

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

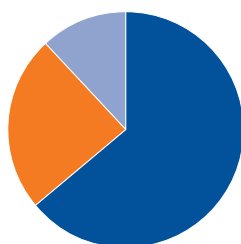
Wal-Mart Stores, Inc. ("Wal-Mart," the "Company" or "we") operates retail stores in various formats around the world and is committed to saving people money so they can live better. We earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at every day 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 activity. Our focus for Sam's Club is to provide exceptional value on brand-name merchandise at "members only" prices for both business and personal use. Internationally, we operate with similar philosophies. Our fiscal year ends on January 31.

We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. The discussion also provides information about the financial results of the various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of the Company as a whole. This discussion should be read in conjunction with our financial statements as of January 31, 2008, and the year then ended and accompanying notes.

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, we discuss segment operating income and comparable store sales. Segment operating income refers to income from continuing operations before net interest expense, income taxes and minority interest and excludes unallocated corporate overhead and results of discontinued operations. At the beginning of fiscal 2008, the Company revised the measurement of each segment's operating income. The measurement now includes within each segment's operating results certain direct income and expense items that we had previously accounted for as unallocated corporate overhead. We have restated all prior year measurements of segment operating income for comparative purposes.

Comparable store sales is a measure which indicates the performance of our existing stores by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior

2008 Sales by Segment



■ 64.0% – Wal-Mart Stores
■ 24.2% – International
■ 11.8% – Sam's Club

Net sales in fiscal 2008 were a record \$374.5 billion, up 8.6% from fiscal 2007.

year. Beginning in fiscal 2007, we changed our method of calculating comparable store sales. We now include in our measure of comparable store sales all stores and clubs that have been open for at least the previous 12 months. Additionally, stores and clubs that are relocated, expanded or converted are excluded from comparable store sales for the first 12 months following the relocation, expansion or conversion. For fiscal 2006 and prior years, we considered comparable store sales to be sales at stores that were open as of February 1st of the prior fiscal year and had not been relocated, expanded or converted since that date. Stores that were relocated, expanded or converted during that period are not included in the calculation. Comparable store sales is also referred to as "same-store" sales by others within the retail industry. The method of calculating comparable store sales varies across the retail industry. As a result, our calculation of comparable store sales is not necessarily comparable to similarly titled measures reported by other companies.

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

Operations

Our operations comprise three business segments: Wal-Mart Stores, Sam's Club and International.

Our Wal-Mart Stores segment is the largest segment of our business, accounting for 64.0% of our fiscal 2008 net sales and operates stores in three different formats in the United States, as well as Wal-Mart's online retail operations, walmart.com. Our Wal-Mart Stores retail formats include:

- Supercenters, which average approximately 187,000 square feet in size and offer a wide assortment of general merchandise and a full-line supermarket;
- Discount stores, which average approximately 108,000 square feet in size and offer a wide assortment of general merchandise and a limited variety of food products; and
- Neighborhood Markets, which average approximately 42,000 square feet in size and offer a full-line supermarket and a limited assortment of general merchandise.

Our Sam's Club segment consists of membership warehouse clubs in the United States and the segment's online retail operations, samsclub.com. Sam's Club accounted for 11.8% of our fiscal 2008 net sales. Our focus for Sam's Club is to provide exceptional value on brand-name merchandise at "members only" prices for both business and personal use. Our Sam's Clubs average approximately 132,000 square feet in size.

At January 31, 2008, our International segment consisted of retail operations in 12 countries and Puerto Rico. This segment generated 24.2% of our fiscal 2008 net sales. The International segment includes

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numerous different formats of retail stores and restaurants, including discount stores, supercenters and Sam's Clubs that operate outside the United States.

For certain financial information relating to our segments, see Note 11 to our Consolidated Financial Statements.

The Retail Industry

We operate in the highly competitive retail industry in both the United States and the countries we serve internationally. We face strong sales competition from other discount, department, drug, variety and specialty stores, warehouse clubs, and supermarkets, many of which are national, regional or international chains, as well as internet-based retailers and catalog businesses. We compete with a number of companies for prime retail site locations, as well as in attracting and retaining quality employees (who we call "associates"). We, along with other retail companies, are influenced by a number of factors including, but not limited to: cost of goods, consumer debt

levels and buying patterns, economic conditions, consumer credit availability, interest rates, customer preferences, unemployment, labor costs, inflation, currency exchange fluctuations, fuel and energy prices, weather patterns, catastrophic events, competitive pressures and insurance costs. Further information on risks to our Company can be located in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended January 31, 2008.

