

WAL MART STORES INC  
Form 10-Q  
December 06, 2013  
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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, 2013.

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  Accelerated Filer   
Non-Accelerated Filer  Smaller Reporting Company

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

The registrant had 3,235,772,430 shares of common stock outstanding as of December 4, 2013.

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Wal-Mart Stores, Inc.  
 Form 10-Q  
 For the Quarterly Period Ended October 31, 2013

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Wal-Mart Stores, Inc.

Condensed Consolidated Statements of Income  
(Unaudited)

| (Amounts in millions, except per share data)   | Three Months Ended  |            | Nine Months Ended   |            |
|--|---------------------|------------|---------------------|------------|
|  | October 31,<br>2013 | 2012       | October 31,<br>2013 | 2012       |
| <b>Revenues:</b>   |                     |            |                     |            |
| Net sales  | \$ 114,876          | \$ 113,077 | \$ 344,290          | \$ 338,644 |
| Membership and other income  | 812                 | 723        | 2,298               | 2,231      |
| Total revenues   | 115,688             | 113,800    | 346,588             | 340,875    |
| <b>Costs and expenses:</b>   |                     |            |                     |            |
| Cost of sales  | 86,687              | 85,470     | 260,098             | 256,226    |
| Operating, selling, general and administrative expenses                              | 22,691              | 22,237     | 66,965              | 65,504     |
| Operating income   | 6,310               | 6,093      | 19,525              | 19,145     |
| <b>Interest:</b>   |                     |            |                     |            |
| Debt   | 527                 | 522        | 1,556               | 1,512      |
| Capital leases   | 65                  | 68         | 198                 | 205        |
| Interest income  | (12 )               | (44 )      | (92 )               | (131 )     |
| Interest, net  | 580                 | 546        | 1,662               | 1,586      |
| Income from continuing operations before income taxes                                | 5,730               | 5,547      | 17,863              | 17,559     |
| Provision for income taxes   | 1,860               | 1,738      | 5,856               | 5,718      |
| Income from continuing operations  | 3,870               | 3,809      | 12,007              | 11,841     |
| Income from discontinued operations, net of income tax                               | 15                  | 16         | 38                  | 39         |
| Consolidated net income  | 3,885               | 3,825      | 12,045              | 11,880     |
| Less consolidated net income attributable to noncontrolling interest                 | (147 )              | (190 )     | (454 )              | (487 )     |
| Consolidated net income attributable to Walmart                                      | \$ 3,738            | \$ 3,635   | \$ 11,591           | \$ 11,393  |
| <b>Basic net income per common share:</b>  |                     |            |                     |            |
| Basic income per common share from continuing operations attributable to Walmart     | \$ 1.14             | \$ 1.08    | \$ 3.53             | \$ 3.36    |
| Basic income per common share from discontinued operations attributable to Walmart   | 0.01                | —          | —                   | 0.01       |
| Basic net income per common share attributable to Walmart                            | \$ 1.15             | \$ 1.08    | \$ 3.53             | \$ 3.37    |
| <b>Diluted net income per common share:</b>  |                     |            |                     |            |
| Diluted income per common share from continuing operations attributable to Walmart   | \$ 1.14             | \$ 1.07    | \$ 3.51             | \$ 3.34    |
| Diluted income per common share from discontinued operations attributable to Walmart | —                   | 0.01       | 0.01                | 0.01       |
| Diluted net income per share attributable to Walmart                                 | \$ 1.14             | \$ 1.08    | \$ 3.52             | \$ 3.35    |
| <b>Weighted-average common shares outstanding:</b>                                   |                     |            |                     |            |
| Basic  | 3,257               | 3,364      | 3,279               | 3,385      |
| Diluted  | 3,271               | 3,379      | 3,293               | 3,400      |

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|                                     |     |     |        |        |
|-------------------------------------|-----|-----|--------|--------|
| Dividends declared per common share | \$— | \$— | \$1.88 | \$1.59 |
|-------------------------------------|-----|-----|--------|--------|

See accompanying notes.

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Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)

|  | Three Months Ended |         | Nine Months Ended |          |
|--|--------------------|---------|-------------------|----------|
|  | October 31,        |         | October 31,       |          |
| (Amounts in millions)  | 2013               | 2012    | 2013              | 2012     |
| Consolidated net income  | \$3,885            | \$3,825 | \$12,045          | \$11,880 |
| Less consolidated net income attributable to nonredeemable noncontrolling interest           | (131 )             | (176 )  | (407 )            | (448 )   |
| Less consolidated net income attributable to redeemable noncontrolling interest              | (16 )              | (14 )   | (47 )             | (39 )    |
| Consolidated net income attributable to Walmart  | 3,738              | 3,635   | 11,591            | 11,393   |
| Other comprehensive income (loss), net of income taxes                                       |                    |         |                   |          |
| Currency translation and other   | 724                | 876     | (2,171 )          | 1,232    |
| Derivative instruments   | —                  | 250     | 180               | (135 )   |
| Minimum pension liability  | 1                  | (1 )    | 117               | 3        |
| Other comprehensive income (loss), net of income taxes                                       | 725                | 1,125   | (1,874 )          | 1,100    |
| Less other comprehensive income (loss) attributable to nonredeemable noncontrolling interest | (15 )              | (122 )  | 240               | (196 )   |
| Less other comprehensive income (loss) attributable to redeemable noncontrolling interest    | (4 )               | (34 )   | 38                | (56 )    |
| Other comprehensive income (loss) attributable to Walmart                                    | 706                | 969     | (1,596 )          | 848      |
| Comprehensive income, net of income taxes  | 4,610              | 4,950   | 10,171            | 12,980   |
| Less comprehensive income attributable to nonredeemable noncontrolling interest              | (146 )             | (298 )  | (167 )            | (644 )   |
| Less comprehensive income attributable to redeemable noncontrolling interest                 | (20 )              | (48 )   | (9 )              | (95 )    |
| Comprehensive income attributable to Walmart   | \$4,444            | \$4,604 | \$9,995           | \$12,241 |
| See accompanying notes.  |                    |         |                   |          |

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Condensed Consolidated Balance Sheets  
(Unaudited)

| (Amounts in millions)  | October 31,<br>2013 | January 31,<br>2013 | October 31,<br>2012 |
|--|---------------------|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |                     |
| Current assets:  |                     |                     |                     |
| Cash and cash equivalents  | \$8,736             | \$7,781             | \$8,643             |
| Receivables, net   | 6,206               | 6,768               | 5,567               |
| Inventories  | 49,673              | 43,803              | 47,487              |
| Prepaid expenses and other   | 2,160               | 1,588               | 1,654               |
| Current assets of discontinued operations                              | 367                 | —                   | 80                  |
| Total current assets   | 67,142              | 59,940              | 63,431              |
| Property and equipment:  |                     |                     |                     |
| Property and equipment   | 170,967             | 165,825             | 163,011             |
| Less accumulated depreciation  | (56,313 )           | (51,896 )           | (50,450 )           |
| Property and equipment, net  | 114,654             | 113,929             | 112,561             |
| Property under capital leases:   |                     |                     |                     |
| Property under capital leases  | 5,668               | 5,899               | 5,900               |
| Less accumulated amortization  | (3,095 )            | (3,147 )            | (3,208 )            |
| Property under capital leases, net                                     | 2,573               | 2,752               | 2,692               |
| Goodwill   | 19,729              | 20,497              | 20,572              |
| Other assets and deferred charges                                      | 5,778               | 5,987               | 6,562               |
| Total assets   | \$209,876           | \$203,105           | \$205,818           |
| <b>LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST,<br/>AND EQUITY</b> |                     |                     |                     |
| Current liabilities:   |                     |                     |                     |
| Short-term borrowings  | \$12,817            | \$6,805             | \$8,740             |
| Accounts payable   | 39,221              | 38,080              | 40,272              |
| Dividends payable  | 1,573               | —                   | 1,381               |
| Accrued liabilities  | 18,606              | 18,808              | 18,536              |
| Accrued income taxes   | 255                 | 2,211               | 1,010               |
| Long-term debt due within one year                                     | 4,147               | 5,587               | 6,550               |
| Obligations under capital leases due within one year                   | 315                 | 327                 | 331                 |
| Current liabilities of discontinued operations                         | 87                  | —                   | 25                  |
| Total current liabilities  | 77,021              | 71,818              | 76,845              |
| Long-term debt   | 41,702              | 38,394              | 38,872              |
| Long-term obligations under capital leases                             | 2,841               | 3,023               | 2,964               |
| Deferred income taxes and other  | 8,298               | 7,613               | 8,044               |
| Redeemable noncontrolling interest                                     | 1,492               | 519                 | 492                 |
| Commitments and contingencies  |                     |                     |                     |
| Equity:  |                     |                     |                     |
| Common stock   | 324                 | 332                 | 336                 |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Capital in excess of par value                                    | 2,364     | 3,620     | 3,861     |
| Retained earnings   | 72,888    | 72,978    | 70,256    |
| Accumulated other comprehensive income (loss)                     | (2,183 )  | (587 )    | (562 )    |
| Total Walmart shareholders' equity                                | 73,393    | 76,343    | 73,891    |
| Nonredeemable noncontrolling interest                             | 5,129     | 5,395     | 4,710     |
| Total equity  | 78,522    | 81,738    | 78,601    |
| Total liabilities, redeemable noncontrolling interest, and equity | \$209,876 | \$203,105 | \$205,818 |
| See accompanying notes.   |           |           |           |

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Wal-Mart Stores, Inc.

Condensed Consolidated Statement of Shareholders' Equity and Redeemable Noncontrolling Interest  
(Unaudited)

| (Amounts in millions)   | Common Stock |        | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |               | Nonredeemable Noncontrolling Interest | Redeemable Noncontrolling Interest |
|---|--------------|--------|--------------------------------|-------------------|---|----------------------------|---------------|---------------------------------------|------------------------------------|
|   | Shares       | Amount |                                |                   |   | Walmart                    | Nonredeemable | Total                                 | Redeemable                         |
| Balances as of February 1, 2013                                   | 3,314        | \$332  | \$3,620                        | \$72,978          | \$ (587 )                                     | \$ 76,343                  | \$ 5,395      | \$81,738                              | \$ 519                             |
| Consolidated net income   | —            | —      | —                              | 11,591            | —   | 11,591                     | 407           | 11,998                                | 47                                 |
| Other comprehensive income, net of income taxes                   | —            | —      | —                              | —                 | (1,596 )                                      | (1,596 )                   | (240 )        | (1,836 )                              | (38 )                              |
| Cash dividends declared (\$1.88 per share)                        | —            | —      | —                              | (6,190 )          | —   | (6,190 )                   | —             | (6,190 )                              | —                                  |
| Purchase of Company stock   | (77 )        | (8 )   | (268 )                         | (5,442 )          | —   | (5,718 )                   | —             | (5,718 )                              | —                                  |
| Redemption value adjustment of redeemable noncontrolling interest | —            | —      | (977 )                         | —                 | —   | (977 )                     | —             | (977 )                                | 977                                |
| Other   | 5            | —      | (11 )                          | (49 )             | —   | (60 )                      | (433 )        | (493 )                                | (13 )                              |
| Balances as of October 31, 2013                                   | 3,242        | \$324  | \$2,364                        | \$72,888          | \$ (2,183 )                                   | \$ 73,393                  | \$ 5,129      | \$78,522                              | \$ 1,492                           |

See accompanying notes.



