
| Deferred income taxes and other | 5,575 | 5,590 | 5,087 |
| Minority interest | 2,034 | 2,432 | 1,939 |
| Non-current liabilities of discontinued operations | 24 | 23 | 24 |
| Commitments and contingencies | | | |
| Shareholders' equity: | | | |
| Common stock and capital in excess of par value | 4,219 | 3,421 | 3,425 |
| Retained earnings | 59,809 | 55,522 | 57,319 |
| Accumulated other comprehensive income | <u>1,511</u> | <u>4,139</u> | <u>3,864</u> |
| Total shareholders' equity | 65,539 | 63,082 | 64,608 |
| Total liabilities and shareholders' equity | <u><u>\$167,843</u></u> | <u><u>\$165,659</u></u> | <u><u>\$163,514</u></u> |

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

| | Nine Months Ended October 31, | |
|--|----------------------------------|-----------------|
| | 2008 | 2007 |
| Cash flows from operating activities: | | |
| Net income | \$ 9,608 | \$ 8,635 |
| (Income) loss from discontinued operations, net of tax | (146) | 118 |
| Income from continuing operations | 9,462 | 8,753 |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,054 | 4,656 |
| Other | 749 | 321 |
| Changes in certain assets and liabilities, net of effects of acquisitions: | | |
| Decrease in accounts receivable | 394 | 31 |
| Increase in inventories | (5,655) | (5,037) |
| Increase in accounts payable | 914 | 1,450 |
| Decrease in accrued liabilities | (745) | (551) |
| Net cash provided by operating activities | <u>10,173</u> | <u>9,623</u> |
| Cash flows from investing activities: | | |
| Payments for property and equipment | (8,174) | (10,896) |
| Proceeds from disposal of property and equipment | 779 | 478 |
| Proceeds from (payments for) disposal of certain international operations, net | 838 | (257) |
| Investment in international operations, net of cash acquired | (74) | (461) |
| Other investing activities | (166) | (87) |
| Net cash used in investing activities | <u>(6,797)</u> | <u>(11,223)</u> |
| Cash flows from financing activities: | | |
| Increase in commercial paper, net | 2,949 | 6,481 |
| Proceeds from issuance of long-term debt | 5,568 | 7,967 |
| Payment of long-term debt | (5,064) | (6,671) |
| Dividends paid | (2,814) | (2,707) |
| Purchase of Company stock | (3,521) | (5,279) |
| Other financing activities | 88 | (669) |
| Net cash used in financing activities | <u>(2,794)</u> | <u>(878)</u> |
| Effect of exchange rates on cash | <u>(231)</u> | <u>258</u> |
| Net increase (decrease) in cash and cash equivalents | 351 | (2,220) |
| Cash and cash equivalents at beginning of year (1) | <u>5,569</u> | <u>7,767</u> |
| Cash and cash equivalents at end of period (2) | <u>\$ 5,920</u> | <u>\$ 5,547</u> |

(1) Includes cash and cash equivalents of discontinued operations of \$77 million and \$51 million at January 31, 2008 and 2007, respectively.

(2) Includes cash and cash equivalents of discontinued operations of \$29 million at October 31, 2007.

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

NOTE 1. Basis of Presentation

The Condensed Consolidated Balance Sheets of Wal-Mart Stores, Inc. and its subsidiaries (the "Company") as of October 31, 2008 and 2007, the related Condensed Consolidated Statements of Income for the three and nine months ended October 31, 2008 and 2007, and the related Condensed Consolidated Statements of Cash Flows for the nine-month periods ended October 31, 2008 and 2007, are unaudited. The Condensed Consolidated Balance Sheet as of January 31, 2008, is derived from the audited financial statements at that date.

The Company's operations in Argentina, Brazil, China, Costa Rica, El Salvador, Guatemala, Honduras, Japan, Mexico, Nicaragua and the United Kingdom are consolidated using a December 31 fiscal year-end, generally due to statutory reporting requirements. The Company's operations in Canada and Puerto Rico are consolidated using a January 31 fiscal year-end.

In the opinion of management, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Such adjustments are of a normal recurring nature. Interim results are not necessarily indicative of results for a full year.

The condensed consolidated financial statements and notes thereto are presented in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") and do not contain certain information included in the Company's Annual Report to Shareholders for the fiscal year ended January 31, 2008. Therefore, the interim condensed consolidated financial statements should be read in conjunction with that Annual Report to Shareholders.

General Liability and Workers' Compensation Change in Estimate

Liabilities associated with general liability and workers' compensation claims against the Company are estimated by considering the Company's historical claims experience, including frequency and severity of claims, and certain actuarial assumptions. In estimating our liability for such claims, we periodically analyze our historical trends, including loss development, and apply appropriate loss development factors to the incurred costs associated with the claims. During the last few years, we have enhanced how we manage claims. As a result, our loss experience with respect to such claims has improved and the actuarially determined ultimate loss estimates, primarily for fiscal year 2004 through 2007 claims, were reduced during the quarter ended July 31, 2007. The reductions in ultimate loss estimates resulted primarily from improved claims handling experience, which impacts loss development factors and other actuarial assumptions. Due to the beneficial change in estimate of our ultimate losses, accrued liabilities for general liability and workers' compensation claims were reduced by \$196 million after tax, resulting in an increase in net income per basic and diluted common share from continuing operations of \$0.05 for the quarter ended July 31, 2007 and the nine months ended October 31, 2007.

NOTE 2. Net Income Per Common Share

Basic net income per common share is based on the weighted-average number of outstanding common shares. Diluted net income per common share is based on the weighted-average number of outstanding shares adjusted for the dilutive effect of stock options and other share-based awards. The dilutive effect of outstanding stock options and restricted stock was 13 million and 12 million shares for the three and nine months ended October 31, 2008, respectively, and 5 million shares for the three and nine months ended October 31, 2007. The Company had approximately 1 million and 68 million option shares outstanding at October 31, 2008 and 2007, respectively, which were not included in the diluted net income per share calculation because their effect would be antidilutive.

NOTE 3. Inventories

The Company values inventories at the lower of cost or market as determined primarily by the retail method of accounting, using the last-in, first-out ("LIFO") method for substantially all of the Walmart U.S. segment's merchandise inventories. The Sam's Club segment's merchandise and merchandise in our distribution warehouses are valued based on the weighted-average cost using the LIFO method. Inventories of foreign operations are primarily valued by the retail method of accounting, using the first-in, first-out ("FIFO") method. At October 31, 2008 and 2007, our inventories valued at LIFO approximate those inventories as if they were valued at FIFO.

NOTE 4. Certain Long-term Debt Transactions

In April 2008, the Company issued \$1.0 billion of 4.250% Notes Due 2013 and \$1.5 billion of 6.200% Notes Due 2038. Interest started accruing on such notes on April 15, 2008. On October 15, 2008, the Company began paying interest on the notes of each series and will continue to pay interest on April 15 and October 15 of each year. The 2013 notes will mature on April 15, 2013 and the 2038 notes will mature on April 15, 2038. The notes of each such series are senior, unsecured and unsubordinated obligations of Wal-Mart Stores, Inc.

In May 2008, Wal-Mart Stores, Inc. entered into a term loan facility with a syndicate of banks. Pursuant to that facility, the Company borrowed ¥220 billion to refinance outstanding debt of its wholly-owned subsidiary, The Seiyu, Ltd., that was scheduled to mature in December, 2008. Borrowings under such facility are senior, unsecured obligations of Wal-Mart Stores, Inc. and generally bear interest at a floating rate equal to the one, three or six month yen London Interbank Offered Rate plus a spread of 0.35%. Such debt matures on June 26, 2011. The amount of such debt in United States dollars as reflected on the Company's Condensed Consolidated Balance Sheets at October 31, 2008 was approximately \$2.2 billion. The facility is designated as a hedge of the Company's net investment in Japan.

In August 2008, the following bonds were issued as senior, unsecured and unsubordinated obligations of Wal-Mart Stores, Inc.

| <i>(Amounts in millions)</i> | Issue Date | Interest Rate | Interest Payment Dates | Maturity Dates | Local Currency | |
|---|-------------|-----------------------------|------------------------|----------------|------------------|----------------------------|
| | | | | | Issue Amount | US Dollar October 31, 2008 |
| Japanese Yen Bonds - First Series | August 2008 | 1.720% | February 5 August 5 | August 5, 2011 | ¥ 25,000 | \$ 254 |
| Japanese Yen Bonds - Second Series | August 2008 | 2.010% | February 5 August 5 | August 5, 2013 | 25,000 | 254 |
| Japanese Yen Floating Rate Bonds - First Series | August 2008 | 6-month yen Libor + .50% | February 5 August 5 | August 5, 2013 | 50,000 | 508 |
| Total | | | | | <u>¥ 100,000</u> | <u>\$ 1,016</u> |

The bonds of each series are denominated and payable in Japanese yen and are designated as a hedge of the Company's net investment in Japan.

NOTE 5. Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value within generally accepted accounting principles ("GAAP") and expands required disclosures about fair value measurements. In November 2007, the FASB provided a one year deferral for the implementation of SFAS 157 for nonfinancial assets and liabilities. The Company adopted SFAS 157 on February 1, 2008, as required. The adoption of SFAS 157 did not have a material impact on the Company's financial condition and results of operations.

SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. As of October 31, 2008, the Company held certain derivative asset and liability positions that are required to be measured at fair value on a recurring basis. The majority of the Company's derivative instruments related to interest rate swaps. The fair values of these interest rate swaps have been measured in accordance with Level 2 inputs in the fair value hierarchy, and as of October 31, 2008, are as follows (asset/(liability)):

| <u>(Amounts in millions)</u> | Notional Amount | | Fair Value |
|---|-------------------------|--------------|-------------------------|
| | October 31, 2008 | | October 31, 2008 |
| Receive fixed-rate, pay floating-rate interest rate swaps designated as fair value hedges | \$ | 5,195 | \$ 223 |
| Receive fixed-rate, pay fixed-rate cross-currency interest rate swaps designated as net investment hedges (Cross-currency notional amount: GBP 795 at 10/31/2008) | | 1,250 | 240 |
| Receive floating-rate, pay fixed-rate interest rate swaps designated as cash flow hedges | | 462 | (10) |
| Total | \$ | <u>6,907</u> | \$ <u>453</u> |

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits companies to measure many financial instruments and certain other items at fair value at specified election dates. The Company adopted SFAS 159 on February 1, 2008. Since the Company has not utilized the fair value option for any allowable items, the adoption of SFAS 159 did not have a material impact on the Company's financial condition and results of operations.

NOTE 6. Segments

The Company is engaged in the operations of retail stores located in all 50 states of the United States, Argentina, Brazil, Canada, Japan, Puerto Rico and the United Kingdom and through majority-owned subsidiaries in Central America and Mexico. The Company operates in China and India through joint ventures. The Company identifies segments in accordance with the criteria set forth in Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," and is primarily based on the operations of the Company that our chief operating decision maker regularly reviews to analyze performance and allocate resources among business units of the Company.

The Walmart U.S. segment includes the Company's mass merchant concept in the United States under the "Wal-Mart" or "Walmart" brand, as well as walmart.com. The Sam's Club segment includes the warehouse membership clubs in the United States, as well as samsclub.com. The International segment consists of the Company's operations outside of the 50 United States. The amounts under the caption "Other" in the table below relating to operating income are unallocated corporate overhead items.

The Company measures the profit of its segments as "segment operating income," which is defined as income from continuing operations before net interest expense, income taxes and minority interest and excludes unallocated corporate overhead. At February 1, 2008, the Company reclassified certain unallocated corporate expenses to be included within each segment's measurement of segment operating income. As a result, all prior year measurements of segment operating income have been restated for comparative purposes.