Company Performance Metrics

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

- Total sales and comparable store sales;
- Operating income;
- Earnings per share;
- Return on investment; and
- Free cash flow.

Total Sales and Comparable Store Sales

	Fiscal Year Ended January 31,			2007			2006	
	2008	Percent of Total	Percent Increase	Net Sales	Percent of Total	Percent Increase	Net Sales	Percent of Total
(Dollar amounts in millions)	Net Sales	Percent of Total	Percent Increase	Net Sales	Percent of Total	Percent Increase	Net Sales	Percent of Total
Wal-Mart Stores	\$239,529	64.0%	5.8%	\$226,294	65.6%	7.8%	\$209,910	67.9%
Sam's Club	44,357	11.8%	6.7%	41,582	12.1%	4.5%	39,798	12.9%
International	90,640	24.2%	17.5%	77,116	22.3%	30.2%	59,237	19.2%
Total net sales	\$374,526	100.0%	8.6%	\$344,992	100.0%	11.7%	\$308,945	100.0%

	Fiscal Year Ended January 31,		
	2008	2007	2006
U.S. comparable store sales			
Wal-Mart Stores	1.0%	1.9%	3.0%
Sam's Club ⁽¹⁾	4.9%	2.5%	5.0%
Total U.S.	1.6%	2.0%	3.4%

(1) Fuel sales had a positive impact of 0.7 percentage points, a negative impact of 0.4 percentage points, and positive 1.3 percentage points on comparable club sales in fiscal 2008, 2007 and 2006, respectively.

Our total net sales increased by 8.6% and 11.7% in fiscal 2008 and 2007 when compared to the previous fiscal year. Those increases resulted from our global store expansion programs, comparable store sales increases and acquisitions.

Comparable store sales is a measure which indicates the performance of our existing stores by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior year. Comparable store sales in the United States increased 1.6% in fiscal 2008 and 2.0% in fiscal 2007. Comparable store sales in fiscal 2008 were lower than fiscal 2007 due to softness in the home and apparel categories and pressure from new store expansions within the trade area of established stores. As we continue to add new stores in the United States, we do so with an understanding that additional stores may take sales away from existing units. During fiscal year 2008, in connection with our revisions to our capital efficiency model, we revised our methodology for calculating the

negative impact of new stores on comparable store sales. Using our new methodology, we estimate the negative impact on comparable store sales as a result of opening new stores was approximately 1.5% in fiscal years 2008 and 2007. With our planned reduction in new store growth, we expect the impact of new stores on comparable store sales to decline over time.

During fiscal 2008 and 2007, foreign currency exchange rates had a \$4.5 billion and \$1.5 billion favorable impact, respectively, on the International segment's net sales, causing an increase in the International segment's net sales as a percentage of total Company net sales. Additionally, the decrease in the Sam's Club segment's net sales as a percent of total Company net sales in fiscal 2008 and 2007, when compared to the previous fiscal years resulted from the more rapid development of new stores in the International and Wal-Mart Stores segments than the Sam's Club segment. We expect this trend to continue for the foreseeable future.

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Operating Income

(Dollar amounts in millions)				Fiscal Year Ended January 31,				
	Net Sales	Percent of Total	Percent Increase	Net Sales	Percent of Total	Percent Increase	Net Sales	Percent of Total
Wal-Mart Stores	\$17,516	79.6%	5.4%	\$16,620	81.1%	8.9%	\$15,267	81.6%
Sam's Club	1,618	7.4%	9.3%	1,480	7.2%	5.2%	1,407	7.5%
International	4,769	21.7%	11.8%	4,265	20.8%	24.1%	3,438	18.4%
Other	(1,907)	-8.7%	2.1%	(1,868)	-9.1%	33.5%	(1,399)	-7.5%
Total operating income	\$21,996	100.0%	7.3%	\$20,497	100.0%	9.5%	\$18,713	100.0%

Operating income growth greater than net sales growth is a meaningful measure because it indicates how effectively we manage costs and leverage expenses. For fiscal 2008, our operating income increased by 7.3% when compared to fiscal 2007, while net sales increased by 8.6% over the same period. For the individual segments, our Sam's Club segment met this target; however, our Wal-Mart Stores and International segments did not. The Wal-Mart Stores segment fell short of this objective as growth in operating, selling, general and administrative expenses ("operating expenses") outpaced improvements in gross profit as a percentage of net sales (our "gross margin") and other income. The International segment fell short of this objective due to the impact of the newly acquired and consolidated entities.