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Wal-Mart Stores, Inc.

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

| (Amounts in millions)  | Nine Months Ended   |          |
|--|---------------------|----------|
|  | October 31,<br>2013 | 2012     |
| Cash flows from operating activities:  |                     |          |
| Consolidated net income  | \$12,045            | \$11,880 |
| Income from discontinued operations, net of income taxes   | (38 )               | (39 )    |
| Income from continuing operations  | 12,007              | 11,841   |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: |                     |          |
| Depreciation and amortization  | 6,600               | 6,304    |
| Deferred income taxes  | 594                 | 279      |
| Other operating activities   | 465                 | 138      |
| Changes in certain assets and liabilities:   |                     |          |
| Receivables, net   | 191                 | 501      |
| Inventories  | (6,230 )            | (6,459 ) |
| Accounts payable   | 2,089               | 3,545    |
| Accrued liabilities  | (95 )               | (82 )    |
| Accrued income taxes   | (2,301 )            | (160 )   |
| Net cash provided by operating activities  | 13,320              | 15,907   |
| Cash flows from investing activities:  |                     |          |
| Payments for property and equipment  | (9,506 )            | (8,921 ) |
| Proceeds from the disposal of property and equipment   | 521                 | 343      |
| Investments and business acquisitions, net of cash acquired  | (15 )               | (716 )   |
| Other investing activities   | 58                  | (58 )    |
| Net cash used in investing activities  | (8,942 )            | (9,352 ) |
| Cash flows from financing activities:  |                     |          |
| Net change in short-term borrowings  | 6,046               | 4,700    |
| Proceeds from issuance of long-term debt   | 7,053               | 199      |
| Payments of long-term debt   | (4,943 )            | (639 )   |
| Dividends paid   | (4,625 )            | (4,034 ) |
| Purchase of Company stock  | (5,806 )            | (4,657 ) |
| Other financing activities   | (960 )              | (263 )   |
| Net cash used in financing activities  | (3,235 )            | (4,694 ) |
| Effect of exchange rates on cash and cash equivalents  | (188 )              | 232      |
| Net increase in cash and cash equivalents  | 955                 | 2,093    |
| Cash and cash equivalents at beginning of year   | 7,781               | 6,550    |
| Cash and cash equivalents at end of period   | \$8,736             | \$8,643  |
| See accompanying notes.  |                     |          |

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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 a 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, 2013. 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 October 2013 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 different calendar events and national and religious holidays, as well as different weather patterns. Historically, the Company's highest sales volume and operating income occur 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 \$1.2 billion, net of a reserve for doubtful accounts of \$93 million at October 31, 2013, compared to a receivable balance of \$1.2 billion, net of a reserve for doubtful accounts of \$115 million at January 31, 2013. 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 method of accounting, using the last-in, first-out ("LIFO") method for substantially all of the Walmart U.S. segment's inventories. The Walmart International segment's inventories are primarily valued by the retail method of accounting, using the first-in, first-out ("FIFO") method. The retail method of accounting results in inventory being valued at the lower of cost or market since permanent markdowns are currently taken as a reduction of the retail value of inventory. The Sam's Club segment's inventories are valued based on the weighted-average cost using the LIFO method. At October 31, 2013 and January 31, 2013, the Company's inventories valued at LIFO approximate those inventories as if they were valued at FIFO.

Recently Adopted or New Accounting Pronouncements

No recently adopted or new accounting pronouncements have had, or are expected to have, a material effect on the Company's net income, financial position or cash flows.

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## 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, 2013 and 2012.

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:

| (Amounts in millions, except per share data)                                      | Three Months Ended |         | Nine Months Ended |          |
|---|--------------------|---------|-------------------|----------|
|   | October 31,        |         | October 31,       |          |
|   | 2013               | 2012    | 2013              | 2012     |
| <b>Numerator</b>  |                    |         |                   |          |
| Income from continuing operations   | \$3,870            | \$3,809 | \$12,007          | \$11,841 |
| Less income from continuing operations attributable to noncontrolling interest    | (143 )             | (185 )  | (443 )            | (475 )   |
| Income from continuing operations attributable to Walmart                         | \$3,727            | \$3,624 | \$11,564          | \$11,366 |
| <b>Denominator</b>  |                    |         |                   |          |
| Weighted-average common shares outstanding, basic                                 | 3,257              | 3,364   | 3,279             | 3,385    |
| Dilutive impact of stock options and other share-based awards                     | 14                 | 15      | 14                | 15       |
| Weighted-average common shares outstanding, diluted                               | 3,271              | 3,379   | 3,293             | 3,400    |
| <b>Income per common share from continuing operations attributable to Walmart</b> |                    |         |                   |          |
| Basic   | \$1.14             | \$1.08  | \$3.53            | \$3.36   |
| Diluted   | 1.14               | 1.07    | 3.51              | 3.34     |

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## 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, 2013:

| (Amounts in millions and net of income taxes)                           | Currency Translation and Other | Derivative Instruments | Minimum Pension Liability | Total      |
|---|--------------------------------|------------------------|---------------------------|------------|
| Balances as of February 1, 2013   | \$ 47                          | \$ 129                 | \$ (763 )                 | \$(587 )   |
| Other comprehensive income (loss) before reclassifications              | (1,893 )                       | 168                    | 111                       | (1,614 )   |
| Amounts reclassified from accumulated other comprehensive income (loss) | —                              | 12                     | 6                         | 18         |
| Balances as of October 31, 2013   | \$ (1,846 )                    | \$ 309                 | \$ (646 )                 | \$(2,183 ) |

Amounts reclassified from accumulated other comprehensive income (loss) are generally included in interest, net, in the Company's Condensed Consolidated Statements of Income, except for amounts related to the minimum pension liability category, which are included in the computation of net periodic pension costs.

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, 2013 and January 31, 2013.

## Note 4. Long-term Debt

Information on significant long-term debt issued during the nine months ended October 31, 2013, is as follows:

(Amounts in millions)

| Issue Date      | Maturity Date     | Interest Rate | Principal Amount |
|-----------------|-------------------|---------------|------------------|
| April 11, 2013  | April 11, 2016    | 0.600%        | \$1,000          |
| April 11, 2013  | April 11, 2018    | 1.125%        | 1,250            |
| April 11, 2013  | April 11, 2023    | 2.550%        | 1,750            |
| April 11, 2013  | April 11, 2043    | 4.000%        | 1,000            |
| October 2, 2013 | December 15, 2018 | 1.950%        | 1,000            |
| October 2, 2013 | October 2, 2043   | 4.750%        | 750              |
| Total           |                   |               | \$6,750          |

The aggregate net proceeds from these long-term debt issuances were approximately \$6.7 billion, which were used to pay down and refinance existing debt and for other general corporate purposes. The Company also received additional aggregate net proceeds of approximately \$0.4 billion from other, smaller long-term debt issuances in several of its international operations, which were used primarily to refinance existing debt.

On April 11, 2013, the Company issued \$1.0 billion principal amount of its 0.600% Notes due 2016, \$1.25 billion principal amount of its 1.125% Notes due 2018, \$1.75 billion principal amount of its 2.550% Notes due 2023 and \$1.0 billion principal amount of its 4.000% Notes due 2043. The aggregate net proceeds from these note issuances were approximately \$5.0 billion. The notes of each series require semi-annual interest payments on April 11 and October 11 of each year, with the first interest payment made on October 11, 2013. Unless previously purchased and canceled, the Company will repay the notes of each series at 100% of the principal amount, together with accrued and unpaid interest thereon, at maturity. However, the Company has the right to redeem any or all of the notes that mature on April 11, 2023, at any time on or after January 11, 2023, and to redeem any or all of the notes that mature on April 11, 2043, at any time on or after October 11, 2042, in each case at 100% of the principal amount, together with the accrued and unpaid interest thereon to, but excluding, the date of redemption. The notes of each series are senior, unsecured obligations of the Company and are not convertible or exchangeable.

On October 2, 2013, the Company issued \$1.0 billion principal amount of its 1.950% Notes due 2018 and \$750 million principal amount of its 4.750% Notes due 2043. The aggregate net proceeds from these note issuances were

approximately \$1.7 billion. The 1.950% Notes due 2018 series require semi-annual interest payments on June 15 and December 15 of each year, with the first interest payment commencing on June 15, 2014. The 4.750% Notes due 2043 series require semi-annual interest payments on October 2 and April 2 of each year, commencing on April 2, 2014. Unless previously purchased and canceled, the Company will repay the notes of each series at 100% of the principal amount, together with accrued and unpaid interest thereon, at maturity. However, the Company has the right to redeem any or all of the notes that mature on October 2, 2043, at any time on or after April 2, 2043, at 100% of the principal amount, together with the accrued and unpaid interest thereon to, but excluding, the date of redemption. The notes of each series are senior, unsecured obligations of the Company and are not convertible or exchangeable.