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

| | Three Months Ended | | Nine Months Ended | |
|-------------------|---------------------------|-----------------|--------------------------|------------------|
| | October 31, | | October 31, | |
| | 2008 | 2007 | 2008 | 2007 |
| Net Sales: | | | | |
| Walmart U.S. | \$61,155 | \$57,651 | \$184,281 | \$172,101 |
| International | 24,857 | 22,349 | 73,949 | 63,472 |
| Sam's Club | 11,622 | 10,826 | 35,018 | 32,526 |
| Total Company | <u>\$97,634</u> | <u>\$90,826</u> | <u>\$293,248</u> | <u>\$268,099</u> |

Segment operating income and the reconciliation to income from continuing operations before income taxes and minority interest are as follows (amounts in millions):

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|-----------------------------------|-----------------|----------------------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Operating Income: | | | | |
| Walmart U.S. | \$ 4,286 | \$ 3,995 | \$13,363 | \$12,230 |
| International | 1,182 | 1,069 | 3,450 | 2,986 |
| Sam's Club | 365 | 359 | 1,183 | 1,174 |
| Other | (541) | (462) | (1,575) | (1,314) |
| Operating income | \$ 5,292 | \$ 4,961 | \$16,421 | \$15,076 |
| Interest expense, net | (456) | (460) | (1,408) | (1,254) |
| Income from continuing operations before income taxes and minority interest | <u>\$ 4,836</u> | <u>\$ 4,501</u> | <u>\$15,013</u> | <u>\$13,822</u> |

Goodwill is recorded on the Condensed Consolidated Balance Sheets in the operating segments as follows (amounts in millions):

| | October 31, | October 31, | January 31, |
|----------------|------------------|------------------|------------------|
| | 2008 | 2007 | 2008 |
| International | \$ 15,111 | \$ 14,593 | \$ 15,766 |
| Sam's Club | 305 | 305 | 305 |
| Total goodwill | <u>\$ 15,416</u> | <u>\$ 14,898</u> | <u>\$ 16,071</u> |

The decrease in the International segment's goodwill since January 31, 2008, primarily resulted from strengthening of the U.S. dollar against all major currencies except the Japanese yen and Chinese yuan renminbi, as well as an adjustment to allocate goodwill for the sale of Gazeley Limited ("Gazeley"), an ASDA commercial property development subsidiary in the United Kingdom, in the second quarter of fiscal 2009.

The increase in the International segment's goodwill since October 31, 2007, resulted from the acquisition of substantially all of the outstanding common and preferred shares of our Japanese subsidiary, The Seiyu Ltd., foreign currency exchange rate fluctuations in the Japanese yen and Chinese yuan renminbi and purchase price adjustments related to continuing the repurchase of shares of Wal-Mart de Mexico, S.A. de C.V. throughout the period, offset by an adjustment to allocate goodwill for the sale of Gazeley.

NOTE 7. Comprehensive Income (Loss)

Comprehensive income (loss) is net income plus certain other items that are recorded directly to accumulated other comprehensive income within shareholders' equity. Accumulated other comprehensive income includes translation gains and losses from fluctuation in foreign currency exchange rates and after-tax adjustments for the Company's derivative instruments and minimum pension liabilities.

| <i>(Amounts in millions)</i> | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|------------------------------|-----------------------------------|----------|----------------------------------|----------|
| | 2008 | 2007 | 2008 | 2007 |
| Comprehensive Income (Loss) | \$ (276) | \$ 3,536 | \$7,255 | \$10,266 |

Comprehensive income (loss) for the three and nine months ended October 31, 2008 was adversely affected by foreign currency exchange rate fluctuations.

NOTE 8. Common Stock Dividends

On March 6, 2008, the Company's Board of Directors approved an increase in annual dividends to \$0.95 per share. The annual dividend will be paid in four quarterly installments on April 7, 2008, June 2, 2008, September 2, 2008, and January 2, 2009, to holders of record on March 14, May 16, August 15 and December 15, 2008, respectively.

NOTE 9. Income and Other Taxes

The Company's effective tax rate was 34.9% for the three months ended October 31, 2008, compared to 34.2% for the three months ended July 31, 2008. The recent fluctuations in foreign currency exchange rates, together with changes in the mix of income between domestic and international operations, are the main drivers of this increase. The Company's effective tax rate for the nine months ended October 31, 2008 was 34.5%. The Company expects the fiscal 2009 annual effective tax rate to be approximately 34-35%. Significant factors that could impact the annual effective tax rate include management's assessment of certain tax matters, the composition of taxable income between domestic and international operations and fluctuations in foreign currency exchange rates.

In determining the quarterly provision for income taxes, the Company uses an estimated annual effective tax rate based on forecasted annual income and permanent items, statutory tax rates and tax planning opportunities in the various jurisdictions in which the Company operates. The impact of significant discrete items is separately recognized in the quarter in which they occur.

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," ("FIN 48") effective February 1, 2007. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

In the normal course of its business the Company provides for uncertain tax positions, and the related interest, and adjusts its unrecognized tax benefits and accrued interest accordingly. During the third quarter of fiscal 2009, unrecognized tax benefits related to continuing operations increased by \$40 million and accrued interest increased by \$10 million. For the first nine months of fiscal 2009, unrecognized tax benefits related to continuing operations increased by \$20 million and accrued interest increased by \$15 million. As of October 31, 2008, the Company's unrecognized tax benefits relating to continuing operations were \$888 million, of which \$612 million would, if recognized, affect the Company's effective tax rate.

Additionally, at January 31, 2008 the Company had unrecognized tax benefits of up to \$1.8 billion which, if recognized, would be recorded as discontinued operations. Of this, \$63 million was recognized in discontinued operations during the second quarter of fiscal year 2009 following the resolution of a gain determination on a discontinued operation that was sold in fiscal year 2004. The balance of \$1.7 billion at October 31, 2008 relates to a worthless stock deduction which the Company has claimed for the fiscal year 2007 disposition of its German operations.

During the next twelve months, it is reasonably possible that tax audit resolutions could reduce unrecognized tax benefits by \$165 million to \$235 million, either because our tax positions are sustained on audit or because the Company agrees to their disallowance. The Company does not expect any such audit resolutions to cause a significant change in its effective tax rate.

The Company classifies interest on uncertain tax benefits as interest expense and income tax penalties as operating, selling, general and administrative costs. At October 31, 2008, before any tax benefits, the Company had \$242 million of accrued interest and penalties on unrecognized tax benefits.

The Company is subject to income tax examinations for its U.S. federal income taxes generally for the fiscal year 2008, with fiscal years 2004 through 2007 remaining open for a limited number of U.S. income tax issues. Non-U.S. income taxes are subject to income tax examination for the tax years 2002 through 2008, and state and local income taxes are open for the fiscal years 2004 through 2007 generally and for the fiscal years 1997 through 2003 for a limited number of issues.

Additionally, the Company is subject to tax examinations for payroll, value added, sales-based and other taxes. A number of these examinations are ongoing and, in certain cases, have resulted in assessments from the taxing authorities. Where appropriate, the Company has made accruals for these matters which are reflected in the Company's consolidated financial statements. While these matters are individually immaterial, a group of related matters, if decided adversely to the Company, may result in liability material to the Company's financial condition or results of operations.

NOTE 10. Legal Proceedings

The Company is involved in a number of legal proceedings. In accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," the Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's condensed consolidated financial statements. The Company may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company's shareholders. The matters, or groups of related matters, discussed below, if decided adversely to or settled by the Company, individually or in the aggregate, may result in liability material to the Company's financial condition or results of operations.

Wage-and-Hour Class Actions: The Company is a defendant in numerous cases containing class-action allegations in which the plaintiffs are current and former hourly associates who allege that the Company forced or encouraged them to work “off the clock,” failed to provide rest breaks or meal periods, or otherwise failed to pay them correctly. The complaints generally seek unspecified monetary damages, injunctive relief, or both. Class or collective-action certification has yet to be addressed by the court in a majority of these cases. In the majority of wage-and-hour class actions filed against the Company in which the courts have addressed the issue, class certification has been denied. The Company cannot reasonably estimate the possible loss or range of loss that may arise from these lawsuits, except as noted below.

One of the class-action lawsuits described above is *Savaglio v. Wal-Mart Stores, Inc.*, a class-action lawsuit in which the plaintiffs allege that they were not provided meal and rest breaks in accordance with California law, and seek monetary damages and injunctive relief. A trial on the plaintiffs’ claims for monetary damages concluded on December 22, 2005. The jury returned a verdict of approximately \$57 million in statutory penalties and \$115 million in punitive damages. In June 2006, the judge entered an order allowing some, but not all, of the injunctive relief sought by the plaintiffs. On December 27, 2006, the judge entered an order awarding the plaintiffs an additional amount of approximately \$26 million in costs and attorneys’ fees. The Company believes it has substantial factual and legal defenses to the claims at issue, and on January 31, 2007, the Company filed its Notice of Appeal. On November 19, 2008, the court of appeals issued an Order staying further proceedings in the *Savaglio* appeal pending the decision of the California Supreme Court in a case involving similar issues, entitled *Brinker v. Superior Court*.

In another of the class-action lawsuits described above, *Braun/Hummel v. Wal-Mart Stores, Inc.*, a trial was commenced in September 2006, in Philadelphia, Pennsylvania. The plaintiffs allege that the Company failed to pay class members for all hours worked and prevented class members from taking their full meal and rest breaks. On October 13, 2006, the jury awarded back-pay damages to the plaintiffs of approximately \$78 million on their claims for off-the-clock work and missed rest breaks. The jury found in favor of the Company on the plaintiffs’ meal-period claims. On November 14, 2007, the trial judge entered a final judgment in the approximate amount of \$188 million, which included the jury’s back-pay award plus statutory penalties, prejudgment interest and attorneys’ fees. The Company believes it has substantial factual and legal defenses to the claims at issue, and on December 7, 2007, the Company filed its Notice of Appeal.

In another of the class-action lawsuits described above, *Braun v. Wal-Mart Stores, Inc.*, a trial was held in 2007 in the First Judicial District Court for Dakota County, Minnesota, on the plaintiffs’ claims that class members had worked off the clock and were not provided meal and rest breaks in accordance with Minnesota law, which resulted in a verdict in favor of the class in the approximate amount of \$7 million. The trial judge then scheduled a second trial on the plaintiffs’ claims for punitive damages, which under Minnesota law would be payable to the class, and statutory penalties, which would be payable to the State of Minnesota. In October 2008, the Company agreed to settle the case by paying up to approximately \$54 million, part of which is to be paid to the State of Minnesota and part to the class members and their counsel. The settlement is subject to approval by the trial court, and the exact amount that will be paid depends on the court’s approval, as well as on the number and amount of claims that are submitted by class members. The court has therefore taken the second trial off the docket and has instead scheduled a hearing on January 14, 2009, to consider preliminary approval of the settlement agreement.

Another of the class-action lawsuits described above, *Hale v. Wal-Mart Stores, Inc.*, is scheduled for jury trial beginning on June 15, 2009, in the Circuit Court of Jackson County, Missouri. The plaintiffs allege that class members worked off the clock and were not provided meal and rest breaks in accordance with Missouri law, and seek monetary damages in an unspecified amount, plus interest and attorneys’ fees. The trial court granted class certification in November 2005 and the certification was affirmed by the Missouri Court of Appeals in June 2007. The Company believes that it has substantial factual and legal defenses to the claims at issue. The Company cannot reasonably estimate the possible loss or range of loss that may arise from this litigation.

Another of the class-action lawsuits described above, *Carter v. Wal-Mart Stores, Inc.*, is scheduled for jury trial beginning on April 13, 2009 in the Court of Common Pleas of Colleton County, South Carolina. The plaintiffs allege that class members worked off the clock and were not provided meal and rest breaks in accordance with South Carolina law, and seek monetary damages in an unspecified amount, plus statutory penalties, punitive damages, interest, and attorneys’ fees. The trial court granted class certification in May 2005. The Company believes that it has substantial factual and legal defenses to the claims at issue. The Company cannot reasonably estimate the possible loss or range of loss that may arise from this litigation.

Exempt Status Cases: The Company is currently a defendant in four putative class actions in which the plaintiffs seek class certification of various groups of salaried managers and challenge their exempt status under state and federal laws. In one of those cases (*Sepulveda v. Wal-Mart Stores, Inc.*), class certification was denied by the trial court on May 5, 2006. On April 25, 2008, a three-judge panel of the United States Court of Appeals for the Ninth Circuit affirmed the trial court’s ruling in part and reversed it in part, and remanded the case for further proceedings. On May 16, 2008, the Company filed a petition seeking review of that ruling by a larger panel of the court. On October 8, 2008, the court entered an Order staying all proceedings in the *Sepulveda* appeal pending the final disposition of the appeal in *Dukes v. Wal-Mart Stores, Inc.*, discussed below. Class certification has not been addressed in the other cases. The Company cannot reasonably estimate the possible loss or range of loss that may arise from these lawsuits.