Earnings Per Share

	Fiscal Year Ended January 31,		
	2008	2007	2006
Diluted income per share from continuing operations	\$3.16	\$2.92	\$2.72

Diluted earnings per share increased in fiscal 2008 as a result of increases in income from continuing operations in conjunction with share repurchases reducing the number of weighted average shares outstanding. For fiscal 2007, diluted earnings per share increased as a result of increases in income from continuing operations.

Return on Investment

Management believes return on investment ("ROI") is a meaningful metric to share with investors because it helps investors assess how efficiently Wal-Mart is employing its assets. ROI was 19.5% for fiscal year 2008 and 19.9% for fiscal year 2007. The decrease in ROI in fiscal 2008 resulted from our adjusted operating income growing at a slower rate than our invested capital, including recent investments in Seiyu, CARHCO, Sonae and Bounteous Company Ltd. ("BCL").

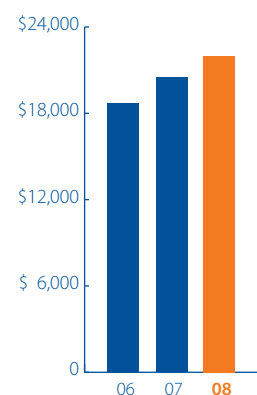
We define ROI as adjusted operating income (operating income plus interest income and depreciation and amortization and rent from continuing operations) for the fiscal year or trailing twelve months divided by average investment during that period. We consider average investment to be the average of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

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

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

Wal-Mart Stores, Inc. Operating Income

(Dollars in millions)



Wal-Mart Stores, Inc. operating income increased 7.3% in fiscal 2008, driven by an 11.8% increase in International.

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

(Dollar amounts in millions)	Fiscal Year Ended January 31,	
	2008	2007
Calculation of return on investment		
Numerator		
Operating income ⁽¹⁾	\$ 21,996	\$ 20,497
+ Interest income ⁽¹⁾	305	280
+ Depreciation and amortization ⁽¹⁾	6,317	5,459
+ Rent ⁽¹⁾	1,620	1,441
= Adjusted operating income	\$ 30,238	\$ 27,677
Denominator		
Average total assets of continuing operations ⁽²⁾	157,551	143,909
+ Average accumulated depreciation and amortization ⁽²⁾	29,059	24,907
- Average accounts payable ⁽²⁾	29,427	27,096
- Average accrued liabilities ⁽²⁾	15,237	13,975
+ Rent * 8	12,960	11,528
= Invested capital	\$154,906	\$139,273
ROI	19.5%	19.9%
Calculation of return on assets		
Numerator		
Income from continuing operations before minority interest ⁽¹⁾	\$ 13,290	\$ 12,603
Denominator		
Average total assets of continuing operations ⁽²⁾	\$157,551	\$143,909
ROA	8.4%	8.8%

Certain Balance Sheet Data

As of January 31,	2008	2007	2006
Total assets of continuing operations ⁽¹⁾	\$163,514	\$151,587	\$136,230
Accumulated depreciation and amortization ⁽¹⁾	31,367	26,750	23,064
Accounts payable ⁽¹⁾	30,370	28,484	25,707
Accrued liabilities ⁽¹⁾	15,799	14,675	13,274

(1) Based on continuing operations only; and, therefore excludes the impact of our South Korean and German operations, which were sold in fiscal 2007 and classified as discontinued operations. Total assets as of January 31, 2006 in the table above exclude assets of discontinued operations that are reflected in the Consolidated Balance Sheets of \$2,563.

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

Free Cash Flow

We define free cash flow as net cash provided by operating activities of continuing operations in the period minus payments for property and equipment made in the period. Our free cash flow increased from fiscal 2007 primarily due to the reduction in our capital expenditures primarily associated with our planned slowing of store expansion in the United States.

Free cash flow is considered a non-GAAP financial measure under the SEC's rules. Management believes, however, that free cash flow is an important financial measure for use in evaluating the Company's financial performance, which measures our ability to generate

additional cash from our business operations. Free cash flow should be considered in addition to, rather than as a substitute for, income from continuing operations as a measure of our performance or net cash provided by operating activities of continuing operations as a measure of our liquidity. Additionally, our definition of free cash flow is limited and does not represent residual cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt service and other obligations or payments made for business acquisitions. Therefore, we believe it is important to view free cash flow as supplemental to our entire statement of cash flows.

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The following table reconciles net cash provided by operating activities of continuing operations, a GAAP measure, to free cash flow, a non-GAAP measure (amounts in millions).