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## Note 5. Fair Value Measurements

The Company records and discloses certain financial and non-financial assets and liabilities at their 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. A liability's fair value is defined as 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, 2013 and January 31, 2013, the notional amounts and fair values of these derivatives are as follows:

| (Amounts in millions)   | October 31, 2013 |            | January 31, 2013 |            |
|---|------------------|------------|------------------|------------|
|   | Notional Amount  | Fair Value | Notional Amount  | Fair Value |
| Receive fixed-rate, pay variable-rate interest rate swaps designated as fair value hedges                 | \$1,000          | \$11       | \$3,445          | \$60       |
| Receive fixed-rate, pay fixed-rate cross-currency interest rate swaps designated as net investment hedges | 1,250            | 139        | 1,250            | 223        |
| Receive fixed-rate, pay fixed-rate cross-currency interest rate swaps designated as cash flow hedges      | 2,971            | 400        | 2,944            | 230        |
| Receive variable-rate, pay fixed-rate interest rate swaps designated as cash flow hedges                  | 477              | (2)        | 1,056            | (8)        |
| Receive variable-rate, pay fixed-rate forward starting interest rate swaps designated as cash flow hedges | 2,500            | 177        | 5,000            | 10         |
| Total   | \$8,198          | \$725      | \$13,695         | \$515      |

## 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, 2013, or for the fiscal year ended January 31, 2013.

## 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, 2013 and January 31, 2013, are as follows:

| (Amounts in millions)                                 | October 31, 2013 |            | January 31, 2013 |            |
|---|------------------|------------|------------------|------------|
|   | Carrying Value   | Fair Value | Carrying Value   | Fair Value |
| Long-term debt, including amounts due within one year | \$45,849         | \$50,467   | \$43,981         | \$50,664   |



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## 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 \$612 million and \$413 million at October 31, 2013 and January 31, 2013, 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, 2013 or January 31, 2013. 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 is a party to receive fixed-rate, pay variable-rate interest rate swaps that the Company uses to hedge the fair value of fixed-rate debt. The notional amounts are used to measure interest to be paid or received and do not represent the Company's exposure due to credit loss. The Company's interest rate swaps that receive fixed-interest rate payments and pay variable-interest rate payments are designated as fair value hedges. As the specific terms and notional amounts of the derivative instruments match those of the fixed-rate debt being hedged, the derivative instruments are assumed to be perfectly effective hedges. Changes in the fair values of these derivative instruments are recorded in earnings, but are offset by corresponding changes in the fair values of the hedged items, also recorded in earnings, and, accordingly, do not impact the Company's Condensed Consolidated Statements of Income. These fair value instruments will mature on dates ranging from February 2014 to May 2014.

## 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, 2013 and January 31, 2013, the Company had ¥200 billion and ¥275 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, 2013 and January 31, 2013, 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 August 2014 to January 2039.

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## 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 on dates ranging from August 2014 to 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 September 2029 to March 2034.

The Company also uses 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 10- and 30-year debt issuances forecasted to occur in the future. Amounts reported in accumulated other comprehensive income (loss) related to these derivatives will be reclassified from accumulated other comprehensive income (loss) to earnings as interest expense is incurred on the forecasted hedged fixed-rate debt, adjusting interest expense to reflect the fixed-rate entered into by the forward starting swaps. These cash flow instruments hedge forecasted interest payments to be made through May 2044. These forward starting swaps will be terminated on the day the hedged forecasted debt issuances occur, but no later than October 31, 2014, if the hedged forecasted debt issuances do not occur. The Company terminated forward starting swaps with an aggregate notional amount of \$2.5 billion by making a cash payment to the related counterparties of \$74 million in connection with the April 2013 debt issuances described in Note 4. The \$74 million loss was recorded in accumulated other comprehensive income (loss) and will be reclassified to earnings over the life of the related debt, effectively adjusting interest expense to reflect the fixed-rate 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:

| (Amounts in millions)             | October 31, 2013          |                               |                          | January 31, 2013          |                               |                          |
|-----------------------------------|---------------------------|-------------------------------|--------------------------|---------------------------|-------------------------------|--------------------------|
|                                   | Fair Value<br>Instruments | Net Investment<br>Instruments | Cash Flow<br>Instruments | Fair Value<br>Instruments | Net Investment<br>Instruments | Cash Flow<br>Instruments |
| Derivative instruments            |                           |                               |                          |                           |                               |                          |
| Prepaid expenses and other        | \$ 11                     | \$ —                          | \$ —                     | \$ 29                     | \$ —                          | \$ —                     |
| Other assets and deferred charges | —                         | 139                           | 577                      | 31                        | 223                           | 327                      |
| Derivative asset subtotals        | \$ 11                     | \$ 139                        | \$ 577                   | \$ 60                     | \$ 223                        | \$ 327                   |
| Accrued liabilities               | \$ —                      | \$ —                          | \$ 1                     | \$ —                      | \$ —                          | \$ 4                     |

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|   |     |          |      |     |          |       |
|---|-----|----------|------|-----|----------|-------|
| Deferred income taxes and other         | —   | —        | 1    | —   | —        | 91    |
| Derivative liability subtotals          | \$— | \$—      | \$ 2 | \$— | \$—      | \$ 95 |
| Nonderivative hedging instruments       |     |          |      |     |          |       |
| Long-term debt due within one year      | \$— | \$ 1,015 | \$—  | \$— | \$ 818   | \$—   |
| Long-term debt                          | —   | 5,025    | —    | —   | 6,145    | —     |
| Nonderivative hedge liability subtotals | \$— | \$ 6,040 | \$—  | \$— | \$ 6,963 | \$—   |

Gains and losses related to the Company's derivatives primarily relate to interest rate hedges, which are included 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.

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## 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. On June 6, 2013, the Company's Board of Directors replaced the previous \$15.0 billion share repurchase program, which had approximately \$712 million of remaining authorization for share repurchases as of that date, with a new \$15.0 billion share repurchase program, which was announced on June 7, 2013. As was the case with the replaced share repurchase program, the new share repurchase program has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. 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 number of shares repurchased, average price paid per share and cash paid for share repurchases for the nine months ended October 31, 2013 and 2012, were as follows:

| (Amounts in millions, except per share data) | Nine Months Ended October |         |
|--|---------------------------|---------|
|  | 31,<br>2013               | 2012    |
| Total number of shares repurchased           | 77.9                      | 70.9    |
| Average price paid per share                 | \$74.54                   | \$65.69 |
| Total cash paid for share repurchases        | \$5,806                   | \$4,657 |

## Note 8. Common Stock Dividends

On February 21, 2013, the Board of Directors approved an increase in the annual dividend for fiscal 2014 to \$1.88 per share, an increase of approximately 18% over the \$1.59 per share dividend paid in fiscal 2013. For fiscal 2014, the annual dividend will be paid in four quarterly installments of \$0.47 per share, according to the following record and payable dates:

| Record Date      | Payable Date      |
|------------------|-------------------|
| March 12, 2013   | April 1, 2013     |
| May 10, 2013     | June 3, 2013      |
| August 9, 2013   | September 3, 2013 |
| December 6, 2013 | January 2, 2014   |

The dividend installments payable on April 1, 2013, June 3, 2013 and September 3, 2013, were paid as scheduled.

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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 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.

**Gender Discrimination Class Actions:** The Company is a defendant in *Dukes v. Wal-Mart Stores, Inc.*, which was commenced as a class-action lawsuit in June 2001 in the United States District Court for the Northern District of California, asserting that the Company had engaged in a pattern and practice of discriminating against women in promotions, pay, training, and job assignments, and seeking, among other things, injunctive relief, front pay, back pay, punitive damages, and attorneys' fees. On June 21, 2004, the district court issued an order granting in part and denying in part the plaintiffs' motion for class certification. As defined by the district court, the class included "[a]ll women employed at any Wal-Mart domestic retail store at any time since December 26, 1998, who have been or may be subjected to Wal-Mart's challenged pay and management track promotions policies and practices." The Company appealed the order to the Ninth Circuit Court of Appeals and subsequently to the United States Supreme Court. On June 20, 2011, the Supreme Court issued an opinion decertifying the class and remanding the case to the district court. On October 27, 2011, the plaintiffs' attorneys filed an amended complaint proposing a class of current and former female associates at the Company's California retail facilities, and the Company filed a motion to dismiss on January 13, 2012. On September 21, 2012, the court denied the motion. The plaintiffs filed a motion for class certification on April 15, 2013. On August 2, 2013, the court denied the motion. On August 16, 2013, the plaintiffs filed a petition for permission to appeal that ruling to the U.S. Court of Appeals for the Ninth Circuit. On November 18, 2013, the Ninth Circuit denied that petition.

On October 28, 2011, the attorneys for the plaintiffs in the *Dukes* case filed a similar complaint in the United States District Court for the Northern District of Texas entitled *Odle v. Wal-Mart Stores, Inc.*, proposing a class of current and former female associates employed in any Walmart region that includes stores located in the state of Texas. On

October 15, 2012, the court in the Odle case granted the Company's motion to dismiss, dismissing with prejudice the plaintiffs' class-action allegations and the individual claims of the lead plaintiff, Stephanie Odle. On March 19, 2013, the U.S. Court of Appeals for the Fifth Circuit denied the plaintiffs' petition for permission to appeal. On October 2, 2012, the plaintiffs' attorneys filed another similar complaint in the United States District Court for the Middle District of Tennessee entitled Phipps v. Wal-Mart Stores, Inc., proposing a class of current and former female associates employed in "Region 43, centered in Middle and Western Tennessee." On February 20, 2013, the court in the Phipps case granted the Company's motion to dismiss, dismissing with prejudice the plaintiffs' class-action allegations. On September 11, 2013, the U.S. Court of Appeals for the Sixth Circuit granted the plaintiffs' petition for permission to appeal that ruling. On October 4, 2012, the plaintiffs' attorneys filed another similar complaint in the United States District Court for the Southern District of Florida, entitled Love v. Wal-Mart Stores, Inc., proposing a class of current and former female associates employed in certain designated stores and clubs in regions centered in the state of Florida. On September 23, 2013, the court in the Love case granted the Company's motion to dismiss, dismissing

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with prejudice the plaintiffs' class-action allegations. Finally, on February 20, 2013, the plaintiffs' attorneys filed another similar complaint in the United States District Court for the Western District of Wisconsin, entitled *Ladik v. Wal-Mart Stores, Inc.*, proposing a class of current and former female associates employed in "Region 14, which includes Wal-Mart retail stores located in parts of Wisconsin, Illinois, Indiana and Michigan." On May 24, 2013, the court in the *Ladik* case granted the Company's motion to dismiss, dismissing with prejudice the plaintiffs' class-action allegations. On June 13, 2013, the U.S. Court of Appeals for the Seventh Circuit denied the plaintiffs' petition for permission to appeal. Management does not believe any possible loss or the range of any possible loss that may be incurred in connection with these matters will be material to the Company's financial condition or results of operations.

**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 expects 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, 2013, the Company incurred expenses of approximately \$69 million and \$224 million respectively, related to these matters. Of these expenses, approximately \$43 million and \$135 million, respectively, represent costs incurred for the ongoing inquiries and investigations and \$26 million and \$89 million, respectively, relate to the Company's global compliance program and organizational enhancements. 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.



