

# WAL MART STORES INC

## FORM 10-Q (Quarterly Report)

Filed 12/01/14 for the Period Ending 10/31/14

Address	702 SOUTHWEST 8TH ST BENTONVILLE, AR 72716
Telephone	5012734000
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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, 2014** .  
or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.  
Commission file number **1-6991**



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

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

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

**72716**  
(Zip Code)

Registrant's telephone number, including area code: **(479) 273-4000**  
Former name, former address and former fiscal year, if changed since last report: **N/A**

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The registrant had 3,223,189,895 shares of common stock outstanding as of November 26, 2014.

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**Wal-Mart Stores, Inc.**  
**Form 10-Q**  
**For the Quarterly Period Ended October 31, 2014**

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**Wal-Mart Stores, Inc.**  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2014	2013	2014	2013
<i>(Amounts in millions, except per share data)</i>				
<b>Revenues:</b>				
Net sales	\$ 118,076	\$ 114,876	\$ 351,579	\$ 344,290
Membership and other income	925	812	2,507	2,298
Total revenues	119,001	115,688	354,086	346,588
<b>Costs and expenses:</b>				
Cost of sales	89,247	86,687	265,971	260,098
Operating, selling, general and administrative expenses	23,489	22,691	68,917	66,965
<b>Operating income</b>	<b>6,265</b>	<b>6,310</b>	<b>19,198</b>	<b>19,525</b>
<b>Interest:</b>				
Debt	561	527	1,601	1,556
Capital leases	115	65	237	198
Interest income	(20)	(12)	(76)	(92)
Interest, net	656	580	1,762	1,662
<b>Income from continuing operations before income taxes</b>	<b>5,609</b>	<b>5,730</b>	<b>17,436</b>	<b>17,863</b>
Provision for income taxes	1,783	1,860	5,810	5,856
<b>Income from continuing operations</b>	<b>3,826</b>	<b>3,870</b>	<b>11,626</b>	<b>12,007</b>
<b>Income from discontinued operations, net of income taxes</b>	<b>—</b>	<b>15</b>	<b>285</b>	<b>38</b>
<b>Consolidated net income</b>	<b>3,826</b>	<b>3,885</b>	<b>11,911</b>	<b>12,045</b>
Less consolidated net income attributable to noncontrolling interest	(115)	(147)	(514)	(454)
<b>Consolidated net income attributable to Walmart</b>	<b>\$ 3,711</b>	<b>\$ 3,738</b>	<b>\$ 11,397</b>	<b>\$ 11,591</b>
<b>Basic net income per common share:</b>				
Basic income per common share from continuing operations attributable to Walmart	\$ 1.15	\$ 1.14	\$ 3.47	\$ 3.53
Basic income per common share from discontinued operations attributable to Walmart	—	0.01	0.06	—
<b>Basic net income per common share attributable to Walmart</b>	<b>\$ 1.15</b>	<b>\$ 1.15</b>	<b>\$ 3.53</b>	<b>\$ 3.53</b>
<b>Diluted net income per common share:</b>				
Diluted income per common share from continuing operations attributable to Walmart	\$ 1.15	\$ 1.14	\$ 3.46	\$ 3.51
Diluted income per common share from discontinued operations attributable to Walmart	—	—	0.05	0.01
<b>Diluted net income per common share attributable to Walmart</b>	<b>\$ 1.15</b>	<b>\$ 1.14</b>	<b>\$ 3.51</b>	<b>\$ 3.52</b>
<b>Weighted-average common shares outstanding:</b>				
Basic	3,229	3,257	3,231	3,279
Diluted	3,240	3,271	3,243	3,293
<b>Dividends declared per common share</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1.92</b>	<b>\$ 1.88</b>

See accompanying notes.

**Wal-Mart Stores, Inc.**  
**Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

<i>(Amounts in millions)</i>	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2014	2013	2014	2013
Consolidated net income	\$ 3,826	\$ 3,885	\$ 11,911	\$ 12,045
Less consolidated net income attributable to nonredeemable noncontrolling interest	(115)	(131)	(514)	(407)
Less consolidated net income attributable to redeemable noncontrolling interest	—	(16)	—	(47)
<b>Consolidated net income attributable to Walmart</b>	<b>3,711</b>	<b>3,738</b>	<b>11,397</b>	<b>11,591</b>
Other comprehensive income (loss), net of income taxes				
Currency translation and other	(2,340)	724	(1,328)	(2,171)
Derivative instruments	(161)	—	(165)	180
Minimum pension liability	10	1	16	117
Other comprehensive income (loss), net of income taxes	(2,491)	725	(1,477)	(1,874)
Less other comprehensive income (loss) attributable to nonredeemable noncontrolling interest	197	(15)	222	240
Less other comprehensive income (loss) attributable to redeemable noncontrolling interest	—	(4)	—	38
<b>Other comprehensive income (loss) attributable to Walmart</b>	<b>(2,294)</b>	<b>706</b>	<b>(1,255)</b>	<b>(1,596)</b>
Comprehensive income, net of income taxes	1,335	4,610	10,434	10,171
Less comprehensive income (loss) attributable to nonredeemable noncontrolling interest	82	(146)	(292)	(167)
Less comprehensive income (loss) attributable to redeemable noncontrolling interest	—	(20)	—	(9)
<b>Comprehensive income attributable to Walmart</b>	<b>\$ 1,417</b>	<b>\$ 4,444</b>	<b>\$ 10,142</b>	<b>\$ 9,995</b>

*See accompanying notes.*

**Wal-Mart Stores, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

<i>(Amounts in millions)</i>	<u>October 31,</u> <u>2014</u>	<u>January 31,</u> <u>2014</u>	<u>October 31,</u> <u>2013</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 6,718	\$ 7,281	\$ 8,736
Receivables, net	6,091	6,677	6,206
Inventories	51,501	44,858	49,673
Prepaid expenses and other	1,531	1,909	2,160
Current assets of discontinued operations	—	460	367
Total current assets	<u>65,841</u>	<u>61,185</u>	<u>67,142</u>
<b>Property and equipment:</b>			
Property and equipment	177,494	173,089	170,967
Less accumulated depreciation	<u>(62,519)</u>	<u>(57,725)</u>	<u>(56,313)</u>
Property and equipment, net	114,975	115,364	114,654
<b>Property under capital leases:</b>			
Property under capital leases	5,632	5,589	5,668
Less accumulated amortization	<u>(3,115)</u>	<u>(3,046)</u>	<u>(3,095)</u>
Property under capital leases, net	2,517	2,543	2,573
Goodwill	18,888	19,510	19,729
Other assets and deferred charges	<u>5,668</u>	<u>6,149</u>	<u>5,778</u>
<b>Total assets</b>	<u>\$ 207,889</u>	<u>\$ 204,751</u>	<u>\$ 209,876</u>
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST, AND EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings	\$ 6,019	\$ 7,670	\$ 12,817
Accounts payable	39,656	37,415	39,221
Dividends payable	1,553	—	1,573
Accrued liabilities	18,773	18,793	18,606
Accrued income taxes	383	966	255
Long-term debt due within one year	4,874	4,103	4,147
Obligations under capital leases due within one year	302	309	315
Current liabilities of discontinued operations	—	89	87
Total current liabilities	<u>71,560</u>	<u>69,345</u>	<u>77,021</u>
Long-term debt	41,720	41,771	41,702
Long-term obligations under capital leases	2,767	2,788	2,841
Deferred income taxes and other	7,789	8,017	8,298
Redeemable noncontrolling interest	—	1,491	1,492
Commitments and contingencies			
<b>Equity:</b>			
Common stock	323	323	324
Capital in excess of par value	2,223	2,362	2,364
Retained earnings	80,814	76,566	72,888
Accumulated other comprehensive income (loss)	<u>(4,251)</u>	<u>(2,996)</u>	<u>(2,183)</u>

Total Walmart shareholders' equity	79,109	76,255	73,393
Nonredeemable noncontrolling interest	4,944	5,084	5,129
Total equity	<u>84,053</u>	<u>81,339</u>	<u>78,522</u>
<b>Total liabilities, redeemable noncontrolling interest, and equity</b>	<u>\$ 207,889</u>	<u>\$ 204,751</u>	<u>\$ 209,876</u>

*See accompanying notes.*

**Wal-Mart Stores, Inc.**  
**Condensed Consolidated Statement of Shareholders' Equity and Redeemable Noncontrolling Interest**  
**(Unaudited)**

<i>(Amounts in millions)</i>	Common Stock		Capital in	Retained	Accumulated	Total	Nonredeemable	Total	Redeemable
	Shares	Amount	Excess of		Other				
			Par Value	Earnings	Income (Loss)	Equity	Interest	Equity	Interest
<b>Balances as of February 1, 2014</b>	3,233	\$ 323	\$ 2,362	\$ 76,566	\$ (2,996)	\$ 76,255	\$ 5,084	\$ 81,339	\$ 1,491
Consolidated net income	—	—	—	11,397	—	11,397	514	11,911	—
Other comprehensive income, net of income taxes	—	—	—	—	(1,255)	(1,255)	(222)	(1,477)	—
Cash dividends declared (\$1.92 per share)	—	—	—	(6,189)	—	(6,189)	—	(6,189)	—
Purchase of Company stock	(13)	(1)	(29)	(950)	—	(980)	—	(980)	—
Purchase of redeemable noncontrolling interest	—	—	—	—	—	—	—	—	(1,491)
Other	7	1	(110)	(10)	—	(119)	(432)	(551)	—
<b>Balances as of October 31, 2014</b>	3,227	\$ 323	\$ 2,223	\$ 80,814	\$ (4,251)	\$ 79,109	\$ 4,944	\$ 84,053	\$ —

See accompanying notes.



**Wal-Mart Stores, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

<i>(Amounts in millions)</i>	Nine Months Ended October 31,	
	2014	2013
<b>Cash flows from operating activities:</b>		
Consolidated net income	\$ 11,911	\$ 12,045
Income from discontinued operations, net of income taxes	(285)	(38)
Income from continuing operations	11,626	12,007
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	6,881	6,600
Deferred income taxes	(233)	594
Other operating activities	592	465
Changes in certain assets and liabilities:		
Receivables, net	459	191
Inventories	(6,929)	(6,230)
Accounts payable	3,068	2,089
Accrued liabilities	583	(95)
Accrued income taxes	(577)	(2,301)
Net cash provided by operating activities	15,470	13,320
<b>Cash flows from investing activities:</b>		
Payments for property and equipment	(8,243)	(9,506)
Proceeds from the disposal of property and equipment	459	521
Proceeds from the disposal of certain operations	671	—
Other investing activities	(44)	(156)
Net cash used in investing activities	(7,157)	(9,141)
<b>Cash flows from financing activities:</b>		
Net change in short-term borrowings	(1,843)	6,046
Proceeds from issuance of long-term debt	5,120	7,053
Payments of long-term debt	(3,883)	(4,943)
Dividends paid	(4,639)	(4,625)
Purchase of Company stock	(1,015)	(5,806)
Dividends paid to noncontrolling interest	(401)	(365)
Purchase of noncontrolling interest	(1,804)	(247)
Other financing activities	(393)	(149)
Net cash used in financing activities	(8,858)	(3,036)
Effect of exchange rates on cash and cash equivalents	(18)	(188)
Net increase (decrease) in cash and cash equivalents	(563)	955
Cash and cash equivalents at beginning of year	7,281	7,781
Cash and cash equivalents at end of period	\$ 6,718	\$ 8,736

See accompanying notes.

**Wal-Mart Stores, Inc.**  
**Notes to Condensed Consolidated Financial Statements**

**Note 1. Accounting Policies**

***Basis of Presentation***

The Condensed Consolidated Financial Statements of Wal-Mart Stores, Inc. and its subsidiaries ("Walmart" or the "Company") and the accompanying notes included in this Quarterly Report on Form 10-Q are unaudited. In the opinion of management, all adjustments necessary for the fair presentation of the Condensed Consolidated Financial Statements have been included. Such adjustments are of a normal, recurring nature. The Condensed Consolidated Financial Statements, and the accompanying notes, are prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and do not contain certain information included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2014. Therefore, the interim Condensed Consolidated Financial Statements should be read in conjunction with that Annual Report on Form 10-K.

The Company's Condensed Consolidated Financial Statements are based on a fiscal year ending on January 31 for the United States ("U.S.") and Canadian operations. The Company consolidates all other operations generally using a one-month lag and based on a calendar year. There were no significant intervening events during the month of October 2014 related to the operations consolidated using a lag that materially affected the Condensed Consolidated Financial Statements.

The Company's business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as weather patterns. Historically, the Company's highest sales volume and operating income have occurred in the fiscal quarter ending January 31.

Certain prior period amounts have been reclassified to conform to the current period's presentation. These reclassifications did not impact the Company's operating income or consolidated net income.