	2008	Fiscal Year Ended January 31, 2007	2006
Net cash provided by operating activities of continuing operations	\$ 20,354	\$ 19,997	\$ 18,343
Payments for property and equipment	(14,937)	(15,666)	(14,530)
Free cash flow	\$ 5,417	\$ 4,331	\$ 3,813
Net cash used in investing activities of continuing operations	\$(15,670)	\$(14,507)	\$(14,156)
Net cash used in financing activities of continuing operations	\$ (7,134)	\$ (4,839)	\$ (2,422)

Results of Operations

Consolidated Results of Operations

Our total net sales increased by 8.6% and 11.7% in fiscal 2008 and 2007 when compared to the previous fiscal year. Those increases resulted from our global store expansion programs, comparable store sales increases and acquisitions. During fiscal 2008 and 2007, foreign currency exchange rates had a \$4.5 billion and \$1.5 billion favorable impact, respectively, on the International segment's net sales, causing an increase in the International segment's net sales as a percentage of total net sales relative to the Wal-Mart Stores and Sam's Club segments. The acquisition of Sonae and consolidation of Seiyu and CARHCO resulted in a 3.2% increase in net sales for fiscal 2007.

Our gross margin was 23.5%, 23.4% and 23.1% in fiscal 2008, 2007 and 2006, respectively. Our Wal-Mart Stores and International segment sales yield higher gross margins than our Sam's Club segment. However, our Wal-Mart Stores and International segments produced lower segment net sales increases in fiscal 2008 compared to sales increases in fiscal 2007. Additionally, the increase in gross margin in fiscal 2008 included a \$97 million refund of excise taxes previously paid on past merchandise sales of prepaid phone cards. In fiscal 2007, the greater increases in net sales for the Wal-Mart Stores and International segments had a favorable impact on the Company's total gross margin.

Our consolidated gross margin was 23.5%, 23.4% and 23.1% in fiscal 2008, 2007 and 2006, respectively.

Operating expenses as a percentage of net sales were 18.8%, 18.6% and 18.0% for fiscal 2008, 2007 and 2006, respectively. In the first half of fiscal 2008, operating expenses include the net favorable impact of a change in estimated losses associated with our general liability and workers' compensation claims which reduced our accrued liabilities for such claims by \$298 million pre-tax, partially offset by \$183 million in pre-tax charges for certain litigation and other contingencies. Additionally, the fourth quarter of fiscal 2008 included \$106 million of pre-tax charges related to U.S. real estate projects dropped as a result of our capital efficiency program. The net impact of these items had no effect on our operating expenses as a percentage of net sales in fiscal 2008. Otherwise, operating expenses as a percentage of net

sales increased in fiscal 2008 primarily due to lower segment net sales increases compared to the prior year for our Wal-Mart Stores and International segments as well as increases in certain operating expenses in each segment.

Operating expenses as a percentage of net sales were higher in fiscal 2007 than the preceding year primarily due to the consolidated operations of Seiyu and Sonae, which are entities with less favorable operating expense leverage than our other International operations, partially offset by \$85 million in property-insurance related gains. The remainder of the increase in operating expenses as a percentage of total net sales was due to faster growth rates in our International segment relative to our Wal-Mart Stores and Sam's Club segments and slightly higher corporate-level general and administrative expenses.

Membership and other income, which includes a variety of income categories such as Sam's Club membership fee revenues, tenant income and financial services income, increased as a percentage of net sales for fiscal 2008 from the prior year period due to continued growth in our financial services area and recycling income. Membership and other income for fiscal 2008 also includes the recognition of \$188 million in pre-tax gains from the sale of certain real estate properties. In fiscal 2007, membership and other income increased as a percentage of net sales from the prior year due to other income from the newly consolidated operations of Seiyu and Sonae, the continued growth in our financial services area and increases in our Sam's Club membership fee revenues.

Interest, net, as a percentage of net sales increased slightly from fiscal 2006 through fiscal 2008. The increase in interest, net, of \$269 million and \$351 million in fiscal 2008 and fiscal 2007, respectively, primarily resulted from increased borrowing levels and higher interest rates on our floating rate debt.

Our effective income tax rates for fiscal 2008, 2007 and 2006 were 34.2%, 33.6% and 33.1%, respectively. The fiscal 2008 rate was higher than the fiscal 2007 rate primarily due to the mix of taxable income among our domestic and international operations and favorable resolution of certain federal and state tax contingencies in fiscal 2007 in excess of those in fiscal 2008. The fiscal 2007 rate was higher than the fiscal 2006 rate primarily due to favorable resolution of certain federal and state tax contingencies in fiscal 2006 in excess of those in fiscal 2007. We expect our tax rate for fiscal 2009 to be within the range of 34 to 35 percent.