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Note 10. Acquisitions, Disposals and Related Items

The Company is in process of completing the following transactions that impact the operations of Walmart International:

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 dispose of Walmex's Vips restaurant business ("Vips") in Mexico for approximately \$625 million. Accordingly, the Vips operating results are presented as discontinued operations in the Company's Condensed Consolidated Statements of Income for the three and nine months ended October 31, 2013 and 2012. Additionally, the Vips assets and liabilities to be disposed of are reported separately in the Company's Condensed Consolidated Balance Sheets as of October 31, 2013. The Vips sale is subject to approval by Mexican regulatory authorities and is expected to close during the fourth quarter. Upon completion of this transaction, the Company expects to record a net gain, which will be recorded in discontinued operations in the Company's Condensed Consolidated Statements of Income.

Walmart Chile

In September 2013, certain redeemable noncontrolling interest shareholders exercised put options that would require the Company to purchase a portion of their shares in Walmart Chile at the mutually agreed upon redemption value to be determined after exercise of the put options. Upon initial exercise of the put options, the Company recorded an increase to redeemable noncontrolling interest of \$977 million, with a corresponding decrease to capital in excess of par value, to reflect the estimated redemption value of the redeemable noncontrolling interest at \$1.4 billion.

Subsequent to period end, the Company negotiated with the redeemable noncontrolling interest shareholders to acquire all of their redeemable noncontrolling interest shares. In February 2014, upon closing of the purchase of the shares held by the redeemable noncontrolling interest shareholders, the Company's ownership interest in Walmart Chile will be approximately 99.7 percent. The Company will then initiate a tender offer for the remaining 0.3 percent noncontrolling interest held by the public in Chile at the same value per share as will be paid to the redeemable noncontrolling interest shareholders. The tender offer is expected to close in March 2014.

India Operations

During the fourth quarter of fiscal 2014, the Company entered into an agreement with Bharti Ventures Limited ("Bharti") to acquire Bharti's ownership stake in Bharti Walmart Private Limited, a joint venture between Bharti and the Company established in 2007, which operates the Company's wholesale cash & carry business in India, for \$100 million. Upon completion of the transaction, the Company will be the sole owner of that business. In addition, the Company also entered into agreements with Bharti to terminate its franchise and supply agreements with Bharti Retail Limited ("Bharti Retail"), which operates Bharti's retail business in India, and to transfer to Bharti the Company's investment in that business. The Company will pay, or forgive indebtedness, aggregating approximately \$234 million in connection with such agreements related to the Bharti retail business. Each of these transactions is subject to regulatory approval and is expected to close during the fourth quarter. The Company expects to record a net loss in continuing operations in the Company's Condensed Consolidated Statements of Income related to the transactions with respect to Bharti Retail.

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## Note 11. Segments

The Company is engaged in the operations of retail stores 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 business units whose operating 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:

| (Amounts in millions) | Three Months Ended October |           | Nine Months Ended October |           |
|-----------------------|----------------------------|-----------|---------------------------|-----------|
|                       | 31,<br>2013                | 2012      | 31,<br>2013               | 2012      |
| Net sales:            |                            |           |                           |           |
| Walmart U.S.          | \$67,692                   | \$66,113  | \$202,973                 | \$199,789 |
| Walmart International | 33,109                     | 33,046    | 98,839                    | 96,922    |
| Sam's Club            | 14,075                     | 13,918    | 42,478                    | 41,933    |
| Net sales             | \$114,876                  | \$113,077 | \$344,290                 | \$338,644 |

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

| (Amounts in millions)                                 | Three Months Ended October |         | Nine Months Ended October |          |
|---|----------------------------|---------|---------------------------|----------|
|   | 31,<br>2013                | 2012    | 31,<br>2013               | 2012     |
| Operating income (loss):                              |                            |         |                           |          |
| Walmart U.S.  | \$5,123                    | \$4,841 | \$15,973                  | \$15,122 |
| Walmart International                                 | 1,457                      | 1,432   | 4,144                     | 4,201    |
| Sam's Club  | 474                        | 434     | 1,550                     | 1,458    |
| Corporate and support                                 | (744 )                     | (614 )  | (2,142 )                  | (1,636 ) |
| Operating income                                      | 6,310                      | 6,093   | 19,525                    | 19,145   |
| Interest, net   | 580                        | 546     | 1,662                     | 1,586    |
| Income from continuing operations before income taxes | \$5,730                    | \$5,547 | \$17,863                  | \$17,559 |

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

Overview

Wal-Mart Stores, Inc. ("Walmart," the "Company" or "we") operates retail stores in various formats around the world and is committed to saving people money so they can live better. Our operations consist of three reportable business 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., including various retail websites. Walmart International operates retail, wholesale and other types of units, including restaurants and some banks. The overall gross profit rate for Walmart International is lower than that of Walmart U.S. because of the margin impact from Walmart International's wholesale and other units. Walmart International has been our most rapidly growing segment, growing primarily through new stores and acquisitions and, in recent years, has been growing its net sales and operating income at a faster rate than our other segments.

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 with a lower gross profit rate and lower operating expenses as a percentage of net sales than our other segments.

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 basis. Our business is seasonal to a certain extent due to different calendar events and national and religious holidays, as well as different weather patterns. Historically, our highest sales volume and operating income occur in the fiscal quarter ending January 31.

This discussion, which presents the results of Walmart and its consolidated subsidiaries for periods occurring in the fiscal years ended January 31, 2014 ("fiscal 2014") and January 31, 2013 ("fiscal 2013"), should be read in conjunction with our Condensed Consolidated Financial Statements as of October 31, 2013, 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 January 31, 2013, 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, 2013, and incorporated by reference in, and included as an exhibit to, our Annual Report on Form 10-K for the fiscal year ended January 31, 2013.

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 various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of the Company as a whole.

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, we discuss segment operating income, comparable store and club sales and other measures. Management measures the results of the Company's segments using, among other measures, each segment's operating income, including certain corporate overhead allocations. From time to time, we revise the measurement of each segment's operating income or other measures, which includes certain corporate overhead allocations, 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 and expansions, 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 dedicated e-commerce distribution facilities, as well as an estimate for sales initiated online, but fulfilled through our stores and clubs. Changes in

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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

The Company's performance metrics emphasize three priorities for improving shareholder value: growth, leverage and returns. The Company's priority of growth focuses on sales through comparable store and club sales and unit square feet growth; the priority of leverage encompasses the Company's objective to increase its operating income at a faster rate than the growth in net sales by growing its operating, selling, general and administrative expenses ("operating expenses") at a slower rate than the growth of its net sales; and the priority of returns focuses on how efficiently the Company employs its assets through return on investment and how effectively the Company manages working capital through free cash flow.

## Growth

## Net Sales

|                       | Three Months Ended October 31, |                  |                |           |                  | Nine Months Ended October 31, |                  |                |           |                  |
|-----------------------|--------------------------------|------------------|----------------|-----------|------------------|-------------------------------|------------------|----------------|-----------|------------------|
|                       | 2013                           |                  | 2012           |           |                  | 2013                          |                  | 2012           |           |                  |
| (Amounts in millions) | Net Sales                      | Percent of Total | Percent Change | Net Sales | Percent of Total | Net Sales                     | Percent of Total | Percent Change | Net Sales | Percent of Total |
| Walmart U.S.          | \$67,692                       | 58.9 %           | 2.4 %          | \$66,113  | 58.5 %           | \$202,973                     | 59.0 %           | 1.6 %          | \$199,789 | 59.0 %           |
| Walmart International | 33,109                         | 28.8 %           | 0.2 %          | 33,046    | 29.2 %           | 98,839                        | 28.7 %           | 2.0 %          | 96,922    | 28.6 %           |
| Sam's Club            | 14,075                         | 12.3 %           | 1.1 %          | 13,918    | 12.3 %           | 42,478                        | 12.3 %           | 1.3 %          | 41,933    | 12.4 %           |
| Net sales             | \$114,876                      | 100.0 %          | 1.6 %          | \$113,077 | 100.0 %          | \$344,290                     | 100.0 %          | 1.7 %          | \$338,644 | 100.0 %          |

Our consolidated net sales increased 1.6% and 1.7% for the three and nine months ended October 31, 2013, respectively, when compared to the same periods in the previous fiscal year. The increases in net sales were primarily due to 3.3% year-over-year growth in retail square feet, higher e-commerce sales, the impact of fiscal 2013 acquisitions, which accounted for \$314 million and \$730 million of the net sales increases for the three and nine months ended October 31, 2013, respectively, and positive comparable club sales at Sam's Club. These increases were partially offset by \$1.6 billion and \$3.3 billion of negative impact from fluctuations in currency exchange rates for the three and nine months ended October 31, 2013, respectively, and by decreases in comparable store sales at Walmart U.S. and in a number of our international operations.



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## 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, 2013 and 2012, were as follows:

|              | Three Months Ended October 31, |    |             |   | Nine Months Ended October 31, |    |             |   |       |    |     |   |       |    |     |   |
|--------------|--------------------------------|----|-------------|---|-------------------------------|----|-------------|---|-------|----|-----|---|-------|----|-----|---|
|              | 2013                           |    | 2012        |   | 2013                          |    | 2012        |   |       |    |     |   |       |    |     |   |
|              | With Fuel                      |    | Fuel Impact |   | With Fuel                     |    | Fuel Impact |   |       |    |     |   |       |    |     |   |
| Walmart U.S. | (0.3)                          | )% | 1.5         | % | 0.0                           | %  | 0.0         | % | (0.8) | )% | 2.5 | % | 0.0   | %  | 0.0 | % |
| Sam's Club   | 0.1                            | %  | 3.8         | % | (1.0)                         | )% | 1.0         | % | 0.3   | %  | 4.8 | % | (0.5) | )% | 0.4 | % |
| Total U.S.   | (0.2)                          | )% | 1.9         | % | (0.1)                         | )% | 0.2         | % | (0.6) | )% | 2.9 | % | 0.0   | %  | 0.1 | % |

Comparable store and club sales in the U.S., including fuel, decreased 0.2% and 0.6% for the three and nine months ended October 31, 2013, when compared to the same periods in the previous fiscal year. The total U.S. comparable store and club sales were negatively impacted by lower consumer spending primarily due to the slow recovery in general economic conditions, and the 2% increase in the 2013 payroll tax rate, partially offset by increased member traffic driven by various membership enhancements at Sam's Club. Additionally, e-commerce sales positively impacted total U.S. comparable store and club sales percentages approximately 0.2% for each of the three and nine month periods ended October 31, 2013.