***Receivables***

Receivables are stated at their carrying values, net of a reserve for doubtful accounts. Receivables consist primarily of amounts due from:

- insurance companies resulting from pharmacy sales;
- banks for customer credit and debit cards and electronic bank transfers that take in excess of seven days to process;
- consumer financing programs in certain international operations;
- suppliers for marketing or incentive programs; and
- real estate transactions.

The Walmart International segment offers a limited number of consumer credit products, primarily through its financial institutions in select countries. The receivable balance from consumer credit products was \$ 1.3 billion, net of a reserve for doubtful accounts of \$111 million at October 31, 2014, compared to a receivable balance of \$ 1.3 billion, net of a reserve for doubtful accounts of \$ 119 million at January 31, 2014. These balances are included in receivables, net, in the Company's Condensed Consolidated Balance Sheets.

***Inventories***

The Company values inventories at the lower of cost or market as determined primarily by the retail inventory method of accounting, using the last-in, first-out ("LIFO") method for substantially all of the Walmart U.S. segment's inventories. The inventory at the Walmart International segment is valued primarily by the retail inventory method of accounting, using the first-in, first-out ("FIFO") method. The retail inventory method of accounting results in inventory being valued at the lower of cost or market since permanent markdowns are immediately recorded as a reduction of the retail value of inventory. The inventory at the Sam's Club segment is valued based on the weighted-average cost using the LIFO method. At October 31, 2014 and January 31, 2014, the Company's inventories valued at LIFO approximated those inventories as if they were valued at FIFO.

***Recent Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This ASU is effective for annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. Accordingly, the Company will adopt this ASU on February 1, 2017. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU. Management is currently evaluating this standard, including which transition approach to use, and does not expect this ASU to materially impact the Company's consolidated net income, financial position or cash flows.

**Note 2. Net Income Per Common Share**

Basic income per common share from continuing operations attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period. Diluted income per common share from continuing operations attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period adjusted for the dilutive effect of outstanding stock options and other share-based awards. The Company did not have significant stock options or other share-based awards outstanding that were antidilutive and not included in the calculation of diluted income per common share from continuing operations attributable to Walmart for the three and nine months ended October 31, 2014 and 2013 .

The following table provides a reconciliation of the numerators and denominators used to determine basic and diluted income per common share from continuing operations attributable to Walmart:

<i>(Amounts in millions, except per share data)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 31,</b>		<b>October 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Numerator</b>				
Income from continuing operations	\$ 3,826	\$ 3,870	\$ 11,626	\$ 12,007
Less income from continuing operations attributable to noncontrolling interest	(115)	(143)	(410)	(443)
Income from continuing operations attributable to Walmart	<u>\$ 3,711</u>	<u>\$ 3,727</u>	<u>\$ 11,216</u>	<u>\$ 11,564</u>
<b>Denominator</b>				
Weighted-average common shares outstanding, basic	3,229	3,257	3,231	3,279
Dilutive impact of stock options and other share-based awards	11	14	12	14
Weighted-average common shares outstanding, diluted	<u>3,240</u>	<u>3,271</u>	<u>3,243</u>	<u>3,293</u>
<b>Income per common share from continuing operations attributable to Walmart</b>				
Basic	\$ 1.15	\$ 1.14	\$ 3.47	\$ 3.53
Diluted	1.15	1.14	3.46	3.51

**Note 3. Accumulated Other Comprehensive Income (Loss)**

The following table provides the changes in the composition of total Walmart accumulated other comprehensive income (loss) for the nine months ended October 31, 2014 :

<i>(Amounts in millions and net of income taxes)</i>	<b>Currency Translation and Other</b>	<b>Derivative Instruments</b>	<b>Minimum Pension Liability</b>	<b>Total</b>
<b>Balances as of February 1, 2014</b>	\$ (2,722)	\$ 336	\$ (610)	\$ (2,996)
Other comprehensive income (loss) before reclassifications	(1,106)	(180)	23	(1,263)
Amounts reclassified from accumulated other comprehensive income (loss)	—	15	(7)	8
<b>Balances as of October 31, 2014</b>	<u>\$ (3,828)</u>	<u>\$ 171</u>	<u>\$ (594)</u>	<u>\$ (4,251)</u>

Amounts reclassified from accumulated other comprehensive income (loss) for derivative instruments are recorded in interest, net, in the Company's Condensed Consolidated Statements of Income, and the amounts for the minimum pension liability are recorded in operating, selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Income.

The Company's unrealized net gains and losses on net investment hedges, included in the currency translation and other category of accumulated other comprehensive income (loss), were not significant as of October 31, 2014 and January 31, 2014 .

**Note 4. Long-term Debt**

The following table provides the changes in the Company's long-term debt for the nine months ended October 31, 2014 :

<i>(Amounts in millions)</i>	<b>Long-term debt due within one year</b>	<b>Long-term debt</b>	<b>Total</b>
<b>Balances as of February 1, 2014</b>	\$ 4,103	\$ 41,771	\$ 45,874
Proceeds from long-term debt	—	5,120	5,120
Repayments of long-term debt	(3,883)	—	(3,883)
Reclassifications of long-term debt	4,324	(4,324)	—
Other	330	(847)	(517)
<b>Balances as of October 31, 2014</b>	<u>\$ 4,874</u>	<u>\$ 41,720</u>	<u>\$ 46,594</u>

*Issuances*

On April 8, 2014 , the Company issued €1.5 billion aggregate principal amount of fixed rate notes resulting in cash proceeds that were the equivalent of approximately \$2.0 billion , net of discounts and issuance costs. The issuances consisted of €850 million aggregate principal amount of 1.900% Notes due 2022 and €650 million aggregate principal amount of 2.550% Notes due 2026 . The proceeds were used to pay down and refinance existing debt and for other general corporate purposes.

On April 22, 2014 , the Company issued \$2.5 billion aggregate principal amount of fixed rate notes resulting in cash proceeds of approximately \$2.5 billion , net of discounts and issuance costs. The issuances consisted of \$500 million aggregate principal amount of 1.000% Notes due 2017 , \$1.0 billion aggregate principal amount of 3.300% Notes due 2024 and \$1.0 billion aggregate principal amount of 4.300% Notes due 2044 . The proceeds were used to pay down and refinance existing debt and for other general corporate purposes.

On October 22, 2014 , the Company issued \$500 million aggregate principal amount of fixed rate notes resulting in cash proceeds of approximately \$508 million . The notes form part of the Company's series of 3.300% Notes due 2024 , originally issued on April 22, 2014 . The terms of the notes, other than their issue date and public offering price, are identical to the terms of the \$1.0 billion principal amount of notes of the series of 3.300% Notes due 2024 issued on April 22, 2014 . After the consummation of the sale and issuance of the notes on October 22, 2014 , the aggregate principal amount of all of the notes of the series of 3.300% Notes due 2024 outstanding is \$1.5 billion . The proceeds of the sale of the notes on October 22, 2014 were used for general corporate purposes.

The Company also received additional proceeds from other, smaller long-term debt issuances by several of its international operations.

*Maturities*

On February 3, 2014 , \$500 million of 3.000% Notes matured and were repaid, on April 14, 2014 , \$1.0 billion of 1.625% Notes matured and were repaid, on May 15, 2014 , \$1.0 billion of 3.200% Notes matured and were repaid and on August 6, 2014 , ¥100 billion of floating rate Notes matured and were repaid.

The Company also repaid other, smaller long-term debt as it matured in several of its international operations.

**Note 5. Fair Value Measurements**

The Company records and discloses certain financial and non-financial assets and liabilities at fair value. The fair value of an asset is the price at which the asset could be sold in an ordinary transaction between unrelated, knowledgeable and willing parties able to engage in the transaction. The fair value of a liability is the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor. Assets and liabilities recorded at fair value are measured using the fair value hierarchy, which prioritizes the inputs used in measuring fair value. The levels of the fair value hierarchy are:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3: unobservable inputs for which little or no market data exists, therefore requiring the Company to develop its own assumptions.

*Recurring Fair Value Measurements*

The Company holds derivative instruments that are required to be measured at fair value on a recurring basis. The fair values are the estimated amounts the Company would receive or pay upon termination of the related derivative agreements as of the reporting dates. The fair values have been measured using the income approach and Level 2 inputs, which include the relevant interest rate and foreign currency forward curves. As of October 31, 2014 and January 31, 2014, the notional amounts and fair values of these derivatives were as follows:

<i>(Amounts in millions)</i>	<u>October 31, 2014</u>		<u>January 31, 2014</u>	
	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Notional Amount</u>	<u>Fair Value</u>
Receive fixed-rate, pay variable-rate interest rate swaps designated as fair value hedges	\$ —	\$ —	\$ 1,000	\$ 5
Receive fixed-rate, pay fixed-rate cross-currency interest rate swaps designated as net investment hedges	1,250	138	1,250	97
Receive fixed-rate, pay fixed-rate cross-currency interest rate swaps designated as cash flow hedges	4,731	215	3,004	453
Receive variable-rate, pay fixed-rate interest rate swaps designated as cash flow hedges	267	(1)	457	(2)
Receive variable-rate, pay fixed-rate forward starting interest rate swaps designated as cash flow hedges	—	—	2,500	166
<b>Total</b>	<u>\$ 6,248</u>	<u>\$ 352</u>	<u>\$ 8,211</u>	<u>\$ 719</u>

*Nonrecurring Fair Value Measurements*

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company's assets and liabilities are also subject to nonrecurring fair value measurements. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. The Company did not record any significant impairment charges to assets measured at fair value on a nonrecurring basis for the three and nine months ended October 31, 2014, or for the fiscal year ended January 31, 2014.

*Other Fair Value Disclosures*

The Company records cash and cash equivalents and short-term borrowings at cost. The carrying values of these instruments approximate their fair value due to their short-term maturities.

The Company's long-term debt is also recorded at cost. The fair value is estimated using Level 2 inputs based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying value and fair value of the Company's long-term debt as of October 31, 2014 and January 31, 2014, are as follows:

<i>(Amounts in millions)</i>	<u>October 31, 2014</u>		<u>January 31, 2014</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Long-term debt, including amounts due within one year	\$ 46,594	\$ 53,685	\$ 45,874	\$ 50,757

## Note 6. Derivative Financial Instruments

The Company uses derivative financial instruments for hedging and non-trading purposes to manage its exposure to changes in interest and currency exchange rates, as well as to maintain an appropriate mix of fixed- and variable-rate debt. Use of derivative financial instruments in hedging programs subjects the Company to certain risks, such as market and credit risks. Market risk represents the possibility that the value of the derivative financial instrument will change. In a hedging relationship, the change in the value of the derivative financial instrument is offset to a great extent by the change in the value of the underlying hedged item. Credit risk related to a derivative financial instrument represents the possibility that the counterparty will not fulfill the terms of the contract. The notional, or contractual, amount of the Company's derivative financial instruments is used to measure interest to be paid or received and does not represent the Company's exposure due to credit risk. Credit risk is monitored through established approval procedures, including setting concentration limits by counterparty, reviewing credit ratings and requiring collateral (generally cash) from the counterparty when appropriate.

The Company only enters into derivative transactions with counterparties rated "A-" or better by nationally recognized credit rating agencies. Subsequent to entering into derivative transactions, the Company regularly monitors the credit ratings of its counterparties. In connection with various derivative agreements, including master netting arrangements, the Company held cash collateral from counterparties of \$ 337 million and \$ 641 million at October 31, 2014 and January 31, 2014, respectively. The Company records cash collateral received as amounts due to the counterparties exclusive of any derivative asset. Furthermore, as part of the master netting arrangements with these counterparties, the Company is also required to post collateral if the Company's net derivative liability position exceeds \$ 150 million with any counterparty. The Company did not have any cash collateral posted with counterparties at October 31, 2014 or January 31, 2014. The Company records cash collateral it posts with counterparties as amounts receivable from those counterparties exclusive of any derivative liability.

The Company uses derivative financial instruments for the purpose of hedging its exposure to interest and currency exchange rate risks and, accordingly, the contractual terms of a hedged instrument closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. Contracts that are effective at meeting the risk reduction and correlation criteria are recorded using hedge accounting. If a derivative financial instrument is recorded using hedge accounting, depending on the nature of the hedge, changes in the fair value of the instrument will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or be recognized in accumulated other comprehensive income (loss) until the hedged item is recognized in earnings. Any hedge ineffectiveness is immediately recognized in earnings. The Company's net investment and cash flow instruments are highly effective hedges and the ineffective portion has not been, and is not expected to be, significant. Instruments that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting, are recorded at fair value with unrealized gains or losses reported in earnings during the period of the change.

### *Fair Value Instruments*

The Company was a party to receive fixed-rate, pay variable-rate interest rate swaps that were designated as fair value hedges and which matured in May 2014. The Company used these interest rate swaps to hedge the fair value of fixed-rate debt. The notional amounts were used to measure interest to be paid or received and did not represent the Company's exposure due to credit loss. As the specific terms and notional amounts of the derivative instruments matched those of the fixed-rate debt that was hedged, the derivative instruments were assumed to be perfectly effective hedges. Changes in the fair values of these derivative instruments were recorded in earnings, but were offset by corresponding changes in the fair values of the hedged items, also recorded in earnings, and, accordingly, did not impact the Company's Condensed Consolidated Statements of Income.