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Wal-Mart Stores Segment

	Segment Net Sales Increase from Prior Fiscal Year	Segment Operating Income (in millions)	Segment Operating Income Increase from Prior Fiscal Year	Operating Income as a Percentage of Segment Net Sales
2008	5.8%	\$17,516	5.4%	7.3%
2007	7.8%	16,620	8.9%	7.3%
2006	9.4%	15,267	9.8%	7.3%

The segment net sales increases resulted from comparable store sales increases of 1.0% in fiscal 2008 and 1.9% in fiscal 2007, in addition to our expansion program. Lower comparable store sales performance is due to a decrease in customer traffic, partially offset by an increase in average transaction size per customer. In addition, softness in the home and apparel categories and pressure from new store expansion within the trade area of established stores also contributed to the decline in comparable store sales. We have developed several initiatives to help mitigate new store expansion pressure and to grow comparable store sales. These initiatives include becoming more relevant to the customer by creating a better store shopping experience, continuing to improve our merchandise assortment and slowing new store growth.

The Wal-Mart Stores segment expansion programs consist of opening new units, converting discount stores to supercenters, relocations that result in more square footage, as well as expansions of existing stores. During fiscal 2008 we opened seven discount stores, 20 Neighborhood Markets and 191 supercenters (including the conversion and/or relocation of 109 existing discount stores into supercenters). Two discount stores closed in fiscal 2008. During fiscal 2008, our total expansion program added approximately 26 million of store square footage, a 4.8% increase. During fiscal 2007 we opened 15 discount stores, 12 Neighborhood Markets and 279 supercenters (including the conversion of 147 existing discount stores into supercenters). Two discount stores and three supercenters closed in fiscal 2007. During fiscal 2007, our total expansion program added approximately 42 million of store square footage, an 8.4% increase.

In fiscal 2008, gross margin increased slightly compared to the prior year primarily due to higher initial margins and decreased markdown activity as a result of improved inventory management in the second half of the year, partially offset by higher inventory shrinkage. In addition, gross margin for fiscal 2008 included a \$46 million excise tax refund on taxes previously paid on past prepaid phone card sales. In fiscal 2007, gross margin increased 0.2 percentage points from the prior year, which can be attributed to improved initial margin rates in our general merchandise and food categories and an adjustment to our product warranty liabilities which had an unfavorable impact on gross margin in fiscal 2006. In fiscal 2007, our gross margin increased despite expanding our competitive pricing initiatives and our increase in the cost of markdowns as a percentage of segment net sales, which primarily occurred in our home and apparel merchandise assortments.

Segment operating expenses as a percentage of segment net sales increased 0.2 percentage points in fiscal 2008 compared to the prior year. In the first half of fiscal 2008, operating expenses include the favorable impact of a change in estimated losses associated with our general liability and workers' compensation claims, which reduced the accrued liabilities for such claims by \$274 million pretax, partially offset by the unfavorable impact of \$145 million in pre-tax charges for certain legal and other contingencies. Additionally, the fourth quarter of fiscal 2008 included \$106 million of pre-tax charges related to U.S. real estate projects dropped as a result of our capital efficiency program. The net impact of these items had no effect on our operating expenses as a percentage of segment net sales in fiscal 2008. Otherwise, operating expenses as a percentage of segment net sales increased primarily due to lower segment net sales increases compared to the prior year and higher costs associated with our store maintenance and remodel programs.

Segment operating expenses as a percentage of segment net sales in fiscal 2007 were essentially flat from fiscal 2006, primarily due to improved labor productivity in the stores, which was offset by higher costs associated with our store maintenance and remodel programs. Additionally, operating expenses for fiscal year 2007 include the favorable impact of property insurance-related gains of \$79 million.

Other income in fiscal 2008 increased from the prior year due to continued growth in our financial services area and increases in recycling income. Additionally, other income, net, for fiscal 2008 includes pre-tax gains of \$188 million from the sale of certain real estate properties.

During fiscal 2008, our total Wal-Mart Stores' expansion program added approximately 26 million of store square footage, a 4.8% increase.