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## Leverage

## Operating Income

|                       | Three Months Ended October 31, |                  |                |                  |                  | Nine Months Ended October 31, |                  |                |                  |                  |
|-----------------------|--------------------------------|------------------|----------------|------------------|------------------|-------------------------------|------------------|----------------|------------------|------------------|
|                       | 2013                           |                  | 2012           |                  |                  | 2013                          |                  | 2012           |                  |                  |
| (Amounts in millions) | 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.          | \$5,123                        | 81.2 %           | 5.8 %          | \$4,841          | 79.5 %           | \$15,973                      | 81.9 %           | 5.6 %          | \$15,122         | 79.0 %           |
| Walmart International | 1,457                          | 23.1 %           | 1.7 %          | 1,432            | 23.5 %           | 4,144                         | 21.2 %           | (1.4 )%        | 4,201            | 21.9 %           |
| Sam's Club            | 474                            | 7.5 %            | 9.2 %          | 434              | 7.1 %            | 1,550                         | 7.9 %            | 6.3 %          | 1,458            | 7.6 %            |
| Corporate and support | (744 )                         | (11.8 )%         | 21.2 %         | (614 )           | (10.1 )%         | (2,142 )                      | (11.0 )%         | 30.9 %         | (1,636 )         | (8.5 )%          |
| Operating income      | \$6,310                        | 100.0 %          | 3.6 %          | \$6,093          | 100.0 %          | \$19,525                      | 100.0 %          | 2.0 %          | \$19,145         | 100.0 %          |

We believe comparing the growth of our operating expenses to the growth of our net sales and comparing the growth of 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 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, 2013, operating expenses increased 2.0% and 2.2%, respectively, when compared to the same periods in the previous fiscal year, while net sales increased 1.6% and 1.7%, 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. Overall, lower than anticipated net sales, higher investment in key areas, such as global leverage and e-commerce initiatives, and additional expenses related to the Foreign Corrupt Practices Act ("FCPA") inquires and investigations and our global compliance program and organizational enhancements contributed to us not leveraging for the three and nine months ended October 31, 2013. Expenses incurred for the FCPA inquires and investigations and our global compliance program and organizational enhancements were \$69 million and \$224 million for the three and nine months ended October 31, 2013, respectively, compared to \$48 million and \$99 million for the three and nine months ended October 31, 2012, respectively. The negative leverage impact of these items was partially offset by lower incentive expenses for the three and nine months ended October 31, 2013.

## Operating Income

For the three and nine months ended October 31, 2013, operating income grew 3.6% and 2.0%, respectively, when compared to the same periods in the previous fiscal year, while net sales increased 1.6% and 1.7%, respectively, when compared to the same periods in the previous fiscal year. Fluctuations in currency exchange rates negatively impacted operating income \$16 million for the three months ended October 31, 2013 and positively impacted operating income \$10 million for the nine months ended October 31, 2013. We grew operating income at a faster rate than net sales for both periods primarily due to increases in the gross margin rate of 13 basis points and 11 basis points for the three and nine months ended October 31, 2013, respectively, and increases in our membership and other income of 12.3% and 3.0% for the three and nine months ended October 31, 2013, respectively. These increases in operating income were partially offset by the factors we discussed for not leveraging operating expenses.



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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 17.5% and 18.0% for the trailing twelve-month periods ended October 31, 2013 and 2012, respectively. The decline in ROI was primarily due to investments in stores, clubs and e-commerce, growth in working capital and the impact of acquisitions.

We define ROI as adjusted operating income (operating income plus interest income, depreciation and amortization, and rent expense) for the trailing twelve months divided by average invested capital during that period. We consider average invested capital to be the average of our beginning and ending total assets of continuing operations, plus 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 twelve 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.

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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<br>Ending<br>October 31, |           |           |   |
|--|---|-----------|-----------|---|
|  | 2013  |           | 2012      |   |
| (Amounts in millions)  |   |           |           |   |
| <b>CALCULATION OF RETURN ON INVESTMENT</b>                         |   |           |           |   |
| Numerator  |   |           |           |   |
| Operating income   | \$28,181  |           | \$27,546  |   |
| + Interest income  | 148   |           | 162       |   |
| + Depreciation and amortization                                    | 8,797   |           | 8,367     |   |
| + Rent   | 2,688   |           | 2,560     |   |
| = Adjusted operating income  | \$39,814  |           | \$38,635  |   |
| Denominator  |   |           |           |   |
| Average total assets of continuing operations <sup>(1)</sup>       | \$207,624   |           | \$200,447 |   |
| + Average accumulated depreciation and amortization <sup>(1)</sup> | 56,533  |           | 50,382    |   |
| - Average accounts payable <sup>(1)</sup>                          | 39,747  |           | 38,914    |   |
| - Average accrued liabilities <sup>(1)</sup>                       | 18,571  |           | 17,713    |   |
| + Rent x 8   | 21,504  |           | 20,480    |   |
| = Average invested capital   | \$227,343   |           | \$214,682 |   |
| Return on investment (ROI)   | 17.5  | %         | 18.0      | % |
| <b>CALCULATION OF RETURN ON ASSETS</b>                             |   |           |           |   |
| Numerator  |   |           |           |   |
| Income from continuing operations                                  | \$17,922  |           | \$17,278  |   |
| Denominator  |   |           |           |   |
| Average total assets of continuing operations <sup>(1)</sup>       | \$207,624   |           | \$200,447 |   |
| Return on assets (ROA)   | 8.6   | %         | 8.6       | % |
| As of October 31,  |   |           |           |   |
|  | 2013  | 2012      | 2011      |   |
| Certain Balance Sheet Data   |   |           |           |   |
| Total assets of continuing operations <sup>(2)</sup>               | \$209,509   | \$205,738 | \$195,155 |   |
| Accumulated depreciation and amortization                          | 59,408  | 53,658    | 47,106    |   |
| Accounts payable   | 39,221  | 40,272    | 37,555    |   |
| Accrued liabilities  | 18,606  | 18,536    | 16,890    |   |

(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.

(2) Total assets of continuing operations as of October 31, 2013, 2012 and 2011 in the table exclude assets of discontinued operations that are reflected in the Company's Condensed Consolidated Balance Sheets of \$367 million, \$80 million, and \$89 million, respectively.

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## Free Cash Flow

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 \$3.8 billion for the nine months ended October 31, 2013, compared to free cash flow of \$7.0 billion for the nine months ended October 31, 2012. The decline in free cash flow was primarily due to the timing of payments for income taxes and payables, as well as higher capital expenditures when compared to the same period in the previous fiscal year.

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.

Additionally, our definition of free cash flow is limited, in that it does not represent residual cash flows available for discretionary expenditures as 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 our 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.

| (Amounts in millions)                                | Nine Months Ended October 31, |            |
|--|-------------------------------|------------|
|  | 2013                          | 2012       |
| Net cash provided by operating activities            | \$13,320                      | \$15,907   |
| Payments for property and equipment                  | (9,506 )                      | (8,921 )   |
| Free cash flow                                       | \$3,814                       | \$6,986    |
| Net cash used in investing activities <sup>(1)</sup> | \$(8,942 )                    | \$(9,352 ) |
| Net cash used in financing activities                | (3,235 )                      | (4,694 )   |

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

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## Results of Operations

## Consolidated Results of Operations

Three and nine months ended October 31, 2013 and 2012

| (Amounts in millions, except unit counts)                               | Three Months Ended October 31, |           | Nine Months Ended October 31, |           |      |      |
|---|--------------------------------|-----------|-------------------------------|-----------|------|------|
|   | 2013                           | 2012      | 2013                          | 2012      | 2013 | 2012 |
| Total revenues  | \$115,688                      | \$113,800 | \$346,588                     | \$340,875 |      |      |
| Percentage change from comparable period                                | 1.7                            | % 3.4     | % 1.7                         | % 5.4     |      | %    |
| Net sales   | \$114,876                      | \$113,077 | \$344,290                     | \$338,644 |      |      |
| Percentage change from comparable period                                | 1.6                            | % 3.4     | % 1.7                         | % 5.4     |      | %    |
| Total U.S. calendar comparable store and club sales increase (decrease) | (0.2)                          | )% 1.9    | % (0.6)                       | )% 2.9    |      | %    |
| Gross profit margin as a percentage of net sales                        | 24.5                           | % 24.4    | % 24.5                        | % 24.3    |      | %    |
| Operating income  | \$6,310                        | \$6,093   | \$19,525                      | \$19,145  |      |      |
| Operating income as a percentage of net sales                           | 5.5                            | % 5.4     | % 5.7                         | % 5.7     |      | %    |
| Income from continuing operations                                       | \$3,870                        | \$3,809   | \$12,007                      | \$11,841  |      |      |
| Unit counts at period end   | 11,096                         | 10,524    | 11,096                        | 10,524    |      |      |
| Retail square feet at period end  | 1,094                          | 1,060     | 1,094                         | 1,060     |      |      |

Our total revenues, which are mostly comprised of net sales, but also include membership and other income, increased 1.7% for each of the three and nine months ended October 31, 2013, when compared to the same periods in the previous fiscal year. The increases in total revenues were primarily a result of increases in our net sales, which increased 1.6% and 1.7% for the three and nine months ended October 31, 2013, respectively. The increases in net sales were primarily due to 3.3% year-over-year growth in retail square feet, higher e-commerce sales, the impact of fiscal 2013 acquisitions, which accounted for \$314 million and \$730 million of the net sales increases for the three and nine months ended October 31, 2013, respectively, and positive comparable club sales at Sam's Club. These increases were partially offset by \$1.6 billion and \$3.3 billion of negative impact from fluctuations in currency exchange rates for the three and nine months ended October 31, 2013, respectively, and by decreases in comparable store sales at Walmart U.S. and in a number of our international operations. Increases in membership and other income, primarily due to higher membership income at Sam's Club, also contributed to the increase in total revenues for both periods.

Our gross profit rate increased 13 and 11 basis points for the three and nine months ended October 31, 2013, respectively, when compared to the same periods in the previous fiscal year. The increases in our gross profit rate were driven by the increases in gross profit rate at each of our segments, which were caused by a variety of factors, including cost of goods savings initiatives and supply chain productivity at Walmart U.S., improved sourcing efficiency, case productivity and reduced mark-downs at Walmart International and changes in merchandise mix at Sam's Club.

We did not leverage expenses for the three and nine months ended October 31, 2013, as operating expenses, as a percentage of net sales, increased 8 and 11 basis points, respectively, when compared to the same periods in the previous fiscal year. Overall, lower than anticipated net sales, higher investment in key areas, such as global leverage and e-commerce initiatives, and additional expenses related to the FCPA inquiries and investigations and our global compliance program and organizational enhancements contributed to us not leveraging for the three and nine months ended October 31, 2013. The negative leverage impact of these items was partially offset by a decline in incentive expenses for the three and nine months ended October 31, 2013.

Our effective income tax rates were 32.5% and 32.8% for the three and nine months ended October 31, 2013, compared to our effective income tax rates of 31.3% and 32.6% 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 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. and international operations where the statutory rates are generally lower than the U.S. statutory rate. We continue to expect the

effective tax rate for fiscal 2014 to be between 31 and 33 percent.