### *Net Investment Instruments*

The Company is a party to cross-currency interest rate swaps that the Company uses to hedge its net investments. The agreements are contracts to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. All changes in the fair value of these instruments are recorded in accumulated other comprehensive income (loss), offsetting the currency translation adjustment of the related investment that is also recorded in accumulated other comprehensive income (loss). These instruments will mature on dates ranging from October 2023 to February 2030.

The Company has issued foreign-currency-denominated long-term debt as hedges of net investments of certain of its foreign operations. These foreign-currency-denominated long-term debt issuances are designated and qualify as nonderivative hedging instruments. Accordingly, the foreign currency translation of these debt instruments is recorded in accumulated other comprehensive income (loss), offsetting the foreign currency translation adjustment of the related net investments that is also recorded in accumulated other comprehensive income (loss). At October 31, 2014 and January 31, 2014, the Company had ¥100 billion and ¥200 billion, respectively, of outstanding long-term debt designated as a hedge of its net investment in Japan, as well as outstanding long-term debt of £2.5 billion at October 31, 2014 and January 31, 2014 that was designated as a hedge of its net investment in the United Kingdom. These nonderivative net investment hedges will mature on dates ranging from July 2015 to January 2039.

*Cash Flow Instruments*

The Company is a party to receive variable-rate, pay fixed-rate interest rate swaps that the Company uses to hedge the interest rate risk of certain non-U.S. denominated debt. The swaps are designated as cash flow hedges of interest expense risk. Amounts reported in accumulated other comprehensive income (loss) related to these derivatives are reclassified from accumulated other comprehensive income (loss) to earnings as interest is expensed for the Company's variable-rate debt, converting the variable-rate interest expense into fixed-rate interest expense. These cash flow instruments will mature in July 2015 .

The Company is also a party to receive fixed-rate, pay fixed-rate cross-currency interest rate swaps to hedge the currency exposure associated with the forecasted payments of principal and interest of certain non-U.S. denominated debt. The swaps are designated as cash flow hedges of the currency risk related to payments on the non-U.S. denominated debt. The effective portion of changes in the fair value of derivatives designated as cash flow hedges of foreign exchange risk is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The hedged items are recognized foreign currency-denominated liabilities that are remeasured at spot exchange rates each period, and the assessment of effectiveness (and measurement of any ineffectiveness) is based on total changes in the related derivative's cash flows. As a result, the amount reclassified into earnings each period includes an amount that offsets the related transaction gain or loss arising from that remeasurement and the adjustment to earnings for the period's allocable portion of the initial spot-forward difference associated with the hedging instrument. These cash flow instruments will mature on dates ranging from April 2022 to March 2034 .

The Company used forward starting receive variable-rate, pay fixed-rate swaps ("forward starting swaps") to hedge its exposure to the variability in future cash flows due to changes in the LIBOR swap rate for debt issuances forecasted to occur in the future. These forward starting swaps were terminated in October 2014, April 2014 and April 2013 concurrently with the issuance of the hedged debt. Upon termination of the forward starting swaps, the Company received net cash payments from the related counterparties of \$22 million , which was recorded in accumulated other comprehensive income (loss) and will be reclassified to earnings over the life of the related debt through May 2044, effectively adjusting interest expense to reflect the fixed interest rates entered into by the forward starting swaps.

*Financial Statement Presentation*

Although subject to master netting arrangements, the Company does not offset derivative assets and derivative liabilities in its Condensed Consolidated Balance Sheets. Derivative instruments with an unrealized gain are recorded in the Company's Condensed Consolidated Balance Sheets as either current or non-current assets, based on maturity date, and those hedging instruments with an unrealized loss are recorded as either current or non-current liabilities, based on maturity date.

The Company's derivative instruments, as well as its nonderivative debt instruments designated and qualifying as net investment hedges, were classified as follows in the Company's Condensed Consolidated Balance Sheets:

	October 31, 2014			January 31, 2014		
	Fair Value Instruments	Net Investment Instruments	Cash Flow Instruments	Fair Value Instruments	Net Investment Instruments	Cash Flow Instruments
<i>(Amounts in millions)</i>						
<b>Derivative instruments</b>						
Prepaid expenses and other	\$ —	\$ —	\$ —	\$ 5	\$ —	\$ —
Other assets and deferred charges	—	138	362	—	97	619
<b>Derivative asset subtotals</b>	<u>\$ —</u>	<u>\$ 138</u>	<u>\$ 362</u>	<u>\$ 5</u>	<u>\$ 97</u>	<u>\$ 619</u>
Accrued liabilities	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1
Deferred income taxes and other	—	—	147	—	—	1
<b>Derivative liability subtotals</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 148</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>
<b>Nonderivative hedging instruments</b>						
Long-term debt due within one year	\$ —	\$ 824	\$ —	\$ —	\$ 973	\$ —
Long-term debt	—	4,092	—	—	5,095	—
<b>Nonderivative hedge liability subtotals</b>	<u>\$ —</u>	<u>\$ 4,916</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,068</u>	<u>\$ —</u>

Gains and losses related to the Company's derivatives primarily relate to interest rate hedges, which are recorded in interest, net, in the Company's Condensed Consolidated Statements of Income. Amounts related to the Company's derivatives expected to be reclassified from accumulated other comprehensive income (loss) to net income during the next 12 months are not significant.

**Note 7. Share Repurchases**

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Board of Directors. The current \$15.0 billion share repurchase program has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. At October 31, 2014, authorization for \$10.3 billion of share repurchases remained under the current share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

The Company considers several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings and the market price of its common stock. The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and cash paid for share repurchases for the nine months ended October 31, 2014 and 2013 :

<i>(Amounts in millions, except per share data)</i>	<b>Nine Months Ended October 31,</b>	
	<b>2014</b>	<b>2013</b>
Total number of shares repurchased	13.4	77.9
Average price paid per share	\$ 75.82	\$ 74.54
Total cash paid for share repurchases	\$ 1,015	\$ 5,806

**Note 8. Common Stock Dividends**

On February 20, 2014, the Board of Directors approved the fiscal 2015 annual dividend of \$1.92 per share, an increase compared to the fiscal 2014 annual dividend of \$1.88 per share. For fiscal 2015, the annual dividend will be paid in four quarterly installments of \$0.48 per share, according to the following record and payable dates:

<b>Record Date</b>	<b>Payable Date</b>
March 11, 2014	April 1, 2014
May 9, 2014	June 2, 2014
August 8, 2014	September 3, 2014
December 5, 2014	January 5, 2015

The dividend installments payable on April 1, 2014, June 2, 2014 and September 3, 2014, were paid as scheduled.



## **Note 9. Contingencies**

### ***Legal Proceedings***

The Company is involved in a number of legal proceedings. The Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's Condensed Consolidated Financial Statements. For some matters, a liability is not probable or the amount cannot be reasonably estimated and therefore an accrual has not been made. However, where a liability is reasonably possible and may be material, such matters have been disclosed. 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.

Unless stated otherwise, 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 a liability material to the Company's financial condition or results of operations.

*Wage-and-Hour Class Action:* The Company is a defendant in *Braun/Hummel v. Wal-Mart Stores, Inc.*, a class-action lawsuit commenced in March 2002 in the Court of Common Pleas 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, a 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. By operation of law, post-judgment interest accrues on the judgment amount at the rate of six percent per annum from the date of entry of the judgment, which was November 14, 2007, until the judgment is paid, unless the judgment is set aside on appeal. On December 7, 2007, the Company filed its Notice of Appeal. The Company filed its opening appellate brief on February 17, 2009, plaintiffs filed their response brief on April 20, 2009, and the Company filed its reply brief on June 5, 2009. Oral argument was held before the Pennsylvania Superior Court of Appeals on August 19, 2009. On June 10, 2011, the court issued an opinion upholding the trial court's certification of the class, the jury's back pay award, and the awards of statutory penalties and prejudgment interest, but reversing the award of attorneys' fees. On September 9, 2011, the Company filed a Petition for Allowance of Appeal with the Pennsylvania Supreme Court. On July 2, 2012, the Pennsylvania Supreme Court granted the Company's Petition. The Company served its opening brief in the Pennsylvania Supreme Court on October 22, 2012, plaintiffs served their response brief on January 22, 2013, and the Company served its reply on February 28, 2013. Oral argument was held in the Pennsylvania Supreme Court on May 8, 2013. No decision has been issued. The Company believes it has substantial factual and legal defenses to the claims at issue, and plans to continue pursuing appellate review.

*ASDA Equal Value Claims:* ASDA Stores, Ltd., a wholly-owned subsidiary of the Company, is a defendant in 1,551 "equal value" claims that are proceeding before an Employment Tribunal in Manchester in the United Kingdom ("UK") on behalf of current and former ASDA store employees, who allege that the work performed by female employees in ASDA's retail stores is of equal value in terms of, among other things, the demands of their jobs to that of male employees working in ASDA's warehouse and distribution facilities, and that the disparity in pay between these different job positions is not objectively justified. ASDA believes that further claims may be asserted in the near future, a possibility that has been reported in the UK media. At present, the Company cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from these proceedings. A significant majority of the claims have been filed and served on ASDA within the last 90 days, with the claimants requesting differential back pay based on higher wage rates in the warehouse and distribution facilities and those higher wage rates on a prospective basis as part of these equal value proceedings. The Company believes it has substantial factual and legal defenses to these claims, and intends to defend the claims vigorously.

**FCPA Investigation and Related Matters**

The Audit Committee (the "Audit Committee") of the Board of Directors of the Company, which is composed solely of independent directors, is conducting an internal investigation into, among other things, alleged violations of the U.S. Foreign Corrupt Practices Act ("FCPA") and other alleged crimes or misconduct in connection with foreign subsidiaries, including Wal-Mart de México, S.A.B. de C.V. ("Walmex"), and whether prior allegations of such violations and/or misconduct were appropriately handled by the Company. The Audit Committee and the Company have engaged outside counsel from a number of law firms and other advisors who are assisting in the on-going investigation of these matters.

The Company is also conducting a voluntary global review of its policies, practices and internal controls for FCPA compliance. The Company is engaged in strengthening its global anti-corruption compliance program through appropriate remedial anti-corruption measures. In November 2011, the Company voluntarily disclosed that investigative activity to the U.S. Department of Justice (the "DOJ") and the Securities and Exchange Commission (the "SEC"). Since the implementation of the global review and the enhanced anti-corruption compliance program, the Audit Committee and the Company have identified or been made aware of additional allegations regarding potential violations of the FCPA. When such allegations are reported or identified, the Audit Committee and the Company, together with their third party advisors, conduct inquiries and when warranted based on those inquiries, open investigations. Inquiries or investigations regarding allegations of potential FCPA violations have been commenced in a number of foreign markets where the Company operates, including, but not limited to, Brazil, China and India.

The Company has been informed by the DOJ and the SEC that it is also the subject of their respective investigations into possible violations of the FCPA. The Company is cooperating with the investigations by the DOJ and the SEC. A number of federal and local government agencies in Mexico have also initiated investigations of these matters. Walmex is cooperating with the Mexican governmental agencies conducting these investigations. Furthermore, lawsuits relating to the matters under investigation have been filed by several of the Company's shareholders against it, certain of its current directors, certain of its former directors, certain of its current and former officers and certain of Walmex's current and former officers.

The Company could be exposed to a variety of negative consequences as a result of the matters noted above. There could be one or more enforcement actions in respect of the matters that are the subject of some or all of the on-going government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desist orders, debarment or other relief, criminal convictions and/or penalties. The shareholder lawsuits may result in judgments against the Company and its current and former directors and officers named in those proceedings. The Company cannot predict at this time the outcome or impact of the government investigations, the shareholder lawsuits, or its own internal investigations and review. In addition, the Company has incurred and expects to continue to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the government investigations, in defending the shareholder lawsuits, and in conducting the review and investigations. These costs will be expensed as incurred. For the three and nine months ended October 31, 2014 and 2013, the Company incurred the following third-party expenses in connection with the FCPA investigation and related matters:

<i>(Amounts in millions)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 31,</b>		<b>October 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Ongoing inquiries and investigations	\$ 30	\$ 43	\$ 95	\$ 135
Global compliance program and organizational enhancements	11	26	42	89
<b>Total</b>	<b>\$ 41</b>	<b>\$ 69</b>	<b>\$ 137</b>	<b>\$ 224</b>

These matters may require the involvement of certain members of the Company's senior management that could impinge on the time they have available to devote to other matters relating to the business. The Company expects that there will be on-going media and governmental interest, including additional news articles from media publications on these matters, which could impact the perception among certain audiences of the Company's role as a corporate citizen.