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Sam's Club Segment

	Segment Net Sales Increase from Prior Fiscal Year	Segment Operating Income (in millions)	Segment Operating Income Increase from Prior Fiscal Year	Operating Income as a Percentage of Segment Net Sales
2008	6.7%	\$1,618	9.3%	3.6%
2007	4.5%	\$1,480	5.2%	3.6%
2006	7.2%	\$1,407	10.2%	3.5%

Growth in net sales for the Sam's Club segment in fiscal 2008 and fiscal 2007 resulted from comparable club sales increases of 4.9% in fiscal 2008 and 2.5% in fiscal 2007, along with our club expansion program. Comparable club sales in fiscal 2008 increased at a faster rate than in fiscal 2007 primarily due to higher growth in food, pharmacy, electronics and certain consumables categories as well as an increase in both member traffic and average transaction size per member. Fuel sales had a positive impact of 0.7 percentage points on comparable club sales in fiscal 2008, while contributing a negative impact of 0.4 percentage points to fiscal 2007 comparable club sales.

Sam's Club total expansion program added 2.0 million of additional club square footage, or 2.6%, in fiscal 2008.

Sam's Club segment expansion consisted of the opening of 12 new clubs in fiscal 2008 and 15 clubs in fiscal 2007. No clubs were closed in fiscal 2008, but three clubs were closed in fiscal 2007. Our total expansion program added 2.0 million of additional club square footage, or 2.6%, in fiscal 2008 and 2.9 million, or 3.9%, of additional club square footage in fiscal 2007.

Gross margin increased during fiscal 2008 due to strong sales in fresh food and other food-related categories, pharmacy and certain consumables categories, in addition to the \$39 million excise tax refund on taxes previously paid on prior period prepaid phone card sales. In fiscal 2007, gross margin increased compared to the prior year due to strong sales in certain higher margin categories, including pharmacy and jewelry.

Operating expenses as a percentage of segment net sales decreased in fiscal 2008 when compared to fiscal 2007 primarily due to a decrease in advertising costs. In the first half of fiscal 2008, operating expenses include the net positive impact of the favorable change in estimated losses associated with our general liability and workers' compensation claims, which reduced the accrued liabilities for such claims by \$21 million pretax, partially offset by \$15 million in pre-tax charges for certain litigation contingencies. Furthermore, operating expenses in fiscal 2007 included an \$11 million charge related to closing two Sam's Clubs, partially offset by the favorable impact of property insurance-related gains of \$6 million. In fiscal 2007, operating expenses as a percentage of segment net sales increased compared to fiscal 2006 primarily due to a slight increase in employee-related costs.

Membership and other income, which includes a variety of income categories, increased in fiscal 2008 when compared to fiscal 2007.

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International Segment

	Segment Net Sales Increase from Prior Fiscal Year	Segment Operating Income (in millions)	Segment Operating Income Increase from Prior Fiscal Year	Operating Income as a Percentage of Segment Net Sales
2008	17.5%	\$4,769	11.8%	5.3%
2007	30.2%	4,265	24.1%	5.5%
2006	12.7%	3,438	6.6%	5.8%

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

The fiscal 2008 increase in the International segment's net sales primarily resulted from:

- net sales growth from existing units;
- our international expansion program which added 364 units, net of relocations and closings, consisting of 34.1 million, or 17.9%, of additional unit square footage, including the consolidation of BCL, which added 101 stores under the Trust-Mart banner and 17.7 million square feet in February of fiscal 2008;
- the consolidation of BCL; and
- the favorable impact of changes in foreign currency exchange rates of \$4.5 billion during fiscal 2008.

The fiscal 2007 increase in the International segment's net sales primarily resulted from:

- the consolidation of Seiyu and CARHCO and the acquisition of Sonae, all of which added 17.1 percentage points to the increase in fiscal 2007 net sales;
- net sales growth from existing units;
- our international expansion program which added 576 units, net of relocations and closings, consisting of 20.4 million, or 12.0%, of additional unit square footage including the consolidation of CARHCO, which added 372 stores and 6.5 million square feet in February 2006; and
- the favorable impact of changes in foreign currency exchange rates of \$1.5 billion during fiscal 2007.

Fiscal 2008 net sales at our United Kingdom subsidiary, ASDA, were 36.9% of the International segment net sales. Net sales for ASDA included in our Consolidated Statements of Income during fiscal 2008, 2007 and 2006 were \$33.4 billion, \$28.9 billion and \$26.8 billion, respectively. The effect of changes in the exchange rate between the British Pound and U.S. Dollar contributed \$2.6 billion and \$527 million to ASDA's net sales for fiscal 2008 and 2007, respectively.