As a result of the factors discussed above, we reported \$3.9 billion and \$12.0 billion of consolidated income from continuing operations for the three and nine months ended October 31, 2013, respectively, an increase of \$61 million and \$166 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 \$1.14 and \$3.51 for the three and nine months ended October 31, 2013, respectively, an increase compared to EPS for the three and nine months ended October 31, 2012 of \$1.07 and \$3.34, respectively. EPS for the three and nine months ended October 31, 2013 included incremental expenses of approximately \$0.03 and \$0.08 per share, respectively, for investments in e-commerce initiatives. We expect the incremental expenses related to our investment in our e-commerce initiatives to impact fiscal 2014 EPS approximately \$0.10 per share. Additionally, we expect that the fourth quarter expenses related to closing approximately 50 underperforming stores in Brazil and China and terminating our relationship with Bharti Retail Limited will negatively impact fiscal 2014 EPS an estimated \$0.06 per share and \$0.04 per share, respectively.

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## Walmart U.S. Segment

Three and nine months ended October 31, 2013 and 2012

| (Amounts in millions, except unit counts)           | Three Months Ended October |          | Nine Months Ended October |           |      |      |
|---|----------------------------|----------|---------------------------|-----------|------|------|
|   | 31,<br>2013                | 2012     | 31,<br>2013               | 2012      | 2013 | 2012 |
| Net sales   | \$67,692                   | \$66,113 | \$202,973                 | \$199,789 |      |      |
| Percentage change from comparable period            | 2.4                        | % 3.6    | % 1.6                     | % 4.4     | %    | %    |
| Calendar comparable store sales increase (decrease) | (0.3                       | )% 1.5   | % (0.8                    | )% 2.5    | %    | %    |
| Operating income                                    | \$5,123                    | \$4,841  | \$15,973                  | \$15,122  |      |      |
| Operating income as a percentage of net sales       | 7.6                        | % 7.3    | % 7.9                     | % 7.6     | %    | %    |
| Unit counts at period end                           | 4,156                      | 3,971    | 4,156                     | 3,971     |      |      |
| Retail square feet at period end                    | 655                        | 638      | 655                       | 638       |      |      |

Net sales for the Walmart U.S. segment increased 2.4% and 1.6% for the three and nine months ended October 31, 2013, respectively, when compared to the same periods in the previous fiscal year. The increases in net sales were due to year-over-year growth in retail square feet of 2.7%, partially offset by decreases in comparable store sales of 0.3% and 0.8% for the three and nine months ended October 31, 2013, respectively. Our comparable store sales were negatively impacted by lower consumer spending primarily due to the slow recovery in general economic conditions and the 2% increase in the 2013 payroll tax rate. Additionally, e-commerce sales positively impacted our comparable store sales percentages approximately 0.2% for each of the three and nine month periods ended October 31, 2013.

Gross profit rate increased 9 and 15 basis points for the three and nine months ended October 31, 2013, respectively, compared to the same periods in the previous fiscal year. The increases in the gross profit rate have primarily been the result of cost of goods savings initiatives and supply chain productivity.

Walmart U.S. leveraged expenses for the three and nine months ended October 31, 2013, as operating expenses, as a percentage of segment net sales, declined 16 and 18 basis points, respectively, compared to the same periods in the previous fiscal year. The decrease in operating expenses, as a percentage of segment net sales, was primarily driven by productivity initiatives and lower incentive expenses.

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## Walmart International Segment

Three and nine months ended October 31, 2013 and 2012

| (Amounts in millions, except unit counts)     | Three Months Ended October |          | Nine Months Ended October |          |   |
|---|----------------------------|----------|---------------------------|----------|---|
|   | 31,<br>2013                | 2012     | 31,<br>2013               | 2012     |   |
| Net sales                                     | \$33,109                   | \$33,046 | \$98,839                  | \$96,922 |   |
| Percentage change from comparable period      | 0.2                        | % 2.4    | % 2.0                     | % 7.7    | % |
| Operating income                              | \$1,457                    | \$1,432  | \$4,144                   | \$4,201  |   |
| Operating income as a percentage of net sales | 4.4                        | % 4.3    | % 4.2                     | % 4.3    | % |
| Unit counts at period end                     | 6,310                      | 5,933    | 6,310                     | 5,933    |   |
| Retail square feet at period end              | 355                        | 339      | 355                       | 339      |   |

Net sales for the Walmart International segment increased 0.2% and 2.0% for the three and nine months ended October 31, 2013, 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 4.6% and the impact of fiscal 2013 acquisitions, which accounted for \$314 million and \$730 million of the net sales increases for the three and nine months ended October 31, 2013, respectively. In addition, higher e-commerce sales in the United Kingdom and Brazil also contributed to the increase in net sales. These increases were partially offset by \$1.6 billion and \$3.3 billion of negative impact from fluctuations in currency exchange rates for the three and nine months ended October 31, 2013, respectively, and by decreases in comparable store sales in many of our larger operations.

Gross profit rate increased 5 and 7 basis points for the three and nine months ended October 31, 2013, respectively, when compared to the same periods in the previous fiscal year. The increases in the gross profit rate were primarily due to improvements in our operations in the United Kingdom and Mexico, which were the result of improved sourcing efficiency, case productivity and reduced mark-downs.

Walmart International did not leverage operating expenses for the three and nine months ended October 31, 2013, as operating expenses, as a percentage of segment net sales, increased 5 and 20 basis points, respectively, when compared to the same periods in the previous fiscal year. Lower than anticipated net sales, increased wages, strategic investments, including investments in e-commerce initiatives, and higher non-income taxes, each contributed to our increase in operating expenses as a percentage of net sales.

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## Sam's Club Segment

Three and nine months ended October 31, 2013 and 2012

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.

| (Amounts in millions, except unit counts)     | Three Months Ended October 31, |          | Nine Months Ended October 31, |          |   |   |
|---|--------------------------------|----------|-------------------------------|----------|---|---|
|   | 2013                           | 2012     | 2013                          | 2012     |   |   |
| <b>Including Fuel</b>                         |                                |          |                               |          |   |   |
| Net sales                                     | \$14,075                       | \$13,918 | \$42,478                      | \$41,933 |   |   |
| Percentage change from comparable period      | 1.1                            | % 4.7    | % 1.3                         | % 5.4    | % | % |
| Calendar comparable club sales increase       | 0.1                            | % 3.8    | % 0.3                         | % 4.8    | % | % |
| Operating income                              | \$474                          | \$434    | \$1,550                       | \$1,458  |   |   |
| Operating income as a percentage of net sales | 3.4                            | % 3.1    | % 3.6                         | % 3.5    | % | % |
| Unit counts at period end                     | 630                            | 620      | 630                           | 620      |   |   |
| Retail square feet at period end              | 84                             | 83       | 84                            | 83       |   |   |
| <b>Excluding Fuel</b>                         |                                |          |                               |          |   |   |
| Net sales                                     | \$12,449                       | \$12,190 | \$37,421                      | \$36,797 |   |   |
| Percentage change from comparable period      | 2.1                            | % 3.6    | % 1.7                         | % 5.0    | % | % |
| Calendar comparable club sales increase       | 1.1                            | % 2.8    | % 0.8                         | % 4.4    | % | % |
| Operating income                              | \$466                          | \$426    | \$1,537                       | \$1,424  |   |   |
| Operating income as a percentage of net sales | 3.7                            | % 3.5    | % 4.1                         | % 3.9    | % | % |

Net sales for the Sam's Club segment increased 1.1% and 1.3% for the three and nine months ended October 31, 2013, respectively, when compared to the same periods in the previous fiscal year. The increases in net sales were due to year-over-year growth in retail square feet of 1.8%, higher e-commerce sales and positive comparable club sales of 0.1% and 0.3% for the three and nine months ended October 31, 2013, respectively. Our positive comparable club sales were the result of increased member traffic primarily coming from our Savings Members. Additionally, e-commerce sales positively impacted our comparable club sales percentages approximately 0.2% for each of the three and nine month periods ended October 31, 2013.

Gross profit rate increased 26 and 6 basis points for the three and nine months ended October 31, 2013, respectively, when compared to the same periods in the previous fiscal year. The gross profit rate increased primarily due to changes in merchandise mix.

Membership and other income increased 16.8% and 10.9% for the three and nine months ended October 31, 2013, respectively, when compared to the same periods in the previous fiscal year. These increases in membership and other income are the result of the increased membership fees we introduced May 15, 2013. Additionally, membership and other income benefited from improved contract terms relating to the profit sharing arrangement with our credit card provider.

Sam's Club did not leverage expenses for the three and nine months ended October 31, 2013, as operating expenses as a percentage of segment net sales increased 31 and 7 basis points, respectively, compared to the same periods in the previous fiscal year. The increases in operating expenses as a percentage of net sales were primarily due to a state excise tax refund credit we received in the prior periods and our higher pre-opening expenses associated with more club openings than in the previous year.



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## Liquidity and Capital Resources

## Liquidity

Cash flows provided by operating activities have historically supplied us with a significant source of liquidity. We use these cash flows, supplemented with long-term debt and short-term borrowings, to fund our operations and global expansion activities. Generally, some or all of the remaining available cash flow, if any, funds all or part of the dividends on our common stock and share repurchases.

| (Amounts in millions)                                | Nine Months Ended October 31, |            |
|--|-------------------------------|------------|
|  | 2013                          | 2012       |
| Net cash provided by operating activities            | \$13,320                      | \$15,907   |
| Payments for property and equipment                  | (9,506 )                      | (8,921 )   |
| Free cash flow                                       | \$3,814                       | \$6,986    |
| Net cash used in investing activities <sup>(1)</sup> | \$(8,942 )                    | \$(9,352 ) |
| Net cash used in financing activities                | (3,235 )                      | (4,694 )   |

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

## Cash Flows from Operating Activities

Net cash provided by operating activities was \$13.3 billion and \$15.9 billion for the nine months ended October 31, 2013 and 2012, respectively. The decline in net cash provided by operating activities was primarily due to the timing of payments for income taxes and payables.

## Cash Equivalents and Working Capital

Cash and cash equivalents were \$8.7 billion and \$8.6 billion at October 31, 2013 and 2012, respectively. Our working capital deficits were \$9.9 billion and \$13.4 billion at October 31, 2013 and 2012, respectively. The decrease in our working capital deficit is primarily attributable to the increase in our inventory levels as Walmart U.S. and Sam's Club accelerated inventory purchases to support our holiday sales plans, as well as lower than anticipated sales across the Company. Timing differences also contributed to the decrease in our working capital deficit. We generally operate with a working capital deficit due to our efficient use of cash in funding operations and in providing returns to our shareholders in the form of share repurchases and payments of cash dividends.