Gender Discrimination Cases: The Company is a defendant in *Dukes v. Wal-Mart Stores, Inc.*, a 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 warehouse 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, front pay, back pay, punitive damages and attorneys' fees. On June 21, 2004, the district court issued an order granting in part and denying in part the plaintiffs' motion for class certification. The class, which was certified by the district court for purposes of liability, injunctive and declaratory relief, punitive damages and lost pay, subject to certain exceptions, includes all women employed at any Wal-Mart domestic retail store at any time since December 26, 1998, who have been or may be subjected to the pay and management track promotions policies and practices challenged by the plaintiffs. The class as certified currently includes approximately 1.6 million present and former female associates.

The Company believes that the district court's ruling is incorrect. On August 31, 2004, the United States Court of Appeals for the Ninth Circuit granted the Company's petition for discretionary review of the ruling. On February 6, 2007, a divided three-judge panel of the Court of Appeals issued a decision affirming the district court's certification order. On February 20, 2007, the Company filed a petition asking that the decision be reconsidered by a larger panel of the court. On December 11, 2007, the three-judge panel withdrew its opinion of February 6, 2007, and issued a revised opinion. As a result, Wal-Mart's Petition for Rehearing En Banc was denied as moot. Wal-Mart filed a new Petition for Rehearing En Banc on January 8, 2008. If the Company is not successful in its appeal of class certification, or an appellate court issues a ruling that allows for the certification of a class or classes with a different size or scope, and if there is a subsequent adverse verdict on the merits from which there is no successful appeal, or in the event of a negotiated settlement of the litigation, the resulting liability could be material to the Company's financial condition or results of operations. The plaintiffs also seek punitive damages which, if awarded, could result in the payment of additional amounts material to the Company's financial condition or results of operations. However, because of the uncertainty of the outcome of the appeal from the district court's certification decision, because of the uncertainty of the balance of the proceedings contemplated by the district court, and because the Company's liability, if any, arising from the litigation, including the size of any damages award if plaintiffs are successful in the litigation or any negotiated settlement, could vary widely, the Company cannot reasonably estimate the possible loss or range of loss that may arise from the litigation.

The Company is a defendant in a lawsuit that was filed by the Equal Employment Opportunity Commission ("EEOC") on August 24, 2001, in the United States District Court for the Eastern District of Kentucky on behalf of Janice Smith and all other females who made application or transfer requests at the London, Kentucky, distribution center from 1998 to the present, and who were not hired or transferred into the warehouse positions for which they applied. 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 EEOC seeks back pay and front pay for those females not selected for hire or transfer during the relevant time period, plus compensatory and punitive damages and injunctive relief. The EEOC has asserted that the hiring practices in question resulted in a shortfall of 245 positions. The claims for compensatory and punitive damages are capped by statute at \$300,000 per shortfall position. The amounts of back pay and front pay that are being sought have not been specified.

Hazardous Materials Investigations: On November 8, 2005, the Company received a grand jury subpoena from the United States Attorney's Office for the Central District of California, seeking documents and information relating to the Company's receipt, transportation, handling, identification, recycling, treatment, storage and disposal of certain merchandise that constitutes hazardous materials or hazardous waste. The Company has been informed by the U.S. Attorney's Office for the Central District of California that it is a target of a criminal investigation into potential violations of the Resource Conservation and Recovery Act ("RCRA"), the Clean Water Act and the Hazardous Materials Transportation Statute. This U.S. Attorney's Office contends, among other things, that the use of Company trucks to transport certain returned merchandise from the Company's stores to its return centers is prohibited by RCRA because those materials may be considered hazardous waste. The government alleges that, to comply with RCRA, the Company must ship from the store certain materials as "hazardous waste" directly to a certified disposal facility using a certified hazardous waste carrier. The Company contends that the practice of transporting returned merchandise to its return centers for subsequent disposition, including disposal by certified facilities, is compliant with applicable laws and regulations. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company's financial condition or results of operations.

Additionally, the U.S. Attorney's Office in the Northern District of California has initiated its own investigation regarding the Company's handling of hazardous materials and hazardous waste and the Company has received administrative document requests from the California Department of Toxic Substances Control requesting documents and information with respect to two of the Company's distribution facilities. Further, the Company also received a subpoena from the Los Angeles County District Attorney's Office for documents and administrative interrogatories requesting information, among other things, regarding the Company's handling of materials and hazardous waste. California state and local government authorities and the State of Nevada have also initiated investigations into these matters. The Company is cooperating fully with the respective authorities. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company's financial condition or results of operations.

NOTE 11. Recent Accounting Pronouncements

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand the effects of the derivative instruments on an entity's financial position, financial performance and cash flows. The Company will adopt SFAS 161 on February 1, 2009. The Company is currently assessing the potential impact of SFAS 161 on its financial statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. SFAS 162 is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. SFAS 162 is not expected to have an impact on our financial condition, results of operations or cash flows.

In June 2008, the FASB issued Staff Position EITF 03-06-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-06-1"). FSP EITF 03-06-1 provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method in SFAS No. 128, "Earnings per Share". The Company will adopt FSP EITF 03-06-1 effective February 1, 2009. The Company is currently assessing the potential impact of FSP EITF 03-06-1 on its financial statements.

NOTE 12. Discontinued Operations

During fiscal 2009, the Company disposed of Gazeley, an ASDA commercial property development subsidiary in the United Kingdom. Consequently, the results of operations associated with Gazeley are presented as discontinued operations in our Condensed Consolidated Statements of Income and Condensed Consolidated Balance Sheets for all periods presented. The cash flows related to this operation were insignificant for all periods presented. In the third quarter of fiscal 2009, the Company recognized approximately \$212 million, after tax, in operating profits and gains from the sale of Gazeley. The transaction continues to remain subject to certain indemnification obligations. The Company's operations in the United Kingdom are consolidated using a December 31 fiscal year-end. Since the sale of Gazeley closed in July 2008, the Company recorded the gain to discontinued operations in the third quarter of fiscal 2009.

During the third quarter of fiscal 2009, the Company initiated a restructuring program under which the Company's Japanese subsidiary, The Seiyu Ltd., will close approximately 23 stores and dispose of certain excess properties. This restructuring will involve incurring costs associated with lease termination obligations, asset impairment charges and employee separation benefits. The costs associated with this restructuring are presented as discontinued operations in our Condensed Consolidated Statements of Income and Condensed Consolidated Balance Sheets for all periods presented. The cash flows and accrued liabilities related to this restructuring were insignificant for all periods presented. The Company recognized approximately \$107 million, after tax, in restructuring expenses and operating results as discontinued operations during the third quarter of fiscal 2009. Additional costs will be recorded in future periods for lease termination obligations and employee separation benefits.

In addition, the Company recorded a \$63 million benefit to discontinued operations in the second quarter of fiscal 2009, from the successful resolution of a tax contingency related to McLane Company, Inc., a former Wal-Mart subsidiary.

As previously reported, in July 2006 the Company agreed to dispose of its German operations to Metro AG. The Company reported the disposal as discontinued operations and recorded a loss of \$863 million during the second quarter ended July 31, 2006. An additional loss of \$55 million on the disposal was recorded to discontinued operations in the third quarter of fiscal 2007 as a result of various closing adjustments. In addition, the Company recognized a tax benefit of \$126 million related to this transaction in the third quarter of fiscal 2007. The Company also recorded a second quarter fiscal 2008 charge of \$153 million to discontinued operations related to the settlement of a post-closing adjustment and certain other indemnification obligations associated with this disposition.

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

This discussion relates to Wal-Mart Stores, Inc. and its consolidated subsidiaries and should be read in conjunction with our condensed consolidated financial statements as of October 31, 2008, and the period then ended and accompanying notes included under Part I, Item 1, of this Quarterly Report on Form 10-Q, as well as our consolidated financial statements as of January 31, 2008, and for the year then ended and the accompanying notes, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report to Shareholders for the year ended January 31, 2008, and incorporated by reference in and included as an exhibit to our Annual Report on Form 10-K for the year ended January 31, 2008.

We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. The discussion also provides information about the financial results of the various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of the Company as a whole.

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, we discuss segment operating income and comparable store sales. Segment operating income refers to income from continuing operations before net interest expense, income taxes and minority interest and excludes unallocated corporate overhead. At February 1, 2008, the Company reclassified certain unallocated corporate expenses to be included within each segment's measurement of operating income. As a result, all prior year measurements of segment operating income have been restated for comparative purposes.

Comparable store sales is a measure which indicates the performance of our existing stores by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior year. Comparable store sales is also referred to as "same-store" sales by others within the retail industry. The method of calculating comparable store sales varies across the retail industry. As a result, our calculation of comparable store sales is not necessarily comparable to similarly titled measures reported by other companies.

During fiscal year 2008, the Company reviewed its definition of comparable store sales for consistency with other retailers. For fiscal year 2009, beginning February 1, 2008, Wal-Mart Stores, Inc. has revised its definition of comparable store sales to include sales from stores and clubs open for the previous 12 months, including remodels, relocations and expansions. Changes in format continue to be excluded from comparable store sales when the conversion is accompanied by a relocation or expansion that results in a change in square footage of more than five percent. Since the impact of this revision is inconsequential, the Company will not restate comparable store sales results for previously reported years.

Company Performance Metrics

Management uses a number of metrics to assess the Company's performance including:

- Total sales;
- Comparable store sales;
- Operating income;
- Diluted net income per common share from continuing operations;
- Return on investment; and
- Free cash flow.

Total Sales
(Amounts in millions)

| | Three Months Ended October 31, | | | | | | Nine Months Ended October 31, | | | | | |
|----------------------|-----------------------------------|---------------|-------------|-----------------|---------------|-------------|----------------------------------|---------------|-------------|------------------|---------------|-------------|
| | Percent | | Percent | | Percent | | Percent | | Percent | | Percent | |
| | 2008 | of Total | Change | 2007 | of Total | Change | 2008 | of Total | Change | 2007 | of Total | Change |
| Net Sales: | | | | | | | | | | | | |
| Walmart U.S. | \$61,155 | 62.6% | 6.1% | \$57,651 | 63.5% | 6.4% | \$184,281 | 62.9% | 7.1% | \$172,101 | 64.2% | 6.2% |
| International | 24,857 | 25.5% | 11.2% | 22,349 | 24.6% | 17.0% | 73,949 | 25.2% | 16.5% | 63,472 | 23.7% | 17.1% |
| Sam's Club | 11,622 | 11.9% | 7.4% | 10,826 | 11.9% | 6.1% | 35,018 | 11.9% | 7.7% | 32,526 | 12.1% | 6.8% |
| Total Company | \$97,634 | 100.0% | 7.5% | \$90,826 | 100.0% | 8.8% | \$293,248 | 100.0% | 9.4% | \$268,099 | 100.0% | 8.7% |

Our total net sales increased by 7.5 % and 9.4% for the three and nine months ended October 31, 2008, respectively, compared to corresponding periods in the prior year. The increases resulted from our global store expansion programs and comparable store sales increases. Changes in foreign currency exchange rates had a \$25 million and a \$2.4 billion favorable impact on the International segment's net sales for the three and nine months ended October 31, 2008, respectively. For the three and nine months ended October 31, 2007, changes in foreign currency exchange rates had a favorable impact of \$1.1 billion and \$2.7 billion, respectively, on the International segment's net sales. Changes in foreign currency exchange rates had less of a favorable impact on the International segment net sales for the three months ended October, 31, 2008, compared to the corresponding prior period due to the strengthening of the U.S. dollar against all major currencies except the Japanese yen and Chinese yuan renminbi. Although movements in foreign currency exchange rates cannot reasonably be predicted, volatility in foreign currency exchange rates, when compared to prior periods, may continue to impact the International segment's reported sales in the foreseeable future.