The Company's process of assessing and responding to the governmental investigations and the shareholder lawsuits continues. While the Company believes that it is probable that it will incur a loss from these matters, given the on-going nature and complexity of the review, inquiries and investigations, the Company cannot reasonably estimate any loss or range of loss that may arise from these matters. Although the Company does not presently believe that these matters will have a material adverse effect on its business, given the inherent uncertainties in such situations, the Company can provide no assurance that these matters will not be material to its business in the future.

**Note 10. Acquisitions, Disposals and Related Items**

The Company has completed the following transactions that impact the operations of Walmart International:

*Walmart Chile*

In fiscal 2014, the redeemable noncontrolling interest shareholders exercised put options that required the Company to purchase their shares in Walmart Chile. At that time, the Company recorded an increase to redeemable noncontrolling interest of \$1.0 billion, with a corresponding decrease to capital in excess of par value, to reflect the redemption value of the redeemable noncontrolling interest at \$1.5 billion. In February 2014, the Company completed this transaction using the existing cash of the Company, increasing its ownership interest in Walmart Chile to 99.7 percent. In March 2014, the Company completed a tender offer for most of the remaining noncontrolling interest shares at the same value per share as was paid to the redeemable noncontrolling interest shareholders. As a result of completing these transactions, the Company owns substantially all of Walmart Chile.

*Vips Restaurant Business in Mexico*

In September 2013, Walmex, a majority-owned subsidiary of the Company, entered into a definitive agreement with Alsea S.A.B. de C.V. to sell the Vips restaurant business ("Vips") in Mexico. The sale of Vips was completed on May 12, 2014. Upon completion of the sale, the Company received \$671 million of cash and recognized a net gain of \$262 million, which is recorded in discontinued operations in the Company's Condensed Consolidated Statements of Income for the three and nine months ended October 31, 2014.

**Note 11. Segments**

The Company is engaged in the operation of retail, wholesale and other units located in the U.S., Africa, Argentina, Brazil, Canada, Central America, Chile, China, India, Japan, Mexico and the United Kingdom. The Company's operations are conducted in three reportable business segments: Walmart U.S., Walmart International and Sam's Club. The Company defines its segments as those operations whose results its chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. The Company sells similar individual products and services in each of its segments. It is impractical to segregate and identify revenues for each of these individual products and services.

The Walmart U.S. segment includes the Company's mass merchant concept in the U.S. operating under the "Walmart" or "Wal-Mart" brands, as well as walmart.com. The Walmart International segment consists of the Company's operations outside of the U.S., including various retail websites. The Sam's Club segment includes the warehouse membership clubs in the U.S., as well as samsclub.com. Corporate and support consists of corporate overhead and other items not allocated to any of the Company's segments.

The Company measures the results of its segments using, among other measures, each segment's net sales and operating income, which includes certain corporate overhead allocations. From time to time, the Company revises the measurement of each segment's operating income, including any corporate overhead allocations, as determined by the information regularly reviewed by its CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation.

Net sales by segment are as follows:

<i>(Amounts in millions)</i>	<b>Three Months Ended October 31,</b>		<b>Nine Months Ended October 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net sales:				
Walmart U.S.	\$ 70,025	\$ 67,692	\$ 208,478	\$ 202,973
Walmart International	33,659	33,109	99,955	98,839
Sam's Club	14,392	14,075	43,146	42,478
<b>Net sales</b>	<b>\$ 118,076</b>	<b>\$ 114,876</b>	<b>\$ 351,579</b>	<b>\$ 344,290</b>

Operating income by segment, as well as operating loss for corporate and support, and interest, net, are as follows:

<i>(Amounts in millions)</i>	<b>Three Months Ended October 31,</b>		<b>Nine Months Ended October 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Operating income (loss):				
Walmart U.S.	\$ 4,932	\$ 4,991	\$ 15,159	\$ 15,571
Walmart International	1,430	1,379	4,121	3,921
Sam's Club	493	440	1,466	1,448
Corporate and support	(590)	(500)	(1,548)	(1,415)
<b>Operating income</b>	<b>6,265</b>	<b>6,310</b>	<b>19,198</b>	<b>19,525</b>
Interest, net	656	580	1,762	1,662
<b>Income from continuing operations before income taxes</b>	<b>\$ 5,609</b>	<b>\$ 5,730</b>	<b>\$ 17,436</b>	<b>\$ 17,863</b>

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

### Overview

Wal-Mart Stores, Inc. ("Walmart," the "Company" or "we") is engaged in the operation of retail, wholesale and other units in various formats around the world. Our operations consist of three reportable segments: Walmart U.S., Walmart International and Sam's Club.

- The Walmart U.S. segment includes the Company's mass merchant concept in the United States ("U.S."), operating under the "Walmart" or "Wal-Mart" brand with various formats, including supercenters, discount stores, Neighborhood Markets and other small stores, as well as walmart.com. Of our three segments, Walmart U.S. is the largest and has historically had the highest gross profit as a percentage of net sales ("gross profit rate"). In addition, Walmart U.S. has historically contributed the greatest amount to the Company's net sales and operating income.
- The Walmart International segment consists of the Company's operations outside of the U.S. Walmart International operates retail, wholesale and other types of units, including various retail websites. The overall gross profit rate for Walmart International is lower than that of Walmart U.S. because of its merchandise mix. Walmart International is our second largest segment and, in recent years, has grown through acquisitions, as well as by adding retail, wholesale and other units.
- The Sam's Club segment includes the warehouse membership clubs in the U.S., as well as samsclub.com. Sam's Club operates as a membership club warehouse and membership income is a significant component of the segment's operating income. As a result, Sam's Club operates with a lower gross profit rate and lower operating expenses as a percentage of net sales than our other segments.

Each of our segments contributes to the Company's operating results differently, but each has generally maintained a consistent contribution rate to the Company's net sales and operating income in recent years.

Through the operations in each of our segments, we are committed to saving people money so they can live better. At Walmart U.S., we earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at everyday low prices ("EDLP"), while fostering a culture that rewards and embraces mutual respect, integrity and diversity. EDLP is our pricing philosophy under which we price items at a low price every day so that our customers trust that our prices will not change under frequent promotional activities. Our focus for Sam's Club is to provide exceptional value on brand name and private label merchandise at "members only" prices for both business and personal use. Internationally, we operate with similar philosophies.

Our fiscal year ends on January 31 for our U.S. and Canadian operations. We consolidate all other operations generally using a one-month lag and on a calendar year basis. Our business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as weather patterns. Historically, our highest sales volume and operating income have occurred in the fiscal quarter ending January 31 .

This discussion, which presents our results for periods occurring in the fiscal years ended January 31, 2015 ("fiscal 2015 ") and January 31, 2014 ("fiscal 2014 "), should be read in conjunction with our Condensed Consolidated Financial Statements as of and for the three and nine months ended October 31, 2014 , and the accompanying notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as our Consolidated Financial Statements as of and for the fiscal year ended January 31, 2014 , the accompanying notes and the related Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report to Shareholders for the year ended January 31, 2014 , and incorporated by reference in, and included as Exhibit 13 to, our Annual Report on Form 10-K for the fiscal year ended January 31, 2014 .

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 period to period and the primary factors that accounted for those changes. We also discuss certain performance metrics that management uses to assess the Company's performance. Additionally, the discussion provides information about the financial results of the three segments of our business to provide a better understanding of how each of those segments and its results of operations 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, comparable store and club sales and other measures. Management measures the results of the Company's segments using each segment's operating income, including certain corporate overhead allocations, as well as other measures. From time to time, we revise the measurement of each segment's operating income, including certain corporate overhead allocations, and other measures as determined by the information regularly reviewed by our chief operating decision maker. When we do so, the previous period amounts and balances are reclassified to conform to the current period's presentation. The amounts disclosed for "Corporate and support" in the leverage discussion of the Company's performance metrics consist of corporate overhead and other items not allocated to any of the Company's segments.

Comparable store and club sales is a metric that indicates the performance of our existing U.S. stores and clubs by measuring the change in sales for such stores and clubs, including e-commerce sales, for a particular period from the corresponding period in the previous year. Walmart's definition of comparable store and club sales includes sales from stores and clubs open for the previous 12 months, including remodels, relocations, expansions and conversions, as well as e-commerce sales. We measure the e-commerce sales impact by including those sales initiated through our websites and fulfilled through our e-commerce distribution facilities, as well as an estimate for sales initiated online, but fulfilled through our stores and clubs. Changes in format are excluded from comparable store and club sales when the conversion is accompanied by a relocation or expansion that results in a change in retail square feet of more than five percent. Comparable store and club sales are also referred to as "same-store" sales by others within the retail industry. The method of calculating comparable store and club sales varies across the retail industry. As a result, our calculation of comparable store and club sales is not necessarily comparable to similarly titled measures reported by other companies.

In discussing our operating results, the term currency exchange rates refers to the currency exchange rates we use to convert the operating results for all countries where the functional currency is not the U.S. dollar. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the current period's currency exchange rates, and the comparable prior year period's currency exchange rates. Throughout our discussion, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. When we refer to constant currency operating results, we are referring to our operating results without the impact of the currency exchange rate fluctuations and without the impact of acquisitions until the acquisitions are included in both comparable periods. The disclosure of constant currency amounts or results permits investors to understand better Walmart's underlying performance without the effects of currency exchange rate fluctuations or acquisitions. Volatility in currency exchange rates may impact the results, including net sales and operating income, of the Company and the Walmart International segment in the future.

We made certain reclassifications to prior period amounts or balances to conform to the presentation in the current fiscal year. These reclassifications did not impact the Company's operating income or consolidated net income. Additionally, certain prior period segment asset and expense allocations have been reclassified among segments to be comparable with the current period presentation.

### Company Performance Metrics

Our performance metrics emphasize three priorities for improving shareholder value: growth, leverage and returns. Our priority of growth focuses on sales through comparable store and club sales, including e-commerce sales, and unit square feet growth; the priority of leverage encompasses our objective to increase our operating income at the same rate as or a faster rate than the growth in net sales by growing our operating, selling, general and administrative expenses ("operating expenses") at a slower rate than the growth of our net sales; and the priority of returns focuses on how efficiently we employ assets through return on investment and how effectively we manage working capital through free cash flow. While all three priorities are important, our top priority is growth, with increased investment in e-commerce. Sales growth will contribute to improving leverage and returns over time.

### Growth

#### *Net Sales*

	Three Months Ended October 31,						Nine Months Ended October 31,				
	2014			2013			2014			2013	
	Net Sales	Percent of Total	Percent Change	Net Sales	Percent of Total	Net Sales	Percent of Total	Percent Change	Net Sales	Percent of Total	
<i>(Amounts in millions)</i>											
Walmart U.S.	\$ 70,025	59.3%	3.4%	\$ 67,692	58.9%	\$ 208,478	59.3%	2.7%	\$ 202,973	59.0%	
Walmart International	33,659	28.5%	1.7%	33,109	28.8%	99,955	28.4%	1.1%	98,839	28.7%	
Sam's Club	14,392	12.2%	2.3%	14,075	12.3%	43,146	12.3%	1.6%	42,478	12.3%	
<b>Net sales</b>	<b>\$ 118,076</b>	<b>100.0%</b>	<b>2.8%</b>	<b>\$ 114,876</b>	<b>100.0%</b>	<b>\$ 351,579</b>	<b>100.0%</b>	<b>2.1%</b>	<b>\$ 344,290</b>	<b>100.0%</b>	

Our consolidated net sales increased 2.8% and 2.1% for the three and nine months ended October 31, 2014, respectively, when compared to the same periods in the previous fiscal year. The increases in net sales were primarily due to 2.7% year-over-year growth in retail square feet, higher e-commerce sales across the Company and positive comparable sales in the U.S. These increases were partially offset by \$0.4 billion and \$2.7 billion of negative impact from fluctuations in currency exchange rates for the three and nine months ended October 31, 2014, respectively.