We employ financing strategies (e.g., our global funding structures) 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 limited exceptions, to continue to indefinitely reinvest our cash and cash equivalents held outside of the U.S. in our foreign operations. When the income earned (either from operations or through our global funding structures) 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 repatriations under current U.S. tax laws would be subject to U.S. federal income taxes, less applicable foreign tax credits. As of October 31, 2013 and January 31, 2013, approximately \$1.3 billion and \$876 million, 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.

Table of Contents**Cash Flows from Investing Activities**

Cash flows from investing activities generally consist of payments for property and equipment, which were \$9.5 billion and \$8.9 billion for the nine months ended October 31, 2013 and 2012, respectively. These capital expenditures primarily relate to new store growth, as well as remodeling existing stores.

**Pending Transaction**

As discussed in Note 10 to our Condensed Consolidated Financial Statements, we currently anticipate completing the following transaction that will impact our cash flows from investing activities:

**Vips Restaurant Business in Mexico**

In September 2013, Wal-Mart de México ("Walmex"), a majority-owned subsidiary of the Company, entered into a definitive agreement with Alsea S.A.B. de C.V. to dispose of Walmex's Vips restaurant business ("Vips") in Mexico for approximately \$625 million. Accordingly, the Vips operating results are presented as discontinued operations in the Company's Condensed Consolidated Statements of Income for the three and nine months ended October 31, 2013 and 2012. Additionally, the Vips assets and liabilities to be disposed of are reported separately in the Company's Condensed Consolidated Balance Sheets as of October 31, 2013. The Vips sale is subject to approval by Mexican regulatory authorities and is expected to close during the fourth quarter. Upon completion of this transaction, the Company expects to record a net gain, which will be recorded in discontinued operations in the Company's Condensed Consolidated Statements of Income.

**Cash Flows from Financing Activities**

Cash flows from financing activities generally consist of transactions related to our short- and long-term debt, as well as dividends paid and the repurchase of Company stock. Transactions with noncontrolling interest shareholders are also classified as cash flows from financing activities.

**Short-term Borrowings**

Short-term borrowings increased \$6.0 billion for the nine months ended October 31, 2013, compared to an increase of \$4.7 billion for the same period in the previous fiscal year. Favorable interest rates available to us have allowed us to continue to utilize the liquidity under our short-term borrowing programs to provide funding used for our operations, dividend payments, share repurchases, capital expenditures and for other cash requirements and corporate purposes as needed.

**Long-term Debt**

Information on significant long-term debt issued during the nine months ended October 31, 2013, is as follows:

(Amounts in millions)

| Issue Date      | Maturity Date     | Interest Rate | Principal Amount |
|-----------------|-------------------|---------------|------------------|
| April 11, 2013  | April 11, 2016    | 0.600%        | \$1,000          |
| April 11, 2013  | April 11, 2018    | 1.125%        | 1,250            |
| April 11, 2013  | April 11, 2023    | 2.550%        | 1,750            |
| April 11, 2013  | April 11, 2043    | 4.000%        | 1,000            |
| October 2, 2013 | December 15, 2018 | 1.950%        | 1,000            |
| October 2, 2013 | October 2, 2043   | 4.750%        | 750              |
| Total           |                   |               | \$6,750          |

The aggregate net proceeds from these long-term debt issuances were approximately \$6.7 billion, which were used to pay down and refinance existing debt and for other general corporate purposes. We also received additional aggregate net proceeds of approximately \$0.4 billion from other, smaller long-term debt issuances in several of our international operations, which were used primarily to refinance existing debt.

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## Dividends

On February 21, 2013, the Board of Directors approved an increase in the annual dividend for fiscal 2014 to \$1.88 per share, an increase of approximately 18% over the \$1.59 per share dividend paid in fiscal 2013. For fiscal 2014, the annual dividend will be paid in four quarterly installments of \$0.47 per share, according to the following record and payable dates:

| Record Date      | Payable Date      |
|------------------|-------------------|
| March 12, 2013   | April 1, 2013     |
| May 10, 2013     | June 3, 2013      |
| August 9, 2013   | September 3, 2013 |
| December 6, 2013 | January 2, 2014   |

The dividend installments payable on April 1, 2013, June 3, 2013 and September 3, 2013, were paid as scheduled and totaled \$4.6 billion for the nine months ended October 31, 2013, compared to total dividend payments of \$4.0 billion for the same period in the previous fiscal year.

## 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. On June 6, 2013, the Company's Board of Directors replaced the previous \$15.0 billion share repurchase program, which had approximately \$712 million of remaining authorization for share repurchases as of that date, with a new \$15.0 billion share repurchase program, announced on June 7, 2013. As was the case with the replaced share repurchase program, the new share repurchase program has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. 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 number of shares repurchased, average price paid per share and cash paid for share repurchases for the nine months ended October 31, 2013 and 2012, were as follows:

| (Amounts in millions, except per share data) | Nine Months Ended October 31, |         |
|--|-------------------------------|---------|
|  | 2013                          | 2012    |
| Total number of shares repurchased           | 77.9                          | 70.9    |
| Average price paid per share                 | \$74.54                       | \$65.69 |
| Total cash paid for share repurchases        | \$5,806                       | \$4,657 |

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Pending Transactions

As discussed in Note 10 to our Condensed Consolidated Financial Statements, we currently anticipate completing the following transactions with noncontrolling interest shareholders that will impact our cash flows from financing activities:

Walmart Chile

In September 2013, certain redeemable noncontrolling interest shareholders exercised put options that would require the Company to purchase a portion of their shares in Walmart Chile at the mutually agreed upon redemption value to be determined after exercise of the put options. Upon initial exercise of the put options, the Company recorded an increase to redeemable noncontrolling interest of \$977 million, with a corresponding decrease to capital in excess of par value, to reflect the estimated redemption value of the redeemable noncontrolling interest at \$1.4 billion.

Subsequent to period end, the Company negotiated with the redeemable noncontrolling interest shareholders to acquire all of their redeemable noncontrolling interest shares. In February 2014, upon closing of the purchase of the shares held by the redeemable noncontrolling interest shareholders, the Company's ownership interest in Walmart Chile will be approximately 99.7 percent. The Company will then initiate a tender offer for the remaining 0.3 percent noncontrolling interest held by the public in Chile at the same value per share as will be paid to the redeemable noncontrolling interest shareholders. The tender offer is expected to close in March 2014.

India Operations

During the fourth quarter of fiscal 2014, the Company entered into an agreement with Bharti Ventures Limited ("Bharti") to acquire Bharti's ownership stake in Bharti Walmart Private Limited, a joint venture between Bharti and the Company established in 2007, which operates the Company's wholesale cash & carry business in India, for \$100 million. Upon completion of the transaction, the Company will be the sole owner of that business. In addition, the Company also entered into agreements with Bharti to terminate its franchise and supply agreements with Bharti Retail Limited ("Bharti Retail"), which operates Bharti's retail business in India, and to transfer to Bharti the Company's investment in that business. The Company will pay, or forgive indebtedness, aggregating approximately \$234 million in connection with such agreements related to the Bharti retail business. Each of these transactions is subject to regulatory approval and is expected to close during the fourth quarter. The Company expects to record a net loss in continuing operations in the Company's Condensed Consolidated Statements of Income related to the transactions with respect to Bharti Retail.

We plan on funding the cash requirements for these transactions with our existing cash balances.

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## Capital Resources

Management believes cash flows from continuing operations and proceeds from the issuance of short-term borrowings will be sufficient to finance seasonal buildups in merchandise inventories and meet other cash requirements. If our operating cash flows are not sufficient to pay dividends and to fund our capital expenditures, we anticipate funding any shortfall in these expenditures with a combination of short-term borrowings and long-term debt. We plan to refinance existing long-term debt obligations as they mature and may desire to obtain additional long-term financing for other corporate purposes.

Our access to the commercial paper and long-term debt markets has historically provided us with adequate sources of liquidity. We anticipate no difficulty in obtaining financing from those markets in the future due to our favorable experiences in the debt markets in the recent past. Our ability to continue to access the commercial paper and long-term debt markets with favorable interest rates and other terms depend, to a significant degree, on the ratings assigned by the credit rating agencies to our indebtedness continuing to be at or above the level of our current ratings. At October 31, 2013, the ratings assigned to our commercial paper and rated series of our outstanding long-term debt were as follows:

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

In the event that the ratings of our commercial paper or any rated series of our outstanding long-term debt issues were lowered or withdrawn for any reason or if the ratings assigned to any new issue of our long-term debt securities were lower than those noted above, our ability to access the debt markets would be adversely affected. In addition, in such a case, our cost of funds for new issues of commercial paper and long-term debt (i.e., the rate of interest on any such indebtedness) would be higher than our cost of funds had the ratings of those new issues been at or above the level of the ratings noted above. The 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. At October 31, 2013 and 2012, the ratio of our debt-to-total capitalization was 45.7% and 43.7%, respectively. 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. The increase in our debt-to-total capitalization ratio was primarily driven by higher short-term borrowing and a slight reduction to shareholders' equity.

## 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."

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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, 2013 are similar to those disclosed in our Form 10-K for the fiscal year ended January 31, 2013. At October 31, 2013, the fair value of our derivative instruments had increased approximately \$210 million since January 31, 2013, primarily due to fluctuations in market interest rates. In addition, movements in currency exchange rates and the related impact on the translation of the balance sheets of the Company's subsidiaries in Japan, Africa, Canada and Brazil were the primary cause of the \$1.9 billion net loss for the nine months ended October 31, 2013, 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, 2013 included as Exhibit 13 to our Annual Report on Form 10-K for the fiscal year ended January 31, 2013, 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 new financial system applications in stages across the Company. To date, we have completed significant implementations in Argentina, Canada, Central America, Japan, Mexico, the United Kingdom and the United States. 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 in the beginning stages, 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, 2013, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



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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.

Gender Discrimination Class Actions: *Dukes v. Wal-Mart, USDC, Northern Dist. of CA, San Francisco Div.*, 6/19/01; 9th Circuit Ct. of Appeals, San Francisco, CA, 8/26/04; US Supreme Court, Washington DC, 8/25/10; *Odle v. Wal-Mart, USDC, Northern Dist. of TX, Dallas Div.*, 10/27/11; *Phipps v. Wal-Mart, USDC, Middle Dist. of TN., Nashville Div.*, 10/2/12; 6th Circuit Ct. of Appeals, Cincinnati, OH, 9/11/13; *Love v. Wal-Mart, USDC, Southern Dist. of FL, Ft. Lauderdale Div.*, 10/4/12; *Ladik v. Wal-Mart, USDC, Western Dist. of WI*, 2/20/13.