Comparable Store Sales

| | Without Fuel | | With Fuel | | Fuel Impact | |
|-------------------|-----------------------------------|-------------|-----------------------------------|-------------|-----------------------------------|-------------|
| | Three Months Ended October 31, | | Three Months Ended October 31, | | Three Months Ended October 31, | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Walmart U.S. | 2.7% | 1.0% | 2.7% | 1.0% | 0.0% | 0.0% |
| Sam's Club | 4.5% | 3.9% | 6.7% | 3.8% | 2.2% | -0.1% |
| Total U.S. | 3.0% | 1.5% | 3.3% | 1.5% | 0.3% | 0.0% |

| | Without Fuel | | With Fuel | | Fuel Impact | |
|-------------------|----------------------------------|-------------|----------------------------------|-------------|----------------------------------|-------------|
| | Nine Months Ended October 31, | | Nine Months Ended October 31, | | Nine Months Ended October 31, | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Walmart U.S. | 3.4% | 0.7% | 3.4% | 0.7% | 0.0% | 0.0% |
| Sam's Club | 4.0% | 4.8% | 6.8% | 4.8% | 2.8% | 0.0% |
| Total U.S. | 3.5% | 1.4% | 3.9% | 1.4% | 0.4% | 0.0% |

Comparable store sales in the United States, including fuel sales, increased 3.3% for the third quarter of fiscal 2009 compared to 1.5% for the third quarter of fiscal 2008. For the nine months ended October 31, 2008, comparable store sales in the United States, including fuel sales, increased 3.9% compared to 1.4% for the corresponding period in the prior year. Comparable store sales in fiscal 2009 were higher than fiscal 2008 due to strength in the grocery, entertainment and health and wellness categories, as well as increases in customer traffic and average transaction size per customer. The information regarding comparable store sales excluding fuel sales is included in the information above to permit investors to understand the effect of fuel sales on the comparable club sales for our Sam's Club segment and comparable stores sales in the United States for the periods shown.

Operating Income
(Amounts in millions)

| | Three Months Ended October 31, | | | | | | Nine Months Ended October 31, | | | | | |
|--------------------------|-----------------------------------|---------------|---------|----------------|---------------|--------|----------------------------------|---------------|---------|-----------------|---------------|--------|
| | Percent | | Percent | | Percent | | Percent | | Percent | | Percent | |
| | 2008 | of Total | Change | 2007 | of Total | Change | 2008 | of Total | Change | 2007 | of Total | Change |
| Operating Income: | | | | | | | | | | | | |
| Walmart U.S. | \$4,286 | 81.0% | 7.3% | \$3,995 | 80.6% | 10.8% | \$13,363 | 81.4% | 9.3% | \$12,230 | 81.1% | 5.4% |
| International | 1,182 | 22.3% | 10.6% | 1,069 | 21.5% | 6.8% | 3,450 | 21.0% | 15.5% | 2,986 | 19.8% | 8.8% |
| Sam's Club | 365 | 6.9% | 1.7% | 359 | 7.2% | 5.6% | 1,183 | 7.2% | 0.8% | 1,174 | 7.8% | 12.1% |
| Other | (541) | -10.2% | 17.1% | (462) | -9.3% | -3.8% | (1,575) | -9.6% | 19.9% | (1,314) | -8.7% | -1.4% |
| | <u>\$5,292</u> | <u>100.0%</u> | 6.7% | <u>\$4,961</u> | <u>100.0%</u> | 11.0% | <u>\$16,421</u> | <u>100.0%</u> | 8.9% | <u>\$15,076</u> | <u>100.0%</u> | 7.2% |

Operating income growth compared to net sales growth is a meaningful metric to share with investors because it indicates how effectively we manage costs and leverage expenses. Our objective is to grow operating income faster than net sales. For the third quarter of fiscal 2009, our operating income increased 6.7% when compared to the prior year, while net sales increased by 7.5% over the same period. The Walmart U.S. segment met this objective; however, our International and Sam's Club segments did not. The International segment fell short of this objective due to the impact of foreign currency exchange rate fluctuations. The Sam's Club segment did not meet this objective primarily due to hurricane-related expenses and higher utility costs driving increases in operating expenses.

For the nine months ended October 31, 2008, our operating income increased by 8.9% when compared to the prior year, while net sales increased by 9.4% over the same period. The Walmart U.S. segment met the objective of growing operating income faster than net sales; however, our International and Sam's Club segments did not. The International segment fell short of this objective due to accruals for certain legal matters. The Sam's Club segment fell short of this objective because the current year's growth in the lower-margin fuel business had a negative impact on the segment's gross profit as a percentage of segment net sales (our "gross profit"). Additionally, the Sam's Club segment recorded an excise tax refund of \$39 million in the comparative nine month period of the prior year.

Diluted Income per Common Share from Continuing Operations

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|--|---------|----------------------------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | Diluted income per common share from continuing operations | \$ 0.77 | \$ 0.70 | \$ 2.39 |

Diluted earnings per share from continuing operations increased 10.0% for the three months ended October 31, 2008, compared to the prior year period, resulting from a 6.6% increase in income from continuing operations and a decrease in the number of weighted-average shares outstanding, due to the impact of share repurchases.

Diluted earnings per share from continuing operations increased 11.7% for the nine months ended October 31, 2008, compared to the prior year period as a result of an 8.1% increase in income from continuing operations and a decrease in the number of weighted-average shares outstanding, due to the impact of share repurchases.

Return on Investment

Management believes return on investment ("ROI") is a meaningful metric to share with investors because it helps investors assess how efficiently Wal-Mart is employing its assets. ROI increased from 19.2% for the twelve months ended October 31, 2007 to 19.3% for the twelve months ended October 31, 2008 primarily due to a 6.7% increase in consolidated operating income.

We define ROI as adjusted operating income (operating income plus interest income, depreciation and amortization and rent expense) for the fiscal year or trailing twelve months divided by average invested capital during that period. We consider average invested capital to be the average of our beginning and ending total assets of continuing operations plus accumulated depreciation and amortization less accounts payable and accrued liabilities for that period, plus a rent factor equal to the rent for the fiscal year or trailing twelve months multiplied by a factor of eight.

ROI is considered a non-GAAP financial measure under the SEC's rules. We consider return on assets ("ROA") to be the financial measure computed in accordance with generally accepted accounting principles that is the most directly comparable financial measure to ROI as we calculate that financial measure. ROI differs from ROA (which is income from continuing operations before minority interest for the fiscal year or the trailing twelve months divided by average of total assets of continuing operations for the period) because ROI: adjusts operating income to exclude certain expense items and add interest income; adjusts total assets from continuing operations for the impact of accumulated depreciation and amortization, accounts payable and accrued liabilities; and incorporates a factor of rent to arrive at total invested capital.

Although ROI is a standard financial metric, numerous methods exist for calculating a company's ROI. As a result, the method used by management to calculate ROI may differ from the method other companies use to calculate their ROI. We urge you to understand the method used by another company to calculate its ROI before comparing our ROI to that of the other company.

The calculation of ROI along with a reconciliation to the calculation of ROA, the most comparable GAAP financial measurement, is as follows:

| <i>(Dollar amounts in millions)</i> | For the Twelve Months Ended October 31, | | |
|---|--|-------------------|-----------|
| | 2008 | 2007 | |
| Calculation of Return on Investment | | | |
| NUMERATOR | | | |
| Operating income ⁽¹⁾ | \$ 23,298 | \$ 21,508 | |
| + Interest income ⁽¹⁾ | 279 | 331 | |
| + Depreciation and amortization ⁽¹⁾ | 6,725 | 6,099 | |
| + Rent ⁽¹⁾ | 1,752 | 1,548 | |
| = Adjusted operating income | <u>\$ 32,054</u> | <u>\$ 29,486</u> | |
| DENOMINATOR | | | |
| Average total assets of continuing operations ⁽²⁾ | \$ 166,246 | \$ 157,983 | |
| + Average accumulated depreciation and amortization ⁽²⁾ | 32,074 | 28,176 | |
| - Average accounts payable ⁽²⁾ | 31,079 | 30,615 | |
| - Average accrued liabilities ⁽²⁾ | 15,058 | 14,518 | |
| + Rent * 8 | 14,016 | 12,384 | |
| = Invested capital | <u>\$ 166,199</u> | <u>\$ 153,410</u> | |
| RETURN ON INVESTMENT (ROI) | <u>19.3%</u> | <u>19.2%</u> | |
| Calculation of Return on Assets | | | |
| NUMERATOR | | | |
| Income from continuing operations before minority interest ⁽¹⁾ | \$ 14,043 | \$ 13,174 | |
| DENOMINATOR | | | |
| Average total assets of continuing operations ⁽²⁾ | <u>\$ 166,246</u> | <u>\$ 157,983</u> | |
| RETURN ON ASSET (ROA) | <u>8.4%</u> | <u>8.3%</u> | |
| CERTAIN BALANCE SHEET DATA | | | |
| | As of October 31, | | |
| | 2008 | 2007 | 2006 |
| Total assets of continuing operations ⁽¹⁾ | \$ 167,581 | \$ 164,910 | \$151,056 |
| Accumulated depreciation and amortization ⁽¹⁾ | 34,048 | 30,100 | 26,252 |
| Accounts payable ⁽¹⁾ | 30,782 | 31,376 | 29,853 |
| Accrued liabilities ⁽¹⁾ | 15,343 | 14,773 | 14,262 |

(1) Based on continuing operations only, and therefore, excludes the impact of Gazeley Limited which was sold in July 2008, and the closure of 23 stores and divestiture of other properties of The Seiyu, Ltd. in Japan during the third quarter of fiscal 2009. All of these activities have been disclosed as discontinued operations. Total assets as of October 31, 2008, 2007, and 2006 in the table above exclude assets of discontinued operations that are reflected in the Consolidated Balance Sheets of \$262 million, \$749 million and \$663 million, respectively.

(2) The average is based on the addition of the account balance at the end of the current period to the account balance at the end of the prior period and dividing by 2.

Free Cash Flow

We define free cash flow as net cash provided by operating activities in the period minus payments for property and equipment made in the period. We generated positive free cash flow of \$2.0 billion for the nine months ended October 31, 2008, compared to a

deficit of \$1.3 billion in the prior year comparable period. The significant increase in our free cash flow is the result of our improved inventory management as well as reduced capital expenditures in connection with our planned slowing of store expansion in the United States.

Free cash flow is considered a non-GAAP financial measure under the SEC's rules. Management believes, however, that free cash flow is an important financial measure for use in evaluating the Company's financial performance, which measures our ability to generate additional cash from our business operations. Free cash flow should be considered in addition to, rather than as a substitute for, net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity.

Our definition of free cash flow is limited, in that it does not represent residual cash flows available for discretionary expenditures because the measure does not deduct the payments required for debt service and other contractual obligations. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our entire statement of cash flows.

The following table reconciles net cash provided by operating activities, a GAAP measure, to free cash flow, a non-GAAP measure.

| <i>(Amounts in millions)</i> | Nine Months Ended | |
|---|-------------------|-------------------|
| | October 31, 2008 | October 31, 2007 |
| Net cash provided by operating activities | \$ 10,173 | \$ 9,623 |
| Payments for property and equipment | (8,174) | (10,896) |
| Free cash flow | <u>\$ 1,999</u> | <u>\$ (1,273)</u> |
| Net cash used in investing activities | \$ (6,797) | \$ (11,223) |
| Net cash used in financing activities | \$ (2,794) | \$ (878) |

Results of Operations

The following discussion of our Results of Operations is based on our continuing operations and excludes any results or discussion of our discontinued operations.

Consolidated

Three Months Ended October 31, 2008

Our total net sales increased by 7.5% and 8.8% for the third quarter of fiscal 2009 and fiscal 2008, respectively, when compared to the prior year's third quarter. The increases resulted from our comparable stores sales increases and global store expansion programs. During the third quarter of fiscal 2009 and 2008, foreign currency exchange rates had a \$25 million and \$1.1 billion favorable impact, respectively, on the International segment's net sales, which contributed to the increase in the International segment's net sales as a percentage of total Company net sales.

Our gross profit increased from 23.8% for the third quarter of fiscal 2008 to 24.1% in the third quarter of fiscal 2009. This increase is primarily due to lower inventory shrink and less markdown activity as a result of more effective merchandising in our International and Walmart U.S. segments, as well as a favorable merchandise mix in our Walmart U.S. segment. Additionally, our Sam's Club segment experienced increases in gross profit largely due to a higher fuel gross profit rate.