In fiscal 2008, gross margin increased across most markets leading to an overall 0.2 percentage point increase in the International segment's gross margin. Brazil and the United Kingdom were the largest contributors to the increase. Gross margin in Brazil was favorably impacted by global sourcing initiatives and improved supplier negotiations. Fiscal 2008 gross margin in the United Kingdom was positively impacted by a mix shift toward premium, private label food products. Fiscal 2007

Our International expansion program added 364 units, net of relocations and closings, consisting of 34.1 million, or 17.9%, of additional unit square footage. This figure includes the consolidation of BCL, which added 101 stores under the Trust-Mart banner and 17.7 million square feet in February of fiscal 2008.

gross margin was up from fiscal 2006, primarily due to the favorable 0.4 percentage point impact of the acquisition of Sonae and the consolidation of Seiyu and CARHCO, and an overall 0.2 percentage point improvement delivered by our other International markets. The fiscal 2007 improvement in our other markets was primarily driven by Mexico and Canada as a result of a favorable shift in the mix of products sold toward general merchandise categories which carry a higher margin.

Segment operating expenses as a percentage of segment net sales increased 0.4 percentage points in fiscal 2008 primarily as a result of an accrual for certain legal matters, the impact of restructuring and impairment charges at Seiyu, the impact of the consolidation of BCL, the startup of our joint venture in India and banking operations in Mexico and overall sales pressures in Mexico. In fiscal 2007, segment operating expenses as a percentage of segment net sales increased from fiscal 2006 by 1.2 percentage points as a result of the consolidation of Seiyu and the acquisition of Sonae and CARHCO.

Operating income was favorably impacted by changes in foreign currency exchange rates of \$222 million and \$90 million in fiscal 2008 and 2007, respectively.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Highlights

	Fiscal Year Ended January 31,		
	2008	2007	2006
Net cash provided by operating activities			
of continuing operations	\$ 20,354	\$ 19,997	\$ 18,343
Purchase of Company stock	(7,691)	(1,718)	(3,580)
Dividends paid	(3,586)	(2,802)	(2,511)
Proceeds from issuance			
of long-term debt	11,167	7,199	7,691
Payment of long-term debt	(8,723)	(5,758)	(2,724)
Increase (decrease)			
in commercial paper	2,376	(1,193)	(704)
Total assets of continuing operations	\$163,514	\$151,587	\$136,230

Overview

Cash flows provided by operating activities of continuing operations supply us with a significant source of liquidity. The increases in cash flows provided by operating activities of continuing operations for each fiscal year were primarily attributable to increased income from continuing operations.

Working Capital

Current liabilities exceeded current assets at January 31, 2008, by \$10.9 billion, an increase of \$5.7 billion from January 31, 2007. Our ratio of current assets to current liabilities was 0.8 and 0.9 at January 31, 2008 and 2007, respectively. We generally have a working capital deficit due to our efficient use of cash in funding operations and in providing returns to shareholders in the form of stock repurchases and payment of dividends.

Company Share Repurchase Program

From time to time, we had repurchased shares of our common stock under a \$10.0 billion share repurchase program authorized by our Board of Directors in September 2004.

On May 31, 2007, the Board of Directors replaced the \$10.0 billion share repurchase program, which had \$3.3 billion of remaining authorization for share repurchases, with a new \$15.0 billion share repurchase program announced on June 1, 2007. Under the new share repurchase program, there is no expiration date or other restriction limiting the period over which we can make our share repurchases under the new program, which will expire only when and if we have repurchased \$15.0 billion of our shares under the program. Under the new program, repurchased shares are constructively retired and returned to unissued status. We consider several factors in determining when to execute the share repurchases, including among other things, our current cash needs, our capacity for leverage, our cost of borrowings and the market price of our common stock. At January 31, 2008, approximately \$8.5 billion remained of the \$15.0 billion authorization.

Common Stock Dividends

We paid dividends of \$0.88 per share in fiscal 2008, representing a 31.3% increase over fiscal 2007. The fiscal 2007 dividend of \$0.67 per share represented an 11.7% increase over fiscal 2006. We have increased our dividend every year since the first dividend was declared in March 1974.

On March 6, 2008, the Company's Board of Directors approved an increase in annual dividends to \$0.95 per share, an increase of 8.0% over the dividends paid in fiscal 2008. The annual dividend will be paid in four quarterly installments on April 7, 2008, June 2, 2008, September 2, 2008, and January 2, 2009 to holders of record on March 14, May 16, August 15 and December 15, 2008, respectively.