*Calendar Comparable Store and Club Sales*

Comparable store and club sales is a metric which indicates the performance of our existing U.S. stores and clubs by measuring the change in sales for such stores and clubs, including e-commerce sales, for a particular period over the corresponding period in the previous year. The retail industry generally reports comparable store and club sales using the retail calendar (also known as the 4-5-4 calendar) and, to be consistent with the retail industry, we provide comparable store and club sales using the retail calendar in our quarterly earnings releases. However, when we discuss our comparable store and club sales below, we are referring to our calendar comparable store and club sales calculated using our fiscal calendar. As our fiscal calendar differs from the retail calendar, our calendar comparable store and club sales also differ from the retail calendar comparable store and club sales provided in our quarterly earnings releases. Calendar comparable store and club sales, as well as the impact of fuel, for the three and nine months ended October 31, 2014 and 2013, were as follows:

	Three Months Ended October 31,				Nine Months Ended October 31,			
	2014	2013	2014	2013	2014	2013	2014	2013
	With Fuel		Fuel Impact		With Fuel		Fuel Impact	
Walmart U.S.	0.8%	(0.3)%	0.0 %	0.0 %	0.2%	(0.8)%	0.0%	0.0 %
Sam's Club	0.5%	0.1 %	(0.1)%	(1.0)%	0.0%	0.3 %	0.0%	(0.5)%
<b>Total U.S.</b>	0.7%	(0.2)%	0.0 %	(0.1)%	0.1%	(0.6)%	0.0%	0.0 %

Comparable store and club sales in the U.S., including fuel, increased 0.7% for the three months ended October 31, 2014 and increased 0.1% for the nine months ended October 31, 2014, when compared to the same periods in the previous fiscal year. The total U.S. comparable store and club sales were positively impacted by an increase in average ticket primarily due to inflation in several categories, partially offset by the reduction in government food benefits for the three and nine months ended October 31, 2014. Severe winter storms, which occurred during the first quarter of fiscal 2015, also had a negative impact for the nine months ended October 31, 2014. E-commerce sales positively impacted comparable sales approximately 0.2% for both Walmart U.S. and Sam's Club for each of the three and nine months ended October 31, 2014.

**Leverage***Operating Income*

<i>(Amounts in millions)</i>	Three Months Ended October 31,						Nine Months Ended October 31,				
	2014			2013			2014			2013	
	Operating Income	Percent of Total	Percent Change	Operating Income	Percent of Total		Operating Income	Percent of Total	Percent Change	Operating Income	Percent of Total
Walmart U.S.	\$ 4,932	78.7 %	(1.2)%	\$ 4,991	79.0 %		\$ 15,159	79.0 %	(2.6)%	\$ 15,571	79.7 %
Walmart International	1,430	22.8 %	3.7 %	1,379	21.9 %		4,121	21.5 %	5.1 %	3,921	20.1 %
Sam's Club	493	7.9 %	12.0 %	440	7.0 %		1,466	7.6 %	1.2 %	1,448	7.4 %
Corporate and support	(590)	(9.4)%	(18.0)%	(500)	(7.9)%		(1,548)	(8.1)%	(9.4)%	(1,415)	(7.2)%
<b>Operating income</b>	<b>\$ 6,265</b>	<b>100.0 %</b>	<b>(0.7)%</b>	<b>\$ 6,310</b>	<b>100.0 %</b>		<b>\$ 19,198</b>	<b>100.0 %</b>	<b>(1.7)%</b>	<b>\$ 19,525</b>	<b>100.0 %</b>

We believe comparing both the growth of our operating expenses and our operating income to the growth of our net sales are meaningful measures as they indicate how effectively we manage costs and leverage operating expenses. Our objective for a fiscal year is to grow operating expenses at a slower rate than net sales and to grow operating income at the same rate as or a faster rate than net sales. On occasion, we may make strategic growth investments that may, at times, cause our operating expenses to grow at a faster rate than net sales and that may result in our operating income growing at a slower rate than net sales.

*Operating Expenses*

For the three and nine months ended October 31, 2014, operating expenses increased 3.5% and 2.9%, respectively, when compared to the same periods in the previous fiscal year, while net sales increased 2.8% and 2.1%, respectively, when compared to the same periods in the previous fiscal year. Accordingly, we did not meet our objective of growing operating expenses at a slower rate than net sales for either period. Higher health-care expenses in the U.S. from increased enrollment and medical cost inflation, as well as continued investments in e-commerce and other initiatives were the primary factors that caused us not to leverage for the three and nine months ended October 31, 2014. In addition, severe winter storms in the U.S. contributed to the increase in operating expenses as a percentage of net sales for the nine months ended October 31, 2014.

*Operating Income*

For the three and nine months ended October 31, 2014, we did not meet our objective of growing operating income at the same rate or a faster rate than net sales as operating income decreased 0.7% and 1.7%, respectively, while net sales increased 2.8% and 2.1%, respectively, when compared to the same periods in the previous fiscal year. This was primarily due to the factors we discussed for not leveraging operating expenses, as well as a lower gross profit rate primarily from price investments at Walmart U.S. and the Cash Rewards Program at Sam's Club.



## **Returns**

### *Return on Investment*

Management believes return on investment ("ROI") is a meaningful metric to share with investors because it helps investors assess how effectively Walmart is deploying its assets. Trends in ROI can fluctuate over time as management balances long-term potential strategic initiatives with possible short-term impacts.

ROI was 16.4% and 17.5% for the trailing twelve months ended October 31, 2014 and 2013, respectively. The decline in ROI was primarily due to a decrease in operating income, as well as our continued capital investment in store growth and e-commerce.

We define ROI as adjusted operating income (operating income plus interest income, depreciation and amortization, and rent expense) for the trailing 12 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, plus average accumulated depreciation and average amortization, less average accounts payable and average accrued liabilities for that period, plus a rent factor equal to the rent for the fiscal year or trailing 12 months multiplied by a factor of eight. When we have discontinued operations, we exclude the impact of the discontinued operations.

Our calculation of ROI is considered a non-GAAP financial measure because we calculate ROI using financial measures that exclude and include amounts that are included and excluded in the most directly comparable GAAP financial measure. For example, we exclude the impact of depreciation and amortization from our reported operating income in calculating the numerator of our calculation of ROI. In addition, we include a factor of eight for rent expense that estimates the hypothetical capitalization of our operating leases. We consider return on assets ("ROA") to be the financial measure computed in accordance with generally accepted accounting principles ("GAAP") that is the most directly comparable financial measure to our calculation of ROI. ROI differs from ROA (which is consolidated income from continuing operations for the period divided by average total assets of continuing operations for the period) because ROI: adjusts operating income to exclude certain expense items and adds interest income; adjusts total assets of 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 our ROI may differ from the methods used by other companies to calculate their ROI. We urge you to understand the methods used by other companies to calculate their ROI before comparing our ROI to that of such other companies.

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

	For the Trailing Twelve Months Ending October 31,	
	2014	2013
<i>(Amounts in millions)</i>		
<b>CALCULATION OF RETURN ON INVESTMENT</b>		
<b>Numerator</b>		
Operating income	\$ 26,545	\$ 28,105
+ Interest income	103	146
+ Depreciation and amortization	9,151	8,775
+ Rent	2,898	2,667
= Adjusted operating income	\$ 38,697	\$ 39,693
<b>Denominator</b>		
Average total assets of continuing operations <sup>(1)</sup>	\$ 208,699	\$ 207,624
+ Average accumulated depreciation and amortization <sup>(1)</sup>	62,521	56,533
- Average accounts payable <sup>(1)</sup>	39,439	39,747
- Average accrued liabilities <sup>(1)</sup>	18,690	18,571
+ Rent x 8	23,184	21,336
= Average invested capital	\$ 236,275	\$ 227,175
<b>Return on investment (ROI)</b>	<b>16.4%</b>	<b>17.5%</b>
<b>CALCULATION OF RETURN ON ASSETS</b>		
<b>Numerator</b>		
Income from continuing operations	\$ 16,170	\$ 17,870
<b>Denominator</b>		
Average total assets of continuing operations <sup>(1)</sup>	\$ 208,699	\$ 207,624
<b>Return on assets (ROA)</b>	<b>7.7%</b>	<b>8.6%</b>

	As of October 31,		
	2014	2013	2012
<b>Certain Balance Sheet Data</b>			
Total assets of continuing operations	\$ 207,889	\$ 209,509	\$ 205,738
Accumulated depreciation and amortization	65,634	59,408	53,658
Accounts payable	39,656	39,221	40,272
Accrued liabilities	18,773	18,606	18,536

(1) 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*

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

We define free cash flow as net cash provided by operating activities in a period minus payments for property and equipment made in that period. We generated free cash flow of \$7.2 billion for the nine months ended October 31, 2014, compared to free cash flow of \$3.8 billion for the nine months ended October 31, 2013. The increase in free cash flow was primarily due to the timing of payments for income taxes and capital expenditures.

Additionally, Walmart's definition of free cash flow is limited, in that it does not represent residual cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt service and other contractual obligations or payments made for business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our Condensed Consolidated Statements of Cash Flows.

Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by Walmart's management to calculate our free cash flow may differ from the methods used by other companies to calculate their free cash flow. We urge you to understand the methods used by other companies to calculate their free cash flow before comparing our free cash flow to that of such other companies.

The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities, which we believe to be the GAAP financial measure most directly comparable to free cash flow, as well as information regarding net cash used in investing activities and net cash used in financing activities.

<i>(Amounts in millions)</i>	<b>Nine Months Ended October 31,</b>	
	<b>2014</b>	<b>2013</b>
Net cash provided by operating activities	\$ 15,470	\$ 13,320
Payments for property and equipment	(8,243)	(9,506)
<b>Free cash flow</b>	<b>\$ 7,227</b>	<b>\$ 3,814</b>
Net cash used in investing activities <sup>(1)</sup>	\$ (7,157)	\$ (9,141)
Net cash used in financing activities	(8,858)	(3,036)

(1) "Net cash used in investing activities" includes payments for property and equipment, which is also included in our computation of free cash flow.

**Results of Operations****Consolidated Results of Operations**

Three and nine months ended October 31, 2014 and 2013

(Amounts in millions, except unit counts)	Three Months Ended October 31,		Nine Months Ended October 31,	
	2014	2013	2014	2013
Total revenues	\$ 119,001	\$ 115,688	\$ 354,086	\$ 346,588
Percentage change from comparable period	2.9%	1.7%	2.2%	1.7%
Net sales	\$ 118,076	\$ 114,876	\$ 351,579	\$ 344,290
Percentage change from comparable period	2.8%	1.6%	2.1%	1.7%
Total U.S. calendar comparable store and club sales increase (decrease)	0.7%	(0.2)%	0.1%	(0.6)%
Gross profit margin as a percentage of net sales	24.4%	24.5%	24.4%	24.5%
Operating income	\$ 6,265	\$ 6,310	\$ 19,198	\$ 19,525
Operating income as a percentage of net sales	5.3%	5.5%	5.5%	5.7%
Income from continuing operations	\$ 3,826	\$ 3,870	\$ 11,626	\$ 12,007
Unit counts at period end	11,156	10,736	11,156	10,736
Retail square feet at period end	1,121	1,092	1,121	1,092

Our total revenues, which are mostly comprised of net sales, but also include membership and other income, increased 2.9% and 2.2% for the three and nine months ended October 31, 2014, respectively, when compared to the same period in the previous fiscal year. The increase in total revenues was consistent with the 2.8% and 2.1% increases in net sales. The increases in net sales were primarily due to 2.7% year-over-year growth in retail square feet, higher e-commerce sales across the Company and positive comparable sales in the U.S. These increases were partially offset by \$0.4 billion and \$2.7 billion, respectively, of negative impact from fluctuations in currency exchange rates for the three and nine months ended October 31, 2014. An increase in membership and other income, primarily due to growth in membership income at Sam's Club, also contributed to the increase in total revenues.

Our gross profit rate decreased 12 and 10 basis points for the three and nine months ended October 31, 2014, respectively, when compared to the same periods in the previous fiscal year. The decrease in our gross profit rate was due to declines in gross profit rates in the U.S., resulting primarily from price investments at Walmart U.S. and the Cash Rewards Program at Sam's Club.

We did not leverage operating expenses for either the three or nine months ended October 31, 2014, as operating expenses as a percentage of net sales increased 14 and 15 basis points, respectively, when compared to the same periods in the previous fiscal year. Higher health-care expenses in the U.S. from increased enrollment and medical cost inflation, as well as continued investments in e-commerce and other initiatives, were the primary factors that caused us not to leverage for the three and nine months ended October 31, 2014. In addition, severe winter storms in the U.S. contributed to the increase in operating expenses as a percentage of net sales for the nine months ended October 31, 2014.

Our effective income tax rates were 31.8% and 33.3% for the three and nine months ended October 31, 2014, respectively, compared to our effective income tax rates of 32.5% and 32.8% for the same periods in the previous fiscal year, respectively. Our effective income tax rate may fluctuate from quarter to quarter as a result of factors including our performance, changes in our assessment of certain tax contingencies, valuation allowances, changes in tax law, outcomes of administrative audits, the impact of discrete items, and the mix of earnings among our U.S. operations and international operations, which are subject to statutory rates that are generally lower than the U.S. statutory rate. In addition, possible U.S. Congressional actions regarding the extension of certain tax legislation could impact our full year effective tax rate.

As a result of the factors discussed above, we reported \$3.8 billion and \$11.6 billion of consolidated income from continuing operations for the three and nine months ended October 31, 2014, respectively, a decrease of \$44 million and \$381 million, respectively, when compared to the same periods in the previous fiscal year. Diluted income from continuing operations per common share attributable to Walmart ("EPS") was \$1.15 and \$3.46 for the three and nine months ended October 31, 2014, respectively, an increase compared to EPS of \$1.14 for the three months ended October 31, 2013 and a decrease compared to EPS of \$3.51 for the nine months ended October 31, 2013. During the fourth quarter of fiscal 2015, Walmart Japan announced it would close approximately 30 underperforming stores. The expected impact to the Company's EPS for these store closures will be approximately \$0.03 in the fourth quarter and an additional \$0.01 to \$0.02 over other future quarters.