Operating, selling, general and administrative expenses ("operating expenses") as a percentage of net sales increased 0.3 percentage points compared to the corresponding period in fiscal 2008. Operating expenses as a percentage of net sales increased in the third quarter of fiscal 2009 primarily due to hurricane-related expenses and increased corporate expenses compared to the corresponding quarter in fiscal 2008. Corporate expenses have increased primarily due to our long-term transformation projects to enhance our information systems for merchandising, finance and human resources, which contributed 10.8 percent to the increase in corporate operating expenses for the quarter. We expect these increased expenses from the transformation projects to continue for the foreseeable future.

Membership and other income, which includes a variety of income categories such as Sam's Club membership income, tenant lease, financial services and recycling income, decreased 3% in the third quarter of fiscal 2009 from the prior year's comparative third quarter. The decrease in membership and other income is primarily due to the recognition of \$71 million in pre-tax gains from the sale of certain real estate properties in the third quarter of fiscal 2008.

Interest, net, decreased 0.9% in the third quarter of fiscal 2009 when compared with the same period last year largely due to lower short-term interest rates on a comparable borrowing level.

Our effective income tax rate from continuing operations increased from 34.6% for the third quarter of fiscal 2008 to 34.9% for the third quarter of fiscal 2009. The recent fluctuations in foreign currency exchange rates, as well as changes in the mix of taxable income among our domestic and international operations, are the main drivers of this increase.

Nine Months Ended October 31, 2008

Our total net sales increased by 9.4% and 8.7% for the nine months ended October 31, 2008 and 2007, respectively, when compared to previous years. The increases resulted from our global store expansion programs and comparable store sales increases. During the first nine months of fiscal 2009 and 2008, foreign currency exchange rates had a \$2.4 billion and \$2.7 billion favorable impact, respectively, on the International segment's net sales, which contributed to the increase in the International segment's net sales as a percentage of total Company net sales.

Our gross profit increased from 23.5% for the nine months ended October 31, 2007 to 23.8% in the nine months ended October 31, 2008. This increase is primarily due to lower inventory shrinkage and less markdown activity as a result of more effective merchandising in the Walmart U.S. segment. Our gross margin for the nine months ended October 31, 2007 included a benefit of \$97 million in excise tax refunds.

Operating expenses as a percentage of net sales increased 0.3 percentage points in the nine months ended October 31, 2008 compared to the corresponding period in fiscal 2008. Operating expenses for the nine months ended October 31, 2007, were favorably affected by the change in estimated losses associated with our general liability and workers' compensation claims, which reduced accrued liabilities for such claims by \$298 million before tax, partially offset by pre-tax charges of \$183 million for certain legal and other contingencies. The net favorable impact of these items reduced our operating expenses as a percentage of net sales in the comparable fiscal 2008 period by 0.1 percentage points. Otherwise, operating expenses as a percentage of net sales increased in the nine months ended October 31, 2008, primarily due to higher bonus expenses for store associates, higher utility costs and increased corporate expenses compared to the corresponding period in fiscal 2008. Corporate expenses have increased primarily due to our long-term transformation projects to enhance our information systems for merchandising, finance and human resources. We expect these increased expenses from the transformation projects to continue in the foreseeable future.

Membership and other income increased 6.9% for the first nine months of fiscal 2009 from the comparative period in fiscal 2008 due to continued growth in our financial services area and increases in recycling income resulting from our sustainability efforts. Membership and other income for the nine months ended October 31, 2007, includes recognition of \$134 million in pre-tax gains from the sale of certain real estate properties.

Interest, net, increased 12.3% during the nine months ended October 31, 2008 when compared to the nine month period of the prior year largely due to higher borrowing levels, partially offset by lower short-term interest rates.

Our effective income tax rate from continuing operations for the first nine months of fiscal 2009 was 34.5% which was consistent with the first nine months of fiscal 2008.

Walmart U.S. Segment

Three Months Ended October 31, 2008
(Amounts in millions)

| <u>Three months ended October 31,</u> | <u>Segment net sales</u> | <u>Segment net sales increase</u> | | <u>Segment operating income</u> | <u>Segment operating income increase</u> | | <u>Segment operating income as a percentage of segment net sales</u> |
|---------------------------------------|--------------------------|---|-------------------|---------------------------------|---|-------------------|--|
| | | <u>from prior fiscal year third quarter</u> | <u>percentage</u> | | <u>from prior fiscal year third quarter</u> | <u>percentage</u> | |
| 2008 | \$61,155 | 6.1% | | \$ 4,286 | 7.3% | | 7.0% |
| 2007 | 57,651 | 6.4% | | 3,995 | 10.8% | | 6.9% |

Net sales for the Walmart U.S. segment increased 6.1% for the third quarter of fiscal 2009 compared to the third quarter of fiscal 2008. The increase resulted from our continued expansion activities, strength in the grocery, health and wellness categories and a comparable store sales increase of 2.7%. Comparable store sales for the third quarter of fiscal 2009 increased primarily due to an increase in average transaction size per customer, while customer traffic was comparable to the prior fiscal year third quarter.

Gross profit increased 0.7 percentage points for the third quarter of fiscal 2009 compared to the corresponding period in fiscal 2008 due to higher initial margins, lower inventory shrinkage and decreased markdown activity resulting from more effective merchandising during the third quarter of fiscal 2009.

Operating expenses as a percentage of segment net sales for the third quarter of fiscal 2009 were 0.5 percentage points higher than the third quarter of fiscal 2008 due to hurricane-related expenses, higher utility costs, and higher bonus payments for store associates, partially offset by lower wage-related expenses from improvements in labor productivity.

Other income for the third quarter of fiscal 2009 decreased compared to the third quarter of fiscal 2008 due to the favorable impact of a \$71 million pre-tax gain from the sale of certain real estate properties in the third quarter of fiscal 2008.

*Nine Months Ended October 31, 2008
(Amounts in millions)*

| <u>Nine months ended October 31,</u> | <u>Segment net sales</u> | <u>Segment net sales increase</u> | <u>Segment operating income</u> | <u>Segment operating income increase from prior fiscal year period</u> | <u>Segment operating income as a percentage of segment net sales</u> |
|--------------------------------------|--------------------------|--------------------------------------|---------------------------------|--|--|
| | | <u>from prior fiscal year period</u> | | <u>from prior fiscal year period</u> | <u>of segment net sales</u> |
| 2008 | \$184,281 | 7.1% | \$13,363 | 9.3% | 7.3% |
| 2007 | 172,101 | 6.2% | 12,230 | 5.4% | 7.1% |

Net sales for the first nine months of fiscal 2009 increased 7.1% compared to the corresponding period in fiscal 2008 for the Walmart U.S. segment. The increase resulted from our continued expansion activities, strength in the grocery, health and wellness and entertainment categories and a comparable store sales increase of 3.4%. Comparable store sales for the first nine months of fiscal 2009 increased primarily due to an increase in average transaction size per customer, and an increase in customer traffic in our comparable stores.

Gross profit increased 0.5 percentage points for the first nine months of fiscal 2009 compared to the corresponding period in fiscal 2008 due to higher initial margins, lower inventory shrinkage and decreased markdown activity resulting from more effective merchandising during the first nine months of fiscal 2009. Our gross profit for the nine months ended October 31, 2007 included a benefit of \$46 million in excise tax refunds.

Operating expenses as a percentage of segment net sales for the first nine months of fiscal 2009 increased 0.4 percentage points compared to the corresponding period in fiscal 2008. Operating expenses for the first nine months of fiscal 2008 were favorably affected by the change in estimated losses associated with our general liability and workers' compensation claims, which reduced accrued liabilities for such claims by \$274 million before tax, partially offset by pre-tax charges of \$145 million for certain legal and other contingencies. The net favorable impact of these items reduced our operating expenses as a percentage of segment net sales in fiscal 2008 by 0.1 percentage points. However, operating expenses as a percentage of segment net sales increased by 0.3 percentage points in the fiscal 2009 period primarily due to hurricane-related expenses, higher utility costs, and higher bonus payments for store associates, partially offset by lower wage-related expenses from improvements in labor productivity.

Other income increased for the first nine months of fiscal 2009 compared to the corresponding period in fiscal 2008 due to continued growth in our financial services area and increases in recycling income resulting from our sustainability efforts. Other income for the first nine months of fiscal 2008 was favorably impacted by the recognition of a \$134 million pre-tax gain from the sale of certain real estate properties.

International Segment

At October 31, 2008, our International segment was comprised of wholly-owned subsidiaries in Argentina, Brazil, Canada, Japan, Puerto Rico and the United Kingdom, joint ventures in China and India and majority-owned subsidiaries in Central America and Mexico.

Three Months Ended October 31, 2008
(Amounts in millions)

| <u>Three months ended October 31,</u> | <u>Segment net sales</u> | Segment net sales increase | <u>Segment operating income</u> | Segment operating | Segment operating |
|---------------------------------------|--------------------------|--------------------------------------|---------------------------------|--|---|
| | | from prior fiscal year third quarter | | income increase from prior fiscal year third quarter | income as a percentage of segment net sales |
| 2008 | \$24,857 | 11.2% | \$ 1,182 | 10.6% | 4.8% |
| 2007 | 22,349 | 17.0% | 1,069 | 6.8% | 4.8% |

Net sales for the International segment in the third quarter of fiscal 2009 increased 11.2% compared to the corresponding period in fiscal 2008. The increase resulted from net sales growth from existing units and our international expansion program. Foreign currency exchange rates had a \$25 million favorable impact for the third quarter of fiscal 2009.

Gross profit decreased 0.4 percentage points for the third quarter of fiscal 2009 compared to the corresponding period in fiscal 2008 due to the growth in lower-margin fuel sales in the United Kingdom and the transition to the every day low pricing strategy in our stores in Japan.

Operating expenses as a percentage of segment net sales decreased by 0.4 percentage points for the third quarter of fiscal 2009 compared to the corresponding period in fiscal 2008 due to advancements in every day low cost initiatives in Japan designed to support our move to every day low price, as well as strong underlying improvements in the United Kingdom, Brazil and Canada.

Operating income for the third quarter of fiscal 2009 had an \$18 million unfavorable impact from changes in foreign currency exchange rates. Although movements in foreign currency exchange rates cannot reasonably be predicted, volatility in foreign currency exchange rates, when compared to prior periods, may continue to impact the International segment's reported operating results in the foreseeable future.

Nine Months Ended October 31, 2008
(Amounts in millions)

| <u>Nine months ended October 31,</u> | <u>Segment net sales</u> | Segment net sales increase | <u>Segment operating income</u> | Segment operating | Segment operating |
|--------------------------------------|--------------------------|-------------------------------|---------------------------------|---|---|
| | | from prior fiscal year period | | income increase from prior fiscal year period | income as a percentage of segment net sales |
| 2008 | \$73,949 | 16.5% | \$ 3,450 | 15.5% | 4.7% |
| 2007 | 63,472 | 17.1% | 2,986 | 8.8% | 4.7% |

Net sales for the first nine months of fiscal 2009 increased 16.5% compared to the corresponding period in fiscal 2008. The increase resulted from net sales growth from existing units, our international expansion program and the \$2.4 billion favorable impact of changes in foreign currency exchange rates during the first nine months of fiscal 2009.

Gross profit decreased 0.2 percentage points for the first nine months of fiscal 2009 compared to the corresponding period in fiscal 2008 due to the growth in lower margin fuel sales in the United Kingdom and the transition to the every day low pricing strategy in our stores in Japan.

Operating expenses as a percentage of segment net sales decreased 0.2 percentage points for the first nine months of fiscal 2009 compared to the corresponding period in fiscal 2008 due to strong underlying improvements in the United Kingdom, Brazil and Japan, partially offset by accruals for certain legal matters.

Other income as a percentage of segment net sales for the first nine months of fiscal 2009 was essentially consistent with the corresponding period in fiscal 2008.

Operating income for the first nine months of fiscal 2009 was favorably impacted by changes in foreign currency exchange rates of \$72 million. Although movements in foreign currency exchange rates cannot reasonably be predicted, volatility in foreign currency exchange rates, when compared to prior periods, may continue to impact the International segment's reported operating results in the foreseeable future.