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, Fayetteville Div., 5/7/12.

Derivative Lawsuits: *In re Wal-Mart Stores, Inc. Shareholder Derivative Litigation*, USDC, Western Dist. of Arkansas, 5/31/12 (consolidation of six separately-filed suits); *Emory v. Duke, et al.*, USDC, Western Dist. of Arkansas, 4/26/12; *Austin v. Walton et al.*, Circuit Court of Pope County, Arkansas, 5/17/12; *In re Wal-Mart Stores, Inc. Delaware Derivative Litigation*, Delaware Court of Chancery, 4/25/12 (consolidation of seven separately-filed suits).



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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 January 2011, the Environmental Department of Porto Alegre Municipality formally notified WMS Supermercados do Brasil Ltda, a subsidiary of the Company, of soil inspection reports indicating soil contamination due to leakage of oil from power generating equipment at nine store locations in Brazil. WMS Supermercados do Brasil Ltda 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.

In July 2011, the Environmental Department of Bento Gonçalves notified WMS Supermercados do Brasil Ltda that it is investigating alleged soil contamination from oil leakage, in addition to the previous wastewater issue. WMS Supermercados do Brasil Ltda 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 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.

Wal-Mart de México, S.A.B. de C.V., a majority-owned subsidiary of the Company, is working to resolve approximately 21 enforcement actions with the Mexico Environmental Protection Agency in the State of Michoacán, Mexico, involving a variety of issues that occurred between 2008 and 2013. The issues include, but are not limited to, record-keeping allegations, such as failure to maintain appropriate records for air conditioning equipment, and the alleged failure to obtain appropriate permits, such as for the installation of ovens. Wal-Mart de México, S.A.B de C.V., is working to remedy these issues. 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, 2013, 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. On June 6, 2013, the Company's Board of Directors replaced the previous \$15.0 billion share repurchase program, which had approximately \$712 million of remaining authorization for share repurchases as of that date, with a new \$15.0 billion share repurchase program, announced on June 7, 2013. As was the case with the replaced share repurchase program, the new share repurchase program has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. Any repurchased shares are constructively retired and returned to an unissued status.

Share repurchase activity for each of the three months ended October 31, 2013, was as follows:

| Fiscal Period | Total<br>Number of<br>Shares<br>Purchased | Average<br>Price Paid<br>per Share | Total Number of<br>Shares Purchased<br>as Part of Publicly | Approximate<br>Dollar<br>Value of Shares that<br>May Yet Be |
|---------------|---|------------------------------------|--|---|
|---------------|---|------------------------------------|--|---|

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|                      |            |         | Announced Plans<br>or<br>Programs | Purchased<br>Under the<br>Plans or Programs<br>(billions) |
|----------------------|------------|---------|-----------------------------------|---|
| August 1-31, 2013    | 7,133,256  | \$75.59 | 7,133,256                         | \$13.4  |
| September 1-30, 2013 | 7,443,420  | 73.97   | 7,443,420                         | 12.8  |
| October 1-31, 2013   | 8,329,373  | 74.47   | 8,329,373                         | 12.2  |
| Total                | 22,906,049 |         | 22,906,049                        |   |

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## 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: (1) statements in Note 6 to Walmart's Condensed Consolidated Financial Statements as of and for the three and nine months ended October 31, 2013 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 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 2014; 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 other matters; and statements in Note 10 to those Condensed Consolidated Financial Statements regarding the expected recognition of a net gain upon the sale of Walmex's Vips restaurant business and a expected net loss as a result of the anticipated transactions with respect to Walmart's India operations and the Company's plan to initiate a tender offer with respect to Walmart Chile for the remaining 0.3 percent owned by the public in Chile after the completion of the Company's purchase of certain shares of Walmart Chile pursuant to the exercise of certain put options by shareholders of Walmart Chile; (2) 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; a statement under the caption "Company Performance Metrics" and under the subcaption "Company Performance Metrics-Leverage-Operating Income" relating to Walmart's objectives of growing operating expenses at a slower rate than net sales and growing operating income at a faster rate than net sales and the possibility of certain investments by Walmart affecting the attainment of the latter objective; statements under the caption "Results of Operations-Consolidated Results of Operations" regarding the update of the forecasted full year effective income tax rate for Walmart's fiscal year 2014, the possibility of fluctuations in the effective income tax rate from quarter to quarter and the factors that may cause those fluctuations, and management's expectations regarding the incremental fiscal 2014 expenses per share for e-commerce operations and management's expectations regarding the negative impact that the expenses to be incurred in the three months ending January 31, 2013 related to the closing of approximately 50 underperforming stores in Brazil and China and the termination of the Company's relationship with Bharti Retail Limited will have on the Company's EPS for fiscal year 2014; 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; statements under the caption "Liquidity and Capital Resources-Cash Flows from 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 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-Cash Flows from Investing Activities-Pending Transactions" regarding management's expectations that the anticipated sale of Walmex's Vips restaurant business will affect Walmart's cash flow and will result in a net gain to Walmart; a statement under the caption "Liquidity and Capital Resources-Cash Flows from Financing Activities-Dividends Paid" regarding the payment of dividends in the remainder of fiscal year 2014; statements under the caption "Liquidity and Capital Resources-Cash Flows from Financing Activities-Pending Transactions" regarding management's expectation that the purchase of certain Walmart

Chile shares and transactions relating to Walmart's India operations will affect Walmart's cash flow, that the Company will initiate a tender offer for the remaining 0.3 percent owned by the public in Chile after the completion of the Company's purchase of certain Walmart Chile shares, that the transactions relating to Walmart's India operations will result in a net loss and that Walmart will fund the cash requirements for those transactions with Walmart's existing cash balances; and statements under the caption "Liquidity and Capital Resources-Capital Resources" regarding management's expectations regarding the sufficiency of cash flows from continuing operations and the proceeds from the issuance of short-term borrowings to finance seasonal inventory buildups and to meet other cash requirements, management's expectations regarding funding certain cash flow shortfalls with a combination of short-term borrowings and long-term debt, management's plans to refinance existing long-term debt as it matures, management's expectations as to obtaining additional long-term financing for other corporate purposes and Walmart's ability to obtain financing, and management's expectation that Walmart's ability to access the commercial paper and long-term debt markets on favorable terms will depend on Walmart's credit ratings and the effect that lower ratings would have on that access and Walmart's cost of funds; and (3) 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,

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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," "believe," "could be," "depend," "expect," "expected," "expects," "impact," "intend," "is not expected," "may be," "may continue," "may fluctuate," "may impact," "may make," "may result," "objective," "plan," "will be," "will continue," "will depend," "will have," "will impact," "will incur," "will initiate," "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: general economic conditions; business trends in markets in which Walmart operates; economic conditions affecting specific markets in which we operate; competitive pressures; inflation and deflation; consumer confidence, disposable income, credit availability, spending levels, spending patterns and debt levels; the seasonality of Walmart's business and seasonal buying patterns in the United States and other markets and deviations from such seasonal buying patterns; geo-political conditions and events; weather conditions and events and their effects; catastrophic events and natural disasters and their effects on Walmart's business; public health emergencies; civil unrest and disturbances and terrorist attacks; commodity prices; the cost of goods Walmart sells; transportation costs; the cost of diesel fuel, gasoline, natural gas and electricity; the selling prices of gasoline; disruption of Walmart's supply chain, including transport of goods from foreign suppliers; information security costs; trade restrictions; changes in tariff and freight rates; labor costs; the availability of qualified labor pools in Walmart's markets; changes in employment laws and regulations; the cost of healthcare and other benefits; casualty and other insurance costs; accident-related costs; the cost of construction materials; adoption of or changes in tax and other laws and regulations that affect Walmart's business, including changes in corporate tax rates; changes in currency control laws; developments in, and the outcome of, legal and regulatory proceedings to which Walmart is a party or is subject; changes in the credit ratings assigned to Walmart's commercial paper and debt securities by credit rating agencies; cash flows from Walmart's domestic operations, Walmart's overall liquidity requirements and Walmart's access to capital markets as those factors may affect the need to repatriate cash held in Walmart's operations outside the U.S.; currency exchange rate fluctuations; changes in market interest rates; conditions and events affecting domestic and global financial and capital markets; the performance by Alsea of its obligations to purchase Walmart's Vips restaurant business; the receipt of regulatory authorization to consummate the sale of the Vips business; and completion of the anticipated transactions relating to Walmart's India operations; and other risks. Factors that may affect Walmart's projected effective income tax rate for fiscal year 2014 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, 2013. 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. As a result of these and other matters, including changes in facts, assumptions not being realized or other factors, the actual results relating to the subject matter of any forward-looking statement in this Quarterly Report 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.

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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 6, 2013      By:      /s/ Michael T. Duke  
Michael T. Duke  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: December 6, 2013      By:      /s/ Charles M. Holley, Jr.  
Charles M. Holley, Jr.  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

Date: December 6, 2013      By:      /s/ Steven P. Whaley  
Steven P. Whaley  
Senior Vice President and Controller  
(Principal Accounting Officer)

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Index to Exhibits

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

|                   |  |
|-------------------|--|
| Exhibit 3(i)      | Restated Certificate of Incorporation of the Company, 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 hereby 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(ii)     | Amended and Restated Bylaws of the Company are incorporated herein by reference to Exhibit 3(ii) to the Quarterly Report on Form 10-Q of the Company, filed with the SEC on June 3, 2011.  |
| Exhibit 10(a)     | Agreement by and between the Company and Michael T. Duke dated November 22, 2013, which is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company dated November 25, 2013.   |
| Exhibit 12.1*     | Ratio of Earnings to Fixed Charges   |
| Exhibit 31.1*     | Chief Executive Officer Section 302 Certification  |
| Exhibit 31.2*     | Chief Financial Officer Section 302 Certification  |
| Exhibit 32.1**    | Chief Executive Officer Section 906 Certification  |
| Exhibit 32.2**    | Chief Financial Officer Section 906 Certification  |
| Exhibit 99        | The information incorporated by reference in Part I, Item 3 of this Quarterly Report on Form 10-Q is incorporated by reference to the material set forth under the sub-caption "Market Risk" in Management's Discussion and Analysis of Financial Condition and Results of Operations, which is contained in Exhibit 13 to the Company's Annual Report on Form 10-K for the year ended January 31, 2013, as filed with the Securities and Exchange Commission. |
| 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.

+ Submitted electronically with this Quarterly Report