**Walmart U.S. Segment***Three and nine months ended October 31, 2014 and 2013*

<i>(Amounts in millions, except unit counts)</i>	<b>Three Months Ended October 31,</b>		<b>Nine Months Ended October 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net sales	\$ 70,025	\$ 67,692	\$ 208,478	\$ 202,973
Percentage change from comparable period	3.4%	2.4 %	2.7%	1.6 %
Calendar comparable store sales increase (decrease)	0.8%	(0.3)%	0.2%	(0.8)%
Operating income	\$ 4,932	\$ 4,991	\$ 15,159	\$ 15,571
Operating income as a percentage of net sales	7.0%	7.4 %	7.3%	7.7 %
Unit counts at period end	4,344	4,156	4,344	4,156
Retail square feet at period end	674	655	674	655

Net sales for the Walmart U.S. segment increased 3.4% and 2.7% for the three and nine months ended October 31, 2014 , respectively, when compared to the same periods in the previous fiscal year. The increases in net sales were due primarily to year-over-year growth in retail square feet of 2.8% , as well as increases in comparable store sales of 0.8% and 0.2% , which were due to improved ticket, partially offset by lower traffic.

Gross profit rate decreased 22 and 15 basis points for the three and nine months ended October 31, 2014 , respectively, compared to the same periods in the previous fiscal year. The decreases in the gross profit rate were due to pharmacy cost inflation and reductions in third-party reimbursement rates. In addition, the segment's continued strategic focus on price investment, as well as merchandise mix also contributed to the decreases in gross profit rate.

Walmart U.S. did not leverage operating expenses for either the three or nine months ended October 31, 2014 , as operating expenses as a percentage of segment net sales increased 10 and 23 basis points, respectively, compared to the same periods in the previous fiscal year. The increases in operating expenses as a percentage of segment net sales were primarily driven by higher health-care expenses from increased enrollment and medical cost inflation. In addition, expenses from severe winter storms contributed to the increase in operating expenses as a percentage of segment net sales for the nine months ended October 31, 2014 .

**Walmart International Segment**

Three and nine months ended October 31, 2014 and 2013

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2014	2013	2014	2013
<i>(Amounts in millions, except unit counts)</i>				
Net sales	\$ 33,659	\$ 33,109	\$ 99,955	\$ 98,839
Percentage change from comparable period	1.7%	0.2%	1.1%	2.0%
Operating income	\$ 1,430	\$ 1,379	\$ 4,121	\$ 3,921
Operating income as a percentage of net sales	4.2%	4.2%	4.1%	4.0%
Unit counts at period end	6,169	5,950	6,169	5,950
Retail square feet at period end	361	352	361	352

Net sales for the Walmart International segment increased 1.7% and 1.1% for the three and nine months ended October 31, 2014 , respectively, when compared to the same periods in the previous fiscal year. The increases in net sales were primarily due to year-over-year net growth in retail square feet of 2.5% and higher e-commerce sales. These increases were partially offset by \$0.4 billion and \$ 2.7 billion of negative impact from fluctuations in currency exchange rates for the three and nine months ended October 31, 2014 , respectively. In addition, positive comparable sales in certain markets contributed to the increase in net sales for the nine months ended October 31, 2014 .

Gross profit rate was relatively flat for the three and nine months ended October 31, 2014 , when compared to the same periods in the previous fiscal year. The impact to gross profit rate due to price investment in several markets was offset by changes in the merchandise mix.

Operating expenses, as a percentage of net sales, increased 21 basis points for the three months ended October 31, 2014 , when compared to the same period in the previous fiscal year. Walmart International did not leverage operating expenses for the three months ended October 31, 2014 , primarily due to lower than anticipated net sales and continued investments in e-commerce and other initiatives. However, Walmart International leveraged operating expenses for the nine months ended October 31, 2014 , primarily due to continued focus on expense management.

**Sam's Club Segment**

Three and nine months ended October 31, 2014 and 2013

We believe the information in the following table under the caption "Excluding Fuel" is useful to investors because it permits investors to understand the effect of the Sam's Club segment's fuel sales on its results of operations, which are impacted by the volatility of fuel prices. Volatility in fuel prices may continue to impact the operating results of the Sam's Club segment in the future.

<i>(Amounts in millions, except unit counts)</i>	<b>Three Months Ended October 31,</b>		<b>Nine Months Ended October 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Including Fuel</b>				
Net sales	\$ 14,392	\$ 14,075	\$ 43,146	\$ 42,478
Percentage change from comparable period	2.3%	1.1%	1.6%	1.3%
Calendar comparable club sales increase (decrease)	0.5%	0.1%	0.0%	0.3%
Operating income	\$ 493	\$ 440	\$ 1,466	\$ 1,448
Operating income as a percentage of net sales	3.4%	3.1%	3.4%	3.4%
Unit counts at period end	643	630	643	630
Retail square feet at period end	86	84	86	84
<b>Excluding Fuel</b>				
Net sales	\$ 12,737	\$ 12,449	\$ 37,986	\$ 37,421
Percentage change from comparable period	2.3%	2.1%	1.5%	1.7%
Operating income	\$ 455	\$ 432	\$ 1,398	\$ 1,435
Operating income as a percentage of net sales	3.6%	3.5%	3.7%	3.8%

Net sales for the Sam's Club segment increased 2.3% and 1.6% for the three and nine months ended October 31, 2014 , respectively, when compared to the same periods in the previous fiscal year. The increases in net sales were primarily due to year-over-year growth in retail square feet of 2.2% . In addition, for the three months ended October 31, 2014 , an increase in comparable club sales of 0.5% , due to higher average ticket and Savings members' traffic, also contributed to the increase in net sales.

Gross profit rate decreased 17 and 24 basis points for the three and nine months ended October 31, 2014 , respectively, when compared to the same periods in the previous fiscal year. The gross profit rate decreased primarily due to the segment's investment in the Cash Rewards program, changes in merchandise mix, and commodity cost inflation, partially offset by the increased gross profit rate on fuel sales.

Membership and other income increased 9.9% and 10.1% for the three and nine months ended October 31, 2014 , respectively, when compared to the same periods in the previous fiscal year. The increase was primarily the result of increased membership upgrades and Plus member renewals for both the three and nine months ended October 31, 2014 . The increase for the nine months ended October 31, 2014 was also partially due to the increased membership fees introduced May 15, 2013.

Sam's Club leveraged operating expenses for the three and nine months ended October 31, 2014 , as operating expenses as a percentage of segment net sales decreased 30 and 5 basis points, respectively, compared to the same periods in the previous fiscal year. The decreases in operating expenses as a percentage of segment net sales for the three months ended October 31, 2014 were primarily due to lower remodel costs and lower pre-opening expenses from opening fewer clubs this quarter than the comparable quarter in the previous fiscal year. This was partially offset by higher health-care expenses, mostly from increased enrollment and medical cost inflation, which impacted both the three and nine months ended October 31, 2014. In addition, expenses from severe winter storms offset the overall decrease in operating expenses as a percentage of segment net sales for the nine months ended October 31, 2014 .

**Liquidity and Capital Resources**

**Liquidity**

The strength and stability of our operations have historically supplied us with a significant source of liquidity. Cash flows provided by operating activities, supplemented with long-term debt and short-term borrowings, have been sufficient to fund our operations while allowing us to continue to grow our operations by investing in global expansion activities. Generally, some or all of the remaining available cash flow has been used to fund the dividends on our common stock and share repurchases. We believe our sources of liquidity will continue to be adequate to fund operations, finance our global expansion activities, pay dividends and fund our share repurchases for the foreseeable future.

<i>(Amounts in millions)</i>	<b>Nine Months Ended October 31,</b>	
	<b>2014</b>	<b>2013</b>
Net cash provided by operating activities	\$ 15,470	\$ 13,320
Payments for property and equipment	(8,243)	(9,506)
<b>Free cash flow</b>	<b>\$ 7,227</b>	<b>\$ 3,814</b>
Net cash used in investing activities <sup>(1)</sup>	\$ (7,157)	\$ (9,141)
Net cash used in financing activities	(8,858)	(3,036)

(1) "Net cash used in investing activities" includes payments for property and equipment, which is also included in our computation of free cash flow.

***Net Cash Provided by Operating Activities***

Net cash provided by operating activities was \$15.5 billion and \$13.3 billion for the nine months ended October 31, 2014 and 2013 , respectively. The increase in net cash provided by operating activities was primarily due to the timing of payments for income taxes and the combination of normal fluctuations in other operating activities.

***Cash Equivalents and Working Capital***

Cash and cash equivalents were \$6.7 billion and \$8.7 billion at October 31, 2014 and 2013 , respectively. Our working capital deficit was \$5.7 billion and \$9.9 billion at October 31, 2014 and 2013 , respectively. The decrease in our working capital deficit is primarily the result of using less net cash provided by operating activities for share repurchases during the nine months ended October 31, 2014, which allowed us to reduce our short-term borrowings. Also contributing to the decrease were higher inventory levels in each of our segments primarily from lower than anticipated sales and new store growth. We generally operate with a working capital deficit due to our efficient use of cash in funding operations, consistent access to the capital markets and in providing returns to our shareholders in the form of share repurchases and payments of cash dividends.

We use intercompany financing arrangements in an effort to ensure cash can be made available in the country in which it is needed with the minimum cost possible. We do not believe it will be necessary to repatriate cash and cash equivalents held outside of the U.S. and anticipate our domestic liquidity needs will be met through other funding sources (ongoing cash flows generated from operations, external borrowings, or both). Accordingly, we intend, with only certain exceptions, to continue to indefinitely reinvest our cash and cash equivalents held outside of the U.S. in our foreign operations. When the income is earned (either from operations or through intercompany financing arrangements) and indefinitely reinvested outside of the U.S. is taxed at local country tax rates, which are generally lower than the U.S. statutory rate, we realize an effective tax rate benefit. If our intentions with respect to reinvestment were to change, most of the amounts held within our foreign operations could be repatriated to the U.S., although any repatriation under current U.S. tax laws would be subject to U.S. federal income taxes, less applicable foreign tax credits. As of October 31, 2014 and January 31, 2014 , cash and cash equivalents of approximately \$1.8 billion and \$1.9 billion , respectively, may not be freely transferable to the U.S. due to local laws or other restrictions. We do not expect local laws, other limitations or potential taxes on anticipated future repatriations of cash amounts held outside of the U.S. to have a material effect on our overall liquidity, financial condition or results of operations.



**Net Cash Used in Investing Activities**

Net cash used in investing activities was \$7.2 billion and \$9.1 billion for the nine months ended October 31, 2014 and 2013, respectively, and generally consisted of payments to build new stores, remodel existing stores, expand our e-commerce capabilities and invest in other technologies. Net cash used in investing activities decreased \$1.9 billion for the nine months ended October 31, 2014, when compared to the same period in the previous fiscal year, due to the timing of our capital expenditures, as well as proceeds received from the disposal of certain operations described further below. Our plan is for our fiscal 2015 capital expenditures to be similar to actual capital expenditures for fiscal 2014. Therefore, we expect that a greater portion of our capital expenditures will occur in the fourth quarter of fiscal 2015. We are working to significantly increase the number of Neighborhood Markets in the U.S. and accelerate the expansion of our e-commerce capabilities.

As described in Note 10 to our Condensed Consolidated Financial Statements, we completed the sale of the Vips Restaurant Business in Mexico ("Vips") on May 12, 2014. We received \$671 million of cash in connection with the Vips sale, which is reflected in cash flows from investing activities.

**Net Cash Used in Financing Activities**

Net cash used in financing activities was \$8.9 billion and \$3.0 billion for the nine months ended October 31, 2014 and 2013, respectively, and generally consisted of activity in our short-term borrowings and long-term debt, dividends paid, stock repurchases and transactions with noncontrolling interests. Net cash used in financing activities increased \$5.9 billion for the nine months ended October 31, 2014, when compared to the same period in the previous fiscal year, primarily due to the reduction in short-term borrowings and the activity described further below.

**Short-term Borrowings**

Short-term borrowings decreased \$1.8 billion for the nine months ended October 31, 2014, compared to an increase of \$6.0 billion for the same period in the previous fiscal year. We generally utilize the liquidity provided by short-term borrowings to provide funding used for our operations, dividend payments, share repurchases, capital expenditures and other cash requirements. However, we have made fewer share repurchases this fiscal year, which has allowed us to reduce our short-term borrowings. Additionally, more cash provided from operating activities combined with less cash used for capital expenditures during the nine months ended October 31, 2014, allowed us to minimize our short-term borrowings at October 31, 2014. Our various lines of credit remain mostly unused and continue to provide more than \$15.0 billion of additional liquidity, if needed.