Sam's Club Segment

Three Months Ended October 31, 2008

(Amounts in millions)

| Three months ended October 31, | Segment net sales | Segment net sales increase | Segment operating income | Segment operating | Segment operating |
|--------------------------------|-------------------|--------------------------------------|--------------------------|--|---|
| | | from prior fiscal year third quarter | | income increase from prior fiscal year third quarter | income as a percentage of segment net sales |
| 2008 | \$11,622 | 7.4% | \$ 365 | 1.7% | 3.1% |
| 2007 | 10,826 | 6.1% | 359 | 5.6% | 3.3% |

Net sales for the Sam's Club segment in the third quarter of fiscal 2009 increased 7.4% compared to the third quarter of fiscal 2008. The increase resulted from our continued expansion activities and a comparable club sales increase of 6.7%. Comparable club sales in the third quarter of fiscal 2009 increased primarily due to higher growth rates in food and consumables, as well as an increase in both member traffic and average transaction size. In addition, fuel sales had a positive impact of 2.2 percentage points on comparable club sales in the third quarter of fiscal 2009.

Gross profit increased 0.1 percentage points in the third quarter of fiscal 2009 compared to the corresponding period of fiscal 2008 due to the positive impact of a higher fuel gross profit rate.

Operating expenses as a percentage of segment net sales increased slightly for the third quarter of fiscal 2009 compared to the third quarter of fiscal 2008. Operating expenses for the third quarter of fiscal 2009 were unfavorably affected by hurricane-related expenses and higher utility costs.

Membership and other income, which includes membership, recycling, tenant lease, financial services and a variety of other income categories, decreased in the third quarter of fiscal 2009 compared to the corresponding period of fiscal 2008. Membership income, which is recognized over the term of the membership, decreased slightly compared to the corresponding quarter of the prior year.

Nine Months Ended October 31, 2008

(Amounts in millions)

| Nine months ended October 31, | Segment net sales | Segment net sales increase | Segment operating income | Segment operating | Segment operating |
|-------------------------------|-------------------|-------------------------------|--------------------------|---|---|
| | | from prior fiscal year period | | income increase from prior fiscal year period | income as a percentage of segment net sales |
| 2008 | \$35,018 | 7.7% | \$ 1,183 | 0.8% | 3.4% |
| 2007 | 32,526 | 6.8% | 1,174 | 12.1% | 3.6% |

Net sales for the Sam's Club segment in the first nine months of fiscal 2009 increased 7.7% compared to the corresponding period of fiscal 2008. The increase resulted from our continued expansion activities and a comparable club sales increase of 6.8%. Comparable club sales increased primarily due to higher growth rates in food and consumables, as well as an increase in both member traffic and average transaction size. In addition, fuel sales had a positive impact of 2.8 percentage points on comparable club sales in the first nine months of fiscal 2009.

Gross profit decreased 0.1 percentage points in the first nine months of fiscal 2009 due to the negative impact on gross profit from growth in the lower-margin fuel business and the \$39 million excise tax refund recorded in the first nine months of fiscal 2008.

Operating expenses as a percentage of segment net sales in the first nine months of fiscal 2009 was consistent with the first nine months of fiscal 2008. Operating expenses for the nine months ended October 31, 2007, were favorably affected by the change in estimated losses associated with our general liability and workers' compensation claims, which reduced accrued liabilities for such claims by \$21 million, partially offset by pre-tax charges of \$15 million for certain legal contingencies. Otherwise, operating expenses as a percentage of segment net sales for the first nine months of fiscal 2009 decreased compared to the prior year period.

Membership and other income decreased in the first nine months of fiscal 2009 compared to the corresponding period of fiscal 2008. Membership income, which is recognized over the term of the membership, increased slightly in the first nine months of fiscal 2009.

Unit Data By Segment

Square Footage in Thousands

| | October 31, 2008 | | October 31, 2007 | | January 31, 2008 | |
|------------------------------|------------------|----------------|------------------|----------------|------------------|----------------|
| | Units | Square Footage | Units | Square Footage | Units | Square Footage |
| Walmart U.S. | | | | | | |
| Discount Stores | 899 | 97,469 | 988 | 106,388 | 971 | 104,561 |
| Supercenters | 2,601 | 484,748 | 2,419 | 451,258 | 2,447 | 456,516 |
| Neighborhood Markets & Other | 150 | 6,232 | 128 | 5,419 | 132 | 5,552 |
| Total Walmart U.S. | 3,650 | 588,449 | 3,535 | 563,065 | 3,550 | 566,629 |
| Sam's Club | 599 | 79,408 | 586 | 77,525 | 591 | 78,236 |
| United States Total | 4,249 | 667,857 | 4,121 | 640,590 | 4,141 | 644,865 |
| International | | | | | | |
| Argentina | 24 | 4,047 | 17 | 2,895 | 21 | 3,789 |
| Brazil | 328 | 25,603 | 299 | 23,992 | 313 | 24,958 |
| Canada | 310 | 37,644 | 293 | 34,394 | 305 | 36,590 |
| Central America | 486 | 8,130 | 439 | 7,592 | 457 | 7,822 |
| Trust-Mart - China | 100 | 17,343 | 101 | 17,653 | 101 | 17,653 |
| Wal-Mart - China | 115 | 21,312 | 91 | 16,871 | 101 | 18,738 |
| Japan | 393 | 26,304 | 394 | 29,001 | 394 | 26,425 |
| Mexico | 1,118 | 60,313 | 975 | 54,846 | 1,023 | 56,804 |
| Puerto Rico | 55 | 4,027 | 54 | 3,829 | 54 | 3,829 |
| United Kingdom | 351 | 28,580 | 347 | 27,636 | 352 | 27,868 |
| Total International | 3,280 | 233,303 | 3,010 | 218,709 | 3,121 | 224,476 |
| Grand Total | 7,529 | 901,160 | 7,131 | 859,299 | 7,262 | 869,341 |

Liquidity and Capital Resources

Overview

Cash flows provided by operating activities supply us with a significant source of liquidity. The increase in cash flows provided by operating activities for the nine months ended October 31, 2008, was primarily attributable to increased net income and improved inventory management. Selected cash flow data for the nine month periods ended October 31, 2008 and 2007 and current assets and liabilities for the periods then ended, are as follows:

| (Amounts in millions) | Nine Months Ended October 31, | |
|---|----------------------------------|----------|
| | 2008 | 2007 |
| Net cash provided by operating activities | \$10,173 | \$ 9,623 |
| Purchase of Company stock | (3,521) | (5,279) |
| Dividends paid | (2,814) | (2,707) |
| Proceeds from issuance of long-term debt | 5,568 | 7,967 |
| Payment of long-term debt | (5,064) | (6,671) |
| Increase in commercial paper, net | 2,949 | 6,481 |
| Current assets | \$52,856 | \$51,506 |
| Current liabilities | 60,600 | 60,942 |

Future Expansion

In June 2008, the Company revised its capital expenditure forecast for the current fiscal year ending January 31, 2009. Capital expenditures for fiscal year 2009 are expected to be approximately \$13.0 billion.

Working Capital

Current liabilities exceeded current assets at October 31, 2008, by \$7.7 billion, an improvement of \$3.1 billion from January 31, 2008, due in part to lower commercial paper outstanding. Our ratio of current assets to current liabilities was 0.9 at October 31, 2008 and 0.8 at October 31, 2007 and January 31, 2008. We generally have a working capital deficit due to our efficient use of cash in funding operations and in providing returns to shareholders in the form of share repurchases and payment of dividends.

Company Share Repurchase Program

From time to time, we have repurchased shares of our common stock under a \$15.0 billion share repurchase program authorized by our Board of Directors on May 31, 2007. Under the share repurchase program, there is no expiration date or other restriction limiting the period over which we can make our share repurchases under the program, which will expire only when and if we have repurchased \$15.0 billion of our shares under the program. Any repurchased shares are constructively retired and returned to unissued status. We consider several factors in determining when to execute the share repurchases, including among other things, our current cash needs, our capacity for leverage, our cost of borrowings and the market price of our common stock. At October 31, 2008, approximately \$5.0 billion remained of the \$15.0 billion authorization. As a result of the current economic environment and instability in the credit market, we have temporarily suspended the share repurchase program.

Capital Resources

Management believes that cash flows from operations and proceeds from the sale of commercial paper will be sufficient to finance seasonal buildups in merchandise inventories and meet other cash requirements. If our operating cash flows are not sufficient to pay dividends and to fund our capital expenditures, we anticipate compensating for any shortfall in funding 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. Currently, the volatility in the credit markets has not prevented the Company from funding its operating liquidity needs.

To monitor our credit rating and our capacity for long-term financing, we consider various qualitative and quantitative factors. We monitor the ratio of our debt to total capitalization as support for our long-term financing decisions. At October 31, 2008 and 2007 and January 31, 2008, the ratio of our debt to total capitalization was approximately 41.8%, 42.9% and 40.9%, respectively. For the purpose of this calculation, debt is defined as the sum of commercial paper, long-term debt due within one year, obligations under capital leases due within one year, long-term debt and long-term obligations under capital leases. Total capitalization is defined as debt plus shareholders' equity. Our ratio of debt to our total capitalization decreased as of October 31, 2008 due to lower commercial paper outstanding and the increase to our total shareholders' equity resulting from a 11.3% increase in net income for the nine months ended October 31, 2008, compared to the corresponding period in the prior year.

We also use the ratio of adjusted cash flow from operations to adjusted average debt as a metric to review leverage. Adjusted cash flow from operations, the numerator in the calculation, is defined as net cash provided by operating activities of continuing operations plus two-thirds of operating rent expense less capitalized interest expense for the trailing twelve months. Adjusted average debt, the denominator in the calculation, is defined as average debt plus eight times average operating rent expense. Average debt is the simple average of beginning and ending commercial paper, long-term debt due within one year, obligations under capital leases due within one year, long-term debt and long-term obligations under capital leases. Average operating rent expense is the simple average of operating rent expense over the current and prior twelve month periods. We believe this metric is useful to investors as it provides them with a tool to measure our leverage. This metric was 36% for the twelve months ended October 31, 2008 and 2007. The increase in the metric is primarily due to the increase in net cash flow from continuing operations.

The ratio of adjusted cash flow to adjusted average debt is considered a non-GAAP financial measure under the SEC's rules. The most recognized directly comparable GAAP measure is the ratio of net cash flow provided by operating activities of continuing operations for the current year to average total debt (which excludes any effect of operating leases or capitalized interest), which was 44% for the twelve months ended October 31, 2008 and 2007.

A detailed calculation of the adjusted cash flow from operations to adjusted average debt is set forth below along with a reconciliation to the corresponding measurement calculated in accordance with generally accepted accounting principles.

| | For the Twelve Months Ended October 31, | |
|--|--|------------------|
| | 2008 | 2007 |
| <i>(Dollar amounts in millions)</i> | | |
| Calculation of adjusted cash flow from continuing operations to average debt | | |
| Numerator | | |
| Net cash provided by operating activities of continuing operations | \$ 20,904 | \$ 19,515 |
| + Two-thirds current period operating rent expense (1) | 1,168 | 1,032 |
| – Current year capitalized interest expense | 109 | 161 |
| Adjusted cash flow from operations | <u>\$ 21,963</u> | <u>\$ 20,386</u> |
| Denominator | | |
| Average debt (2) | \$ 47,254 | \$ 44,486 |
| Eight times average operating rent expense (3) | 13,200 | 11,400 |
| Average debt | <u>\$ 60,454</u> | <u>\$ 55,886</u> |
| Adjusted cash flow from continuing operations to average debt (4) | <u>36%</u> | <u>36%</u> |
| Calculation of cash flows from continuing operating activities of continuing operations to average debt | | |
| Numerator | | |
| Net cash provided by operating activities of continuing operations | <u>\$ 20,904</u> | <u>\$ 19,515</u> |
| Denominator | | |
| Average debt (2) | <u>\$ 47,254</u> | <u>\$ 44,486</u> |
| Cash flows from operating activities of continuing operations to average debt | <u>44%</u> | <u>44%</u> |
| Selected Financial Information | | |
| Current period operating rent expense | \$ 1,752 | \$ 1,548 |
| Prior period operating rent expense | 1,548 | 1,302 |
| Current period capitalized interest | 109 | 161 |

Certain Balance Sheet Information

| | As of October 31, | | |
|--|-------------------|------------------|-----------------|
| | 2008 | 2007 | 2006 |
| Commercial paper | \$ 7,932 | \$ 9,126 | \$ 7,968 |
| Long-term debt due within one year | 4,753 | 4,412 | 5,490 |
| Obligations under capital leases due within one year | 314 | 309 | 300 |
| Long-term debt | 30,803 | 30,070 | 24,154 |
| Long-term obligations under capital leases | <u>3,268</u> | <u>3,520</u> | <u>3,622</u> |
| Total debt | <u>\$ 47,070</u> | <u>\$ 47,437</u> | <u>\$41,534</u> |

- (1) 2/3 X \$1,752 for the twelve months ended October 31, 2008 and 2/3 X \$1,548 for the twelve months ended October 31, 2007.
- (2) (\$47,070 + \$47,437)/2 for the twelve months ended October 31, 2008 and (\$47,437 + \$41,534)/2 for the twelve months ended October 31, 2007.
- (3) 8 X ((\$1,752 + \$1,548)/2) for the twelve months ended October 31, 2008 and 8 X ((\$1,548 + \$1,302)/2) for the twelve months ended October 31, 2007.
- (4) The calculation of the ratio as defined.

Certain Long-term Debt Transactions

In April 2008, the Company issued \$1.0 billion of 4.250% Notes Due 2013 and \$1.5 billion of 6.200% Notes Due 2038. Interest started accruing on such notes on April 15, 2008. On October 15, 2008, the Company began paying interest on the notes of each series and will continue to pay interest on April 15 and October 15 of each year. The 2013 notes will mature on April 15, 2013 and the 2038 notes will mature on April 15, 2038. The notes of each such series are senior, unsecured and unsubordinated obligations of Wal-Mart Stores, Inc.

In May 2008, Wal-Mart Stores, Inc. entered into a term loan facility with a syndicate of banks. Pursuant to that facility, the Company borrowed ¥220 billion to refinance outstanding debt of its wholly-owned subsidiary, The Seiyu, Ltd., that was scheduled to mature in December, 2008. Borrowings under such facility are senior, unsecured obligations of Wal-Mart Stores, Inc. and generally bear interest at a floating rate equal to the one, three or six month yen London Interbank Offered Rate plus a spread of 0.35%. Such debt matures on June 26, 2011. The amount of such debt in United States dollars as reflected on the Company's Condensed Consolidated Balance Sheets at October 31, 2008 was approximately \$2.2 billion. The facility is designated as a hedge of the Company's net investment in Japan.

In August 2008, the following bonds were issued as senior, unsecured and unsubordinated obligations of Wal-Mart Stores, Inc.

| (Amounts in millions) | Issue Date | Interest Rate | Interest Payment Dates | Maturity Dates | Local Currency | | US Dollar October 31, 2008 |
|---|-------------|-----------------------------|------------------------|----------------|----------------|--|----------------------------|
| | | | | | Issue Amount | | |
| | | | February 5 | | | | |
| Japanese Yen Bonds - First Series | August 2008 | 1.720% | August 5 | August 5, 2011 | ¥ 25,000 | | \$ 254 |
| | | | February 5 | | | | |
| Japanese Yen Bonds - Second Series | August 2008 | 2.010% | August 5 | August 5, 2013 | 25,000 | | 254 |
| | | | February 5 | | | | |
| Japanese Yen Floating Rate Bonds - First Series | August 2008 | 6-month yen Libor + .50% | August 5 | August 5, 2013 | 50,000 | | 508 |
| Total | | | | | ¥ 100,000 | | \$ 1,016 |

The bonds of each series are denominated and payable in Japanese yen and are designated as a hedge of the Company's net investment in Japan.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risks relating to our operations result primarily from changes in interest rates and changes in currency exchange rates. Except for the sudden market shift in foreign currency exchange rates that have resulted from the global economic environment, our market risks at October 31, 2008 are similar to those disclosed in our Form 10-K for the year ended January 31, 2008.

The information concerning market risk under the sub-caption "Market Risk" of the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 36 of the Annual Report to Shareholders for the year ended January 31, 2008 that is an exhibit to our Annual Report on Form 10-K for the year ended January 31, 2008, is hereby incorporated by reference into this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

We maintain 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. In designing and evaluating such controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management is necessarily required to use judgment in evaluating controls and procedures. Also, we have had investments in certain unconsolidated entities. Because we did not control or manage those entities, our controls and procedures with respect to those entities were substantially more limited than those we maintain with respect to our consolidated subsidiaries.

In the ordinary course of business, we review our system of internal control over financial reporting and make changes to our systems and processes to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems and automating manual processes.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures 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 management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our 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 Securities Exchange Act of 1934 is accumulated and communicated to management, including our 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 have been no changes in our 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, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

I. SUPPLEMENTAL INFORMATION: 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 10 to our condensed consolidated financial statements, which is captioned “Legal Proceedings,” and refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought. We provide the following additional information concerning those legal proceedings which sets forth the name of the lawsuit, the court in which the lawsuit is pending and the date on which the petition commencing the lawsuit was filed. In each lawsuit’s name, the letters “WM” refer to Wal-Mart Stores, Inc.

Wage-and-Hour Class Actions: *Adcox v. WM*, US Dist. Ct. (“USDC”), Southern Dist. of TX, 11/9/04; *Alix (f/k/a Gamble) v. WM*, Supreme Ct. of the State of NY, County of Albany, 12/7/01; *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*, USDC, Eastern Dist. of LA, 9/5/00; *Bayardo v. WM*, USDC, Dist. of NV, 3/19/07; *Braun v. WM*, 1st Judicial Dist. Ct. Dakota County MN, 9/12/01; *Braun/Hummel v. WM*, Ct. of Common Pleas, Philadelphia County, PA, 3/20/02/8/30/04; *Brogan v. WM*, Superior Ct. of NH, Strafford County, 2/17/05; *Brogan v. WM*, USDC, Southern Dist. of WV, 4/3/07; *Brown v. WM*, 14th Judicial Circuit Ct., Rock Island, IL, 6/20/01; *Brown v. WM*, USDC, Eastern Dist. of NY, 4/5/07; *Bryan v. WM*, Superior Ct. of CA, Alameda County, 10/9/08; *Campbell v. WM*, USDC, Dist. of NV, 9/20/06; *Carter v. WM*, Ct. of Common Pleas, Colleton County, SC, 7/31/02; *Cole v. WM*, USDC, Dist. of MT, Central Div., 1/13/06; *Connatser v. WM*, USDC, Western Dist. of TN, 4/4/07; *Curless v. WM*, USDC, Dist. of WY, 10/26/05; *Deas v. WM*, USDC, Eastern Dist. of VA, 4/3/06; *Evans v. WM*, USDC, Dist. of SC, 01/9/07; *Gilles v. WM*, USDC, Southern Dist. of IN, 3/31/06; *Green v. WM*, USDC, S. Dist. of FL, 11/6/06; *Grey v. WM*, USDC, Dist. of KS, 7/14/06; *Gross v. WM*, Circuit Ct., Laurel County, KY, 9/29/04; *Hale v. WM*, Circuit Ct., Jackson County, MO, 8/15/01; *Hall v. WM*, USDC, Dist. of NV, 8/12/05; *Henderson v. WM*, USDC, Dist. of NV, 12/6/06; *Hicks v. WM*, USDC, Eastern Dist. of TX, 4/3/07; *Holcomb v. WM*, State Ct. of Chatham County, GA, 3/28/00; *Husidic v. WM*, USDC, Southern Dist. of IA, 9/14/06; *Iliadis v. WM*, Superior Ct. of NJ, Middlesex County, 5/30/02; *Jackson v. WM*, Superior Ct. of DE, New Castle County, 4/4/05; *Jackson v. WM*, USDC, Dist. of ID, 2/3/06; *King v. WM*, USDC, Eastern Dist. of PA, 4/13/07; *Kraemer v. WM*, USDC, Dist. of ND, 11/15/06; *Kuhlmann 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; *Luce v. WM*, Circuit Ct., Brown County, SD, 5/11/05; *Mathies v. WM*, USDC, Dist. of OR, 3/30/07; *McFarlin v. WM*, Superior Ct. of AK at Anchorage, 4/7/05; *Montgomery v. WM*, USDC, Southern Dist. of MS, 12/30/02; *Moore v. WM*, USDC, Dist. of OR, 12/7/05; *Mussman v. WM*, IA Dist. Ct., Clinton County, 6/5/01; *Nagy v. WM*, Circuit Ct. of Boyd County, KY, 8/29/01; *Nolan v. WM*, USDC, Northern Dist. of OH, Eastern Div., 4/4/06; *Olinger v. WM*, USDC, Eastern Dist. of MI, 9/14/06; *Parrish v. WM*, Superior Ct., Chatham County, GA, 2/17/05; *Pedro v. WM*, USDC, Dist. of MA, 4/4/07; *Penn v. WM*, USDC, Eastern Dist. of LA, 9/15/06; *Phelps v. WM*, USDC, Southern Dist. of IL, 4/4/07; *Pickett v. WM*, Circuit Court, Shelby County, TN, 10/22/03; *Poha v. WM*, USDC, Dist. of HI, 11/1/05; *Pritchett v. WM*, Circuit Ct. of Jefferson County, AL, 2/17/05; *Richardson v. WM*, USDC, Dist. of NV, 4/4/07; *Robinson v. WM*, USDC, Southern Dist. of MS, 3/5/07; *Rubin v. WM*, USDC, Northern Dist. of CA, 9/5/08; *Salvas v. WM*, Superior Ct., Middlesex County, MA, 8/21/01; *Sarda v. WM*, Circuit Ct., Washington County, FL, 9/21/01; *Savaglio v. WM*, Superior Ct. of CA, Alameda County, 2/6/01; *Scott v. WM*, Circuit Ct. of Saginaw County, MI, 9/26/01; *Smith/Ballard v. WM*, USDC, Northern Dist. of CA, 3/16/06; *Smith v. WM*, USDC, Western Dist. of WI, 4/2/07; *Stafford v. WM*, USDC, Dist. of NE, 12/8/05; *Whitacre v. WM*, USDC, Dist. of NV, 6/15/07; *Willey v. WM*, Dist. Ct. of Wyandotte County, KS, 9/21/01; *Williams v. WM*, Superior Ct. of CA, Alameda County, 3/23/04; *Williams v. WM*, USDC, Dist. of UT, Central Div., 1/20/06; *Williams v. WM*, USDC, Western Dist. of NC, 3/23/06; *Winters v. WM*, Circuit Ct., Holmes County, MS, 5/28/02; *Woods v. WM*, USDC, Dist. of ME, 1/12/06; *Works v. WM*, Circuit Ct., Miller County, AR, 5/18/05.

Exempt Status Cases: *Salvador v. WM and Sam’s West, Inc.*, USDC, Central Dist. of CA, Western Div., 12/22/05; *Sepulveda v. WM*, USDC, Central Dist. of CA, Western Div., 1/14/04; *Mendez v. WM*, USDC, Central Dist. of CA, 10/15/08; *Patel v. WM*, USDC, Middle Dist. of AL, 5/6/08.

Gender Discrimination Cases: *Dukes v. WM*, USDC, Northern Dist. of CA, San Francisco Div., 6/19/01; 9th Circuit Ct. of Appeals, San Francisco, CA, 8/26/04; *EEOC (Smith) v. WM*, USDC, Eastern Dist. of KY, London Div., 8/31/01.

II. ENVIRONMENTAL MATTERS: Item 103 of SEC Regulation S-K requires disclosure of certain environmental matters. The following matters are disclosed in accordance with that requirement:

The District Attorney for Solano County, California, has alleged that the Company’s store in Vacaville, California, failed to comply with certain California statutes regulating hazardous waste and hazardous materials handling practices. Specifically, the County is alleging that the Company improperly disposed of a limited amount of damaged or returned product containing dry granular fertilizer and pesticides on or about April 3, 2002. The parties are currently negotiating toward a resolution of this matter. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition or results of operations.

The District Attorney for Orange County, California, has alleged that the Company's store in Foothill Ranch, California, failed to comply with certain California statutes regulating hazardous waste and hazardous materials handling practices. Specifically, the County is alleging that the Company improperly disposed of a limited amount of damaged product containing dry granular pesticide on or about January 24, 2005. The parties are currently negotiating toward a resolution of this matter. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company's financial condition or results of operations.

The U.S. Environmental Protection Agency ("EPA") approached a grocery industry group to resolve issues relating to refrigerant-handling practices and to reduce the use of ozone-depleting refrigerants in refrigeration equipment. The Company then approached the EPA independently to address these issues, and proposed a plan for removing ozone-depleting refrigerants from certain types of refrigeration equipment. The parties are currently negotiating a resolution of this matter. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company's financial condition or results of operations.