**Long-term Debt**

The following table provides the changes in our long-term debt for the nine months ended October 31, 2014:

<i>(Amounts in millions)</i>	<b>Long-term debt due within one year</b>	<b>Long-term debt</b>	<b>Total</b>
Balances as of February 1, 2014	\$ 4,103	\$ 41,771	\$ 45,874
Proceeds from long-term debt	—	5,120	5,120
Repayments of long-term debt	(3,883)	—	(3,883)
Reclassifications of long-term debt	4,324	(4,324)	—
Other	330	(847)	(517)
<b>Balances as of October 31, 2014</b>	<b>\$ 4,874</b>	<b>\$ 41,720</b>	<b>\$ 46,594</b>

The net of proceeds from and repayments of our long-term debt borrowings during the nine months ended October 31, 2014 was \$1.2 billion compared to \$2.1 billion during the same period in the previous fiscal year. This difference is primarily due to the timing and amounts of issuances and maturities, as well as our desire to maintain an appropriate balance of differing maturities within our debt portfolio.

*Dividends*

On February 20, 2014, the Board of Directors approved the fiscal 2015 annual dividend of \$ 1.92 per share, an increase compared to the fiscal 2014 annual dividend of \$ 1.88 per share. For fiscal 2015, the annual dividend will be paid in four quarterly installments of \$0.48 per share, according to the following record and payable dates:

<b>Record Date</b>	<b>Payable Date</b>
March 11, 2014	April 1, 2014
May 9, 2014	June 2, 2014
August 8, 2014	September 3, 2014
December 5, 2014	January 5, 2015

The dividend installments payable on April 1, 2014, June 2, 2014 and September 3, 2014, were paid as scheduled.

*Company Share Repurchase Program*

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Board of Directors. The current \$15.0 billion share repurchase program has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. At October 31, 2014, authorization for \$10.3 billion of share repurchases remained under the current share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

The Company regularly reviews its share repurchase activity and considers several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings and the market price of its common stock. The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and total cash paid for share repurchases for the nine months ended October 31, 2014 and 2013:

<i>(Amounts in millions, except per share data)</i>	<b>Nine Months Ended October 31,</b>	
	<b>2014</b>	<b>2013</b>
Total number of shares repurchased	13.4	77.9
Average price paid per share	\$ 75.82	\$ 74.54
Total cash paid for share repurchases	\$ 1,015	\$ 5,806

Total cash paid for share repurchases decreased \$4.8 billion for the nine months ended October 31, 2014, compared to the same period in the previous fiscal year, due in part to the increased cash used in transactions with noncontrolling interests described further below, as well as the need to fund our accelerated capital expenditures for small formats. In addition, our results of operations influenced our share repurchase activity.

*Transactions with Noncontrolling Interests*

As described in Note 10 to our Condensed Consolidated Financial Statements, during the nine months ended October 31, 2014, we completed the purchase of substantially all of the remaining noncontrolling interest in Walmart Chile for approximately \$1.5 billion. We used existing cash to complete this transaction, which is reflected in cash flows used in financing activities.

**Capital Resources**

We believe cash flows from continuing operations, our current cash position and access to debt capital markets will continue to be sufficient to meet our anticipated operating cash needs, including seasonal buildups in merchandise inventories, and to fund our capital expenditures, dividend payments and share repurchases.

We have strong commercial paper and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in debt capital markets. At October 31, 2014, the ratings assigned to our commercial paper and rated series of our outstanding long-term debt were as follows:

<b>Rating agency</b>	<b>Commercial paper</b>	<b>Long-term debt</b>
Standard & Poor's	A-1+	AA
Moody's Investors Service	P-1	Aa2
Fitch Ratings	F1+	AA

Credit rating agencies review their ratings periodically and, therefore, the credit ratings assigned to us by each agency may be subject to revision at any time. Accordingly, we are not able to predict whether our current credit ratings will remain consistent over time. Factors that could affect our credit ratings include changes in our operating performance, the general economic environment, conditions in the retail industry, our financial position, including our total debt and capitalization, and changes in our business strategy. Any downgrade of our credit ratings by a credit rating agency could increase our future borrowing costs or impair our ability to access capital and credit markets on terms commercially acceptable to us. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper markets with the same flexibility that we have experienced historically, potentially requiring us to rely more heavily on more expensive types of debt financing. The credit rating agency ratings are not recommendations to buy, sell or hold our commercial paper or debt securities. Each rating may be subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating. Moreover, each credit rating is specific to the security to which it applies.

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. For the purpose of this calculation, debt is defined as the sum of short-term borrowings, 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 total Walmart shareholders' equity. At October 31, 2014 and 2013, the ratio of our debt-to-total capitalization was 41.3% and 45.7%, respectively. The decrease in our debt-to-total capitalization ratio was primarily due to using less cash for share repurchases, which allowed us to reduce our short-term borrowings, and growth in retained earnings. These impacts were partially offset by additional currency translation losses recorded in accumulated other comprehensive income (loss).

**Other Matters**

We discuss our existing FCPA investigation and related matters in Part I of this Quarterly Report on Form 10-Q under the caption "Item 1. Financial Statements," in Note 9 to our Condensed Consolidated Financial Statements, which is captioned "Contingencies," under the sub-caption "FCPA Investigation and Related Matters." We also discuss various legal proceedings related to the FCPA investigation in Part II of this Quarterly Report on Form 10-Q under the caption "Item 1. Legal Proceedings," under the sub-caption "II. Certain Other Proceedings."

### **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. Our market risks at October 31, 2014 are similar to those disclosed in our Form 10-K for the fiscal year ended January 31, 2014 . At October 31, 2014 , the fair value of our derivative instruments had decreased approximately \$ 367 million since January 31, 2014 , primarily due to maturities and fluctuations in market interest rates during the nine months ended October 31, 2014 . In addition, movements in currency exchange rates and the related impact on the translation of the balance sheets of the Company's subsidiaries in Chile, the United Kingdom, Japan and Mexico were the primary cause of the \$ 1.1 billion net loss for the nine months ended October 31, 2014 , in the currency translation and other category of accumulated other comprehensive income (loss).

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 pages 20 and 21 of the parts of our Annual Report to Shareholders for the fiscal year ended January 31, 2014 included as Exhibit 13 to our Annual Report on Form 10-K for the fiscal year ended January 31, 2014 , 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 is 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 may have investments in certain unconsolidated entities. Since we do not control or manage those entities, our controls and procedures with respect to those entities are 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 such 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, automating manual processes and updating existing systems. For example, we are currently implementing various financial system applications in stages across the Company. As these financial system applications are implemented, they become a significant component of our internal control over financial reporting. We will continue to implement and update our financial system applications in stages, and each implementation may become a significant component of our internal control over financial reporting. Additionally, we are currently establishing shared service functions and processes on a global scale. The implementation of our global shared services is ongoing, and we believe the related changes to processes and internal controls will allow us to be more efficient and further enhance our internal control over financial reporting.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report 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 and procedures 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, as amended, 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.

Except for the ongoing implementation and updating of the financial system applications and global shared services functions noted above, there has been no change in the Company's internal control over financial reporting as of October 31, 2014 , that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

**I. SUPPLEMENTAL INFORMATION:** We discuss certain legal proceedings in Part I of this Quarterly Report on Form 10-Q under the caption "Item 1. Financial Statements," in Note 9 to our Condensed Consolidated Financial Statements, which is captioned "Contingencies," under the sub-caption "Legal Proceedings," and refer you to that discussion, which is incorporated herein by reference to that Note 9, 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, including 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.

**Wage-and-Hour Class Action:** *Braun/Hummel v. Wal-Mart*, Ct. of Common Pleas, Philadelphia County, PA, 3/20/02 and 8/30/04; Superior Ct. of PA, Eastern Dist., Philadelphia, PA, 12/7/07; Supreme Court of PA, Harrisburg, PA, 10/9/11.

**ASDA Equal Value Claims:** *Ms S Brierley & Others v ASDA Stores Ltd* (2406372/2008 & Others–Manchester, United Kingdom Employment Tribunal).

**II. CERTAIN OTHER PROCEEDINGS:** The Company is a defendant in several lawsuits in which the complaints closely track the allegations set forth in a news story that appeared in *The New York Times* ( the " *Times* " ) on April 21, 2012. One of these is a securities lawsuit that was filed on May 7, 2012, in the United States District Court for the Middle District of Tennessee, and subsequently transferred to the Western District of Arkansas, in which the plaintiff alleges various violations of the U.S. Foreign Corrupt Practices Act (the "FCPA") beginning in 2005, and asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, relating to certain prior disclosures of the Company. The plaintiff seeks to represent a class of shareholders who purchased or acquired stock of the Company between December 8, 2011, and April 20, 2012, and seeks damages and other relief based on allegations that the defendants' conduct affected the value of such stock. In addition, a number of derivative complaints have been filed in Delaware and Arkansas, also tracking the allegations of the *Times* story, and naming various current and former officers and directors as additional defendants. The plaintiffs in the derivative suits (in which the Company is a nominal defendant) allege, among other things, that the defendants who are or were directors or officers of the Company breached their fiduciary duties in connection with oversight of FCPA compliance. Most, but not all, of the derivative suits have been combined into two consolidated proceedings, one of which is currently pending in the Western District of Arkansas and the other in the Delaware Court of Chancery. Management does not believe any possible loss or the range of any possible loss that may be incurred in connection with these proceedings will be material to the Company's financial condition or results of operations.

**Securities Class Action:** *City of Pontiac General Employees Retirement System v. Wal-Mart Stores, Inc.*, USDC, Western Dist. of AR, 5/7/12.

**Derivative Lawsuits:** *In re Wal-Mart Stores, Inc. Shareholder Derivative Litigation*, USDC, Western Dist. of AR, 5/31/12; *Austin v. Walton et al.*, Circuit Court of Pope County, AR, 5/17/12, removed to USDC Eastern Dist. of AR 9/5/14, transferred to USDC Western Dist. of AR 11/17/14; *In re Wal-Mart Stores, Inc. Delaware Derivative Litigation*, Delaware Court of Chancery, 4/25/12.

**III. 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.

In February 2014, a division of the Health Department of the City of Vitória notified WMS Supermercados do Brasil Ltda ("Walmart Brazil"), a subsidiary of the Company, that a wastewater leak had been observed in the parking lot of a store. Walmart Brazil immediately took steps to address the situation and is cooperating with the agency to resolve the issue. Management does not believe any possible loss or the range of any possible loss that may be incurred in connection with this matter will be material to the Company's financial condition or results of operations.

In January 2014, a division of the State Department of Sustainable Development of Santa Catarina notified Walmart Brazil that a store did not have the proper license for a wastewater treatment system. Walmart Brazil is working with the agency to resolve the issue. Management does not believe any possible loss or the range of any possible loss that may be incurred in connection with this matter will be material to the Company's financial condition or results of operations.

In August 2013, the Company received a notice from the California Air Resources Board ("CARB") alleging that two products sold by the Company have exceeded volatile organic chemical limits prescribed in its California Consumer Products Regulations. The Company is responding to the allegations and cooperating with CARB's investigation. Management does not believe any possible loss or the range of any possible loss that may be incurred in connection with this matter will be material to the Company's financial condition or results of operations.

In April 2013, a subsidiary of the Company, Corporacion de Compañías Agroindustriales, operating in Costa Rica, became aware that the Municipality of Curridabat is seeking a penalty of approximately \$380,000 in connection with the construction of a retaining wall fifteen years ago for a perishables distribution center that is situated along a protected river bank. The subsidiary obtained permits from the Municipality and the Secretaria Técnica Nacional Ambiental at the time of construction, but the Municipality now alleges that the wall is non-conforming. Management does not believe any possible loss or the range of any possible loss that may be incurred in connection with this matter will be material to the Company's financial condition or results of operations.

In July 2011, the Environmental Department of Bento Gonçalves notified Walmart Brazil that it is investigating alleged soil contamination from oil leakage. Walmart Brazil is cooperating with the agency and monitoring the affected area. Management does not believe any possible loss or the range of any possible loss that may be incurred in connection with this matter will be material to the Company's financial condition or results of operations.

In January 2011, the Environmental Department of Porto Alegre Municipality formally notified Walmart Brazil of soil inspection reports indicating soil contamination due to leakage of oil from power generating equipment at nine store locations in Brazil. Walmart Brazil is cooperating with the agency as well as the District Attorney's Office for the State of Rio Grande do Sul and has filed a mitigation plan to address the situation. Management does not believe any possible loss or the range of any possible loss that may be incurred in connection with this matter will be material to the Company's financial condition or results of operations.

#### **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, 2014, could materially and adversely affect Wal-Mart Stores, Inc.'s (the "Company" or "our" or "we") 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. No material change in the risk factors discussed in that Form 10-K has occurred.

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

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Board of Directors. The current \$15.0 billion share repurchase program has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. At October 31, 2014, authorization for \$10.3 billion of share repurchases remained under the current share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

The Company regularly reviews its share repurchase activity and considers several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings and the market price of its common stock. Share repurchase activity under our share repurchase program, on a settlement date basis, for the three months ended October 31, 2014, was as follows:

<b>Fiscal Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (billions)</b>
August 1-31, 2014	1,110,233	\$ 74.29	1,110,223	\$ 10.3
September 1-30, 2014	—	—	—	10.3
October 1-31, 2014	—	—	—	10.3
<b>Total</b>	<u>1,110,233</u>		<u>1,110,223</u>	

## Item 5. Other Information

### *Forward-looking Statements*

This Quarterly Report on Form 10-Q contains statements that Walmart believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements are intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. These forward-looking statements include:

- statements in Note 6 to Walmart's Condensed Consolidated Financial Statements as of and for the three and nine months ended October 31, 2014 regarding the expected insignificance of any ineffective portion of certain net investment and cash flow derivative financial instruments to which Walmart is a party and of the amounts relating to such derivative financial instruments expected to be reclassified from accumulated other comprehensive income (loss) to net income in the next 12 months; a statement in Note 8 to those Condensed Consolidated Financial Statements regarding the payment of dividends in the remainder of fiscal year 2015; and statements in Note 9 to those Condensed Consolidated Financial Statements regarding the possible outcome of, and future effect on Walmart's financial condition and results of operations of, certain litigation and other proceedings to which Walmart is a party, the possible outcome of, and future effect on Walmart's business of, certain other matters to which Walmart is subject, including Walmart's existing FCPA matters, as well as liabilities, expenses and costs that Walmart may incur in connection with such matters;
- in Part I., Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations": a statement under the caption "Overview" relating to the possible continuing impact of volatility in currency exchange rates on the results, including the net sales and operating income, of Walmart and the Walmart International segment; statements under the caption "Company Performance Metrics" regarding growth in the Company's sales contributing to improving leverage and returns; a statement under the caption "Company Performance Metrics" and under the subcaption "Company Performance Metrics- Leverage" relating to Walmart's objectives of growing operating expenses at a slower rate than net sales and increasing operating income at the same rate as, or at a faster rate than, net sales and the possibility of certain investments by Walmart affecting the attainment of those objectives; statements under the caption "Results of Operations - Consolidated Results of Operations" regarding the possibility of fluctuations in Walmart's effective income tax rate from quarter to quarter and the factors that may cause those fluctuations; a statement under the caption "Results of Operations - Consolidated Results of Operations" regarding the Company's estimate of the impact to the Company's EPS in connection with the closures of 30 underperforming stores in Japan; a statement under the caption "Results of Operations - Sam's Club Segment" relating to the possible continuing impact of volatility in fuel prices on the future operating results of the Sam's Club segment; a statement under the caption "Liquidity and Capital Resources - Liquidity" that the Company's sources of liquidity will be adequate to fund its operations, finance its global expansion activities, to pay dividends and to fund share repurchases; statements under the caption "Liquidity and Capital Resources Liquidity - Net Cash Provided by Operating Activities - Cash Equivalents and Working Capital" regarding management's expectation that domestic liquidity needs will be met through funding sources other than cash held outside of the United States, Walmart's intent with respect to its reinvestment of certain cash and cash equivalents held outside of the United States in its foreign operations, its need and ability to repatriate certain amounts of cash held outside of the United States to the United States and management's expectations with respect to the effect on Walmart's overall liquidity, financial condition and results of operations of local laws, other limitations and potential taxes regarding repatriation of such cash; statements under the caption "Liquidity and Capital Resources Liquidity - Net Cash Used in Investing Activities" regarding management's plan for the Company's capital expenditures for fiscal year 2015 to be similar to the Company's capital expenditures in fiscal year 2014 and for the greater portion of those capital expenditures to occur in the fourth quarter of fiscal year 2015; a statement under the caption "Liquidity and Capital Resources Liquidity - Net Cash Used in Financing Activities - Dividends Paid" regarding the payment of dividends in the remainder of fiscal year 2015; and statements under the caption "Liquidity and Capital Resources - Capital Resources" regarding management's expectations regarding the sufficiency of cash flows from continuing operations, Walmart's current cash position and its access to the debt capital markets to meet operating cash needs, including to finance seasonal inventory buildups and to fund capital expenditures, dividend payments and share repurchases, management's expectation that Walmart's debt ratings should enable it to refinance existing debt as it matures at favorable rates, and management's expectation for the effect that lower ratings of Walmart's commercial paper and rating series of long-term debt would have on Walmart's access to the commercial paper and long-term debt markets and Walmart's cost of funds; and
- statements in Part II., Item 1. "Legal Proceedings" regarding management's expectations with respect to the effect that possible losses or the range of possible losses that might be incurred in connection with the legal proceedings and other matters discussed in Part II., Item 1. may have on Walmart's financial condition and results of operations, as well as other statements about Walmart's future performance, occurrences, plans and objectives, including financial and performance objectives and goals.



These statements are identified by the use of the words "anticipate," "are expected," "believe," "could be," "could increase," "could impair," "expect," "expected," "expects," "intend," "is not expected," "may continue to impact," "may fluctuate," "may impact," "may not be," "may result," "objective," "plan," "priority," "should continue," "will be," "will continue," "will contribute," "will have," "will incur," "will occur," "would be" 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:

- the Company's overall financial performance in a particular period;
- the amounts of the Company's consolidated cash flows, the cash flows of the Company's U.S. businesses and the cash flows of the Company's international operations in a particular period;
- the Company's overall liquidity and liquidity requirements of its global operations, its operations in the U.S. and its international operations in a particular period;
- changes in the Company's access to the capital markets and the access the Company has to the capital markets at any particular time;
- the effects that the Company's overall liquidity, liquidity requirements and access to the capital markets has on the Company's funding of its operations, capital expenditures, dividend payments, and share repurchases;
- the Company's need to repatriate into the United States the cash held by the Company outside of the United States;
- customer shopping patterns in particular markets and the resulting mix of merchandise purchased in the Company's various markets and on a consolidated basis;
- the market prices of gasoline and diesel fuel acquired by the Company for sale to its customers and members;
- the prices at which the Company can sell gasoline and diesel fuel to its customers and members;
- the amount of inventory maintained by the Company in its various operations;
- the amount of capital expenditures made by the Company in a particular period, including the amount of capital expenditures made in the fourth quarter of fiscal year 2015;
- unanticipated events and occurrences resulting in changes in the Company's plans for the number and types of units to be constructed and opened in future periods or in changes in the Company's plans for investments in its e-commerce operations in future periods;
- the ability of the Company to reduce its operating, selling, general and administrative expense or maintain the current level of such expenses relating to various aspects of its operations while continuing to grow its net sales;
- the amount expended for share repurchases by the Company in a particular period;
- the availability of qualified labor pools in the Company's markets necessary to meet the Company's needs for managing and staffing the new stores and clubs the Company proposes to open in a particular period;
- the availability and cost of appropriate locations for new and relocated units;
- the cost of construction of new and relocated units for the expansion of existing units;
- local real estate, zoning, land use and other laws, ordinances, legal restrictions and initiatives that may prevent the Company from building, relocating, or expanding, or that impose limitations on the Company's ability to build, relocate or expand, units in certain locations;
- availability of necessary utilities for each new, expanded or relocated units;
- availability of skilled construction labor in markets in which the Company is building or proposes to build new, expanded or relocated units;
- delays in construction and other delays in the opening of new, expanded or relocated units planned to be opened by certain dates;
- unanticipated costs associated with the closure of underperforming stores in Walmart Japan;
- adoption of, expansion to, or changes in tax and other laws and regulations that affect the Company's business, including changes in corporate tax rates;
- changes in currency control laws;
- developments in, and the outcome of, legal and regulatory proceedings and investigations to which Walmart is a party or is subject, and the liabilities, obligations and expenses, if any, that Walmart may incur in connection therewith;
- changes in the credit ratings assigned to the Company's commercial paper and debt securities by credit rating agencies;
- currency exchange rate fluctuations;
- changes in market rates of interest;
- conditions and events affecting domestic and global financial and capital markets;
- geopolitical conditions and events; and
- other risks.

Factors that may affect Walmart's effective income tax rate for fiscal year 2015 are discussed in Part I., Item 2. of this Quarterly Report on Form 10-Q, which is captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations-Consolidated Results of Operations." Walmart discusses certain of the foregoing matters more fully, as well as certain risk factors that may affect its business operations, financial condition, results of operations and cash flows, in other of Walmart's filings with the SEC, including its Annual Report on Form 10-K for the fiscal year ended January 31, 2014. This Quarterly Report on Form 10-Q should be read in conjunction with that Annual Report on Form 10-K and all of Walmart's subsequent other filings, including Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, made with the SEC through the date of this report. Walmart urges the reader to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements contained in this Quarterly Report on Form 10-Q. The Company cannot assure you that the results or developments anticipated by the Company and reflected or implied by any forward-looking statement contained in this Quarterly Report on Form 10-Q will be realized or, even if substantially realized, that those results or developments will result in the expected, forecast or projected consequences for the Company or affect the Company, its operations or its financial performance as the Company has expected, forecasted or projected. As a result of the matters discussed above 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 on Form 10-Q may differ materially from the anticipated results expressed or implied in that forward-looking statement. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this report, and Walmart undertakes no obligation to update any of these forward-looking statements to reflect subsequent events or circumstances.

**Item 6. Exhibits**

The required exhibits are included at the end of the Form 10-Q or are incorporated herein by reference and are described in the Index to Exhibits immediately following the signatures page.

**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 1, 2014      By:      /s/ C. Douglas McMillon  
**C. Douglas McMillon**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

Date: December 1, 2014      By:      /s/ Charles M. Holley, Jr.  
**Charles M. Holley, Jr.**  
**Executive Vice President and Chief Financial Officer**  
**(Principal Financial Officer)**

Date: December 1, 2014      By:      /s/ Steven P. Whaley  
**Steven P. Whaley**  
**Senior Vice President and Controller**  
**(Principal Accounting Officer)**

### Index to Exhibits

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

Exhibit 3.1	Restated Certificate of Incorporation of the Company, the Certificate of Amendment to the Restated Certificate of Incorporation executed August 19, 1991, and the Certificate of Amendment to the Restated Certificate of Incorporation executed July 27, 1999 are incorporated herein by reference to Exhibits 4.1, 4.2 and 4.3, respectively, to the Registration Statement on Form S-3 of the Company (File Number 333-178385).
Exhibit 3.2	Amended and Restated Bylaws of Wal-Mart Stores, Inc., effective as of June 5, 2014, are incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2014 as filed with the SEC on June 6, 2014.
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 herein 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, 2014, as filed with the SEC.
Exhibit 101.INS*	XBRL Instance Document
Exhibit 101.SCH*	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith as an Exhibit.

\*\* Furnished herewith as an Exhibit.

**Wal-Mart Stores, Inc.**  
**Ratio of Earnings to Fixed Charges**

<i>(Amounts in millions)</i>	Nine Months Ended		Fiscal Year Ended				
	October 31,		January 31,				
	2014	2013	2014	2013	2012	2011	2010
Income before income taxes	\$ 17,436	\$ 17,863	\$ 24,656	\$ 25,662	\$ 24,332	\$ 23,506	\$ 22,086
Capitalized interest	(46)	(62)	(78)	(74)	(60)	(63)	(85)
Consolidated net income attributable to the noncontrolling interest	(514)	(454)	(673)	(757)	(688)	(604)	(513)
Adjusted income before income taxes	16,876	17,347	23,905	24,831	23,584	22,839	21,488
Fixed charges:							
Interest <sup>(1)</sup>	1,884	1,816	2,413	2,325	2,382	2,268	2,160
Interest component of rent	671	648	933	859	790	651	597
Total fixed charges	2,555	2,464	3,346	3,184	3,172	2,919	2,757
Income before income taxes and fixed charges	\$ 19,431	\$ 19,811	\$ 27,251	\$ 28,015	\$ 26,756	\$ 25,758	\$ 24,245
<b>Ratio of earnings to fixed charges</b>	<b>7.6</b>	<b>8.0</b>	<b>8.1</b>	<b>8.8</b>	<b>8.4</b>	<b>8.8</b>	<b>8.8</b>

(1) Includes interest on debt and capital leases, amortization of debt issuance costs and capitalized interest.

I, C. Douglas McMillon , 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 1, 2014

/s/ C. Douglas McMillon

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C. Douglas McMillon  
President and Chief Executive Officer

I, Charles M. Holley, 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 1, 2014

/s/ Charles M. Holley, Jr.

Charles M. Holley, Jr.

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, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, C. Douglas McMillon, 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 1, 2014 .

/s/ C. Douglas McMillon

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C. Douglas McMillon  
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, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles M. Holley, Jr. , 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 1, 2014 .

/s/ Charles M. Holley, Jr.

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Charles M. Holley, Jr.  
Executive Vice President and Chief Financial Officer