On February 1, 2007, the Company received from the EPA a request pursuant to Section 114(a) of the Federal Clean Air Act seeking detailed information regarding all non-essential products containing ozone-depleting substances including products such as Loony String which the Company may have sold or distributed since January 1, 2002. On March 8, 2007, the EPA issued a revised request for information in which it limited its request to string products including Loony String, Silly String and Fiesta String, and covering the period from 2004 to the present. The Company has entered into a Consent Decree and Final Order with the EPA to resolve the matter, which includes the assessment of a civil penalty in the amount of \$199,000.

In January 2007, Wal-Mart Puerto Rico, Inc. became aware that the U.S. Army Corps of Engineers ("USACE") was concerned about alleged violations of a permit issued by that agency in 2003, for the fill of 0.23 acres of a creek and its contiguous wetlands during the construction of the Wal-Mart Store in Caguas, Puerto Rico. On January 19, 2007, Wal-Mart Puerto Rico responded to these issues in writing. On January 25, 2007, the USACE issued a formal Notice of Non-Compliance to Wal-Mart Puerto Rico regarding this matter. Wal-Mart Puerto Rico filed a formal response and is currently implementing mitigation measures and working with the USACE to resolve the matter. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company's financial condition or results of operations.

On November 8, 2005, the Company received a grand jury subpoena from the United States Attorney's Office for the Central District of California, seeking documents and information relating to the Company's receipt, transportation, handling, identification, recycling, treatment, storage and disposal of certain merchandise that constitutes hazardous materials or hazardous waste. The Company has been informed by the U.S. Attorney's Office for the Central District of California that it is a target of a criminal investigation into potential violations of the Resource Conservation and Recovery Act ("RCRA"), the Clean Water Act and the Hazardous Materials Transportation Statute. This U.S. Attorney's Office contends, among other things, that the use of Company trucks to transport certain returned merchandise from the Company's stores to its return centers is prohibited by RCRA because those materials may be considered hazardous waste. The government alleges that, to comply with RCRA, the Company must ship from the store certain materials as "hazardous waste" directly to a certified disposal facility using a certified hazardous waste carrier. The Company contends that the practice of transporting returned merchandise to its return centers for subsequent disposition, including disposal by certified facilities, is compliant with applicable laws and regulations. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company's financial condition or results of operations.

Additionally, the U.S. Attorney's Office in the Northern District of California has initiated its own investigation regarding the Company's handling of hazardous materials and hazardous waste and the Company has received administrative document requests from the California Department of Toxic Substances Control requesting documents and information with respect to two of the Company's distribution facilities. Further, the Company also received a subpoena from the Los Angeles County District Attorney's Office for documents and administrative interrogatories requesting information, among other things, regarding the Company's handling of materials and hazardous waste. California state and local government authorities and the State of Nevada have also initiated investigations into these matters. The Company is cooperating fully with the respective authorities. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company's financial condition or results of operations.

On March 28, 2008, the Company received a Notice of Violation from the Missouri Department of Natural Resources ("Department") alleging various violations of Missouri hazardous waste laws and regulations in connection with the activities of a third-party contractor with whom the Company had contracted for recycling services. The Department alleges that the Company provided certain items to the contractor for recycling that should have been managed as hazardous waste. The U. S. Environmental Protection Agency

(“EPA”) has inspected the contractor’s facilities, and both the EPA and the U.S. Attorney’s Office for the Western District of Missouri are conducting investigations. The Company has submitted a response to the Notice of Violation and is cooperating with these authorities. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition or results of operations.

The Company received a Notice of Probable Violation from the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (the “Administration”) dated May 29, 2008, in connection with certain shipments of batteries that were made during October and November 2006. The Administration alleged failure to maintain appropriate records; failure to mark packages correctly; failure to package batteries with protection to prevent short circuits; and failure to provide proper training for employees. The Company has entered into a Compromise Agreement with the Administration to resolve the matter, which includes the assessment of a civil penalty in the amount of \$360,000.

Item 1A. Risk Factors

The risks described in Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended January 31, 2008, could materially and adversely affect our business, financial condition and results of operations. The risk factors discussed in that Form 10-K do not identify all risks that we face because our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

From time to time, we repurchase shares of our common stock under a \$15.0 billion share repurchase program authorized by our Board of Directors on May 31, 2007, and publicly announced on June 1, 2007. This program does not have any expiration date. Share repurchase activity for the third quarter of fiscal 2009 was as follows:

| Fiscal Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate |
|----------------------|---|------------------------------------|--|--|
| | | | | Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (billions) |
| August 1-31, 2008 | 8,975,934 | \$ 58.74 | 8,975,934 | \$ 5.8 |
| September 1-30, 2008 | 7,800,944 | \$ 60.40 | 7,800,944 | 5.3 |
| October 1-31, 2008 | 4,631,025 | \$ 55.26 | 4,631,025 | 5.0 |
| Total | <u>21,407,903</u> | | <u>21,407,903</u> | <u>\$ 5.0</u> |

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 include a statement in Note 9 to our condensed consolidated financial statements regarding the forecasted full year tax rate for our fiscal 2009 and the factors affecting that rate, regarding the effect of the future recognition of certain tax benefits on the Company’s tax rate and regarding the possible effect of the resolution of certain tax audit issues in the future, including the effect on the Company’s tax rate, a statement under the caption “Results of Operations—Quarter ended October 31, 2008” and a statement under “Results of Operations—Nine Months Ended October 31, 2008,” each in Management’s Discussion and Analysis of Financial Condition and Results of Operations, regarding our expectations relating to continuing increased corporate expenses relating to transformation projects in the future, a statement under the caption “Liquidity and Capital Resources—Future Expansion” in Management’s Discussion and Analysis of Financial Condition and Results of Operations regarding our management’s expectations regarding our total capital expenditures in fiscal 2009, and statements under the caption “Liquidity and Capital Resources—Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations regarding our intent and ability to fund certain cash flow shortfalls by the sale of commercial paper and long-term debt securities, our plans to refinance existing long-term debt as it matures and our ability to sell our long-term debt securities. These statements are identified by the use of the words “anticipate,” “are expected”, “could reduce,” “expect,” “plan,” “would, if recognized, affect” or a variation of one of those words or phrases in those statements or by the use of words or phrases of similar import. These forward-looking statements are subject to risks, uncertainties and other factors, domestically and internationally, including geopolitical events and conditions, general economic conditions, financial and capital market conditions, including the liquidity available in the commercial paper and debt markets, cost of goods, consumer credit availability, competitive pressures, inflation, consumer spending patterns and debt levels, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, fluctuations in the costs of gasoline, diesel fuel and other energy, transportation, utilities, labor and health care, accident costs, casualty and other insurance costs, interest rate fluctuations, capital market conditions, weather conditions, damage to our facilities as a result of natural disasters, regulatory matters and other risks. We discuss certain of these matters more fully, as well as certain risk factors that may affect our business operations, financial condition and results of operations, in Part II, Item 1A, of this Quarterly Report and in other of our filings with the SEC, including our Annual Report on Form 10-K for the year ended January 31, 2008. This Quarterly Report should be read in conjunction with that Annual Report on Form 10-K, and all our other filings, including Current Reports on Form 8-K, made with the SEC through the date of this report. We urge you to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements contained in this Quarterly Report. As a result of these and other matters, including changes in facts, assumptions not being realized or other factors, the actual results relating to the subject matter of any forward-looking statement in this Quarterly Report may differ materially from the anticipated results expressed or implied in that forward-looking statement. 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 any of these forward-looking statements to reflect subsequent events or circumstances.

Item 6. Exhibits

The following documents are filed as an exhibit to this Quarterly Report on Form 10-Q:

| | |
|----------------|--|
| Exhibit 3(i) | Restated Certificate of Incorporation of the Company is incorporated herein by reference to Exhibit 3(a) to the Annual Report on Form 10-K of the Company for the year ended January 31, 1989 (which document may be found and reviewed in the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549, in the files therein relating to the Company, whose SEC file number is No. 1-6991), 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 of the Company, dated August 11, 1999 (which document may be found and reviewed in the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549, in the files therein relating to the Company, whose SEC file number is No. 1-6991). |
| Exhibit 3(ii) | Amended and Restated Bylaws of the Company are incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K of the Company dated March 8, 2005. |
| Exhibit 12.1* | Ratio of Earnings to 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 | The information incorporated by reference in Part I, Item 3 of this Quarterly Report on Form 10-Q is incorporated by reference to the material set forth under the sub-caption "Market Risk" in Management's Discussion and Analysis of Financial Condition and Results of Operations, which is contained in Exhibit 13 to the Company's Annual Report on Form 10-K for the year ended January 31, 2008, as filed with the Securities and Exchange Commission. |

* Filed herewith as an Exhibit.

** Furnished herewith as an Exhibit.

The Company agrees to furnish to the Commission, upon the Commission's request, the instruments with respect to the Company's Japanese Yen Bonds - First Series (2008), Japanese Yen Bonds - Second Series (2008), and Japanese Yen Floating Rate Bonds - First Series (2008), which are discussed in Note 4 to the Company's Condensed Consolidated Financial Statements included in Part I. Financial Information, Item 1. Financial Statements in this Quarterly Report on Form 10-Q.

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 9, 2008

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

Date: December 9, 2008

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

Date: December 9, 2008

By: /s/ Steven P. Whaley
Steven P. Whaley
Senior Vice President and Controller
(Principal Accounting Officer)

Index to Exhibits

| Exhibit Number | Description of Document |
|-----------------------|---|
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WAL-MART STORES, INC.
Ratio of Earnings to Fixed Charges

| | Nine Months Ended | | Fiscal Year | | | | |
|---|-------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | October 31, | October 31, | | | | | |
| | 2008 | 2007 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Income from continuing operations before income taxes and minority interest | \$ 15,013 | \$ 13,822 | \$20,158 | \$18,968 | \$17,514 | \$16,289 | \$14,396 |
| Capitalized interest | (68) | (109) | (150) | (182) | (157) | (120) | (144) |
| Minority interest | (365) | (305) | (406) | (425) | (324) | (249) | (214) |
| Adjusted income from continuing operations before income taxes | 14,580 | 13,408 | 19,602 | 18,361 | 17,033 | 15,920 | 14,038 |
| Fixed Charges: | | | | | | | |
| Interest * | 1,689 | 1,622 | 2,267 | 2,009 | 1,603 | 1,326 | 1,150 |
| Interest component of rent | 308 | 300 | 464 | 368 | 328 | 319 | 306 |
| Total fixed charges | 1,997 | 1,922 | 2,731 | 2,377 | 1,931 | 1,645 | 1,456 |
| Income from continuing operations before income taxes and fixed charges | <u>\$ 16,577</u> | <u>\$ 15,330</u> | <u>\$22,333</u> | <u>\$20,738</u> | <u>\$18,964</u> | <u>\$17,565</u> | <u>\$15,494</u> |
| Ratio of earnings to fixed charges (times) | 8.3 | 8.0 | 8.2 | 8.7 | 9.8 | 10.7 | 10.6 |

* Includes interest on debt and capital leases, amortization of debt issuance costs and capitalized interest.

Certain reclassifications have been made to prior periods to conform to the current period presentation. In addition, the impact of McLane Company, Inc., a wholly-owned subsidiary sold in fiscal 2004, the impact of our South Korean and German operations, disposed of in fiscal 2007, the impact of our Gazeley operations disposed of in fiscal 2009, and the impact of The Seiyu, Ltd. store closures in fiscal 2009, have been excluded for all periods presented.

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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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.
5. The registrant’s other certifying officer 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 registrant’s Board of Directors:
 - 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 over financial reporting.

Date: December 9, 2008

/s/ H. Lee Scott, Jr.

H. Lee Scott, Jr.

President and Chief Executive Officer

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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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.
5. The registrant’s other certifying officer 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 registrant’s Board of Directors:
 - 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 over financial reporting.

Date: December 9, 2008

/s/ Thomas M. Schoewe

Thomas M. Schoewe

Executive Vice President and Chief Financial Officer

**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, 2008 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 9, 2008.

/s/ H. Lee Scott, Jr.

H. Lee Scott, Jr.

President and Chief Executive Officer

**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, 2008 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 9, 2008.

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