We paid dividends of \$0.88 per share in fiscal 2008, representing a 31.3% increase over fiscal 2007. We have increased our dividend every year since the first dividend was declared in March 1974.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Contractual Obligations and Other Commercial Commitments

The following table sets forth certain information concerning our obligations and commitments to make contractual future payments, such as debt and lease agreements, and contingent commitments:

(In millions)	Payments Due During Fiscal Years Ending January 31,				
	Total	2009	2010–2011	2012–2013	Thereafter
Recorded contractual obligations:					
Long-term debt	\$ 35,712	\$ 5,913	\$ 7,788	\$ 3,172	\$18,839
Commercial paper	5,040	5,040	—	—	—
Capital lease obligations	5,997	595	1,137	1,022	3,243
Unrecorded contractual obligations:					
Non-cancelable operating leases	13,759	1,094	2,045	1,654	8,966
Interest on long-term debt	25,009	1,810	2,909	2,277	18,013
Undrawn lines of credit	8,500	4,000	—	4,500	—
Trade letters of credit	2,720	2,720	—	—	—
Standby letters of credit	2,156	2,156	—	—	—
Purchase obligations	6,748	5,906	616	119	107
Total commercial commitments	\$105,641	\$29,234	\$14,495	\$12,744	\$49,168

Purchase obligations include legally binding contracts such as firm commitments for inventory and utility purchases, as well as commitments to make capital expenditures, software acquisition/license commitments and legally binding service contracts. Purchase orders for the purchase of inventory and other services are not included in the table above. Purchase orders represent authorizations to purchase rather than binding agreements. For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on our current inventory needs and are fulfilled by our suppliers within short time periods. We also enter into contracts for outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

The expected timing for payment of the obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid with respect to some unrecorded contractual commitments may be different depending on the timing of receipt of goods or services or changes to agreed-upon amounts for some obligations.

In addition to the amounts shown in the table above, \$868 million of unrecognized tax benefits have been recorded as liabilities in accordance with Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), the timing of which is uncertain except for \$50 million to \$200 million that may become payable during the next twelve months. FIN 48,

which was adopted for fiscal year 2008, set out criteria for the use of judgment in assessing the timing and amounts of deductible and taxable items. Refer to Note 5 to the Consolidated Financial Statements for additional discussion on unrecognized tax benefits.

Off Balance Sheet Arrangements

In addition to the unrecorded contractual obligations discussed and presented above, the Company has made certain guarantees as discussed below for which the timing of payment, if any, is unknown.

In connection with certain debt financing, we could be liable for early termination payments if certain unlikely events were to occur. At January 31, 2008, the aggregate termination payment would have been \$129 million. The two arrangements pursuant to which these payments could be made expire in fiscal 2011 and fiscal 2019.

In connection with the development of our grocery distribution network in the United States, we have agreements with third parties which would require us to purchase or assume the leases on certain unique equipment in the event the agreements are terminated. These agreements, which can be terminated by either party at will, cover up to a five-year period and obligate the Company to pay up to approximately \$97 million upon termination of some or all of these agreements.

The Company has potential future lease commitments for land and buildings for 165 future locations. These lease commitments have lease terms ranging from 2 to 39 years and provide for certain minimum rentals. If executed, payments under operating leases would increase by \$67 million for fiscal 2009, based on current cost estimates.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Capital Resources

During fiscal 2008, we issued \$11.2 billion of long-term debt. The net proceeds from the issuance of such long-term debt were used to repay outstanding commercial paper indebtedness and for other general corporate purposes.

Management believes that cash flows from operations and proceeds from the sale of commercial paper will be sufficient to finance seasonal buildups in merchandise inventories and meet other cash requirements. If our operating cash flows are not sufficient to pay dividends and to fund our capital expenditures, we anticipate funding any shortfall in these expenditures with a combination of commercial paper and long-term debt. We plan to refinance existing long-term debt as it matures and may desire to obtain additional long-term financing for other corporate purposes. We anticipate no difficulty in obtaining long-term financing in view of our credit rating and favorable experiences in the debt market in the recent past. The following table details the ratings of the credit rating agencies that rated our outstanding indebtedness at January 31, 2008. 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.

Rating Agency	Commercial Paper	Long-Term Debt
Standard & Poor's	A-1+	AA
Moody's Investors Service	P-1	Aa2
Fitch Ratings	F1+	AA
DBRS Limited	R-1(middle)	AA

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 our total capitalization as support for our long-term financing decisions. At January 31, 2008 and January 31, 2007, the ratio of our debt to total capitalization was approximately 40.9% and 38.8%, respectively. For the purpose of this calculation, debt is defined as the sum of commercial paper, long-term debt due within one year, obligations under capital leases due in one year, long-term debt and long-term obligations under capital leases. Total capitalization is defined as debt plus shareholders' equity. Our ratio of debt to our total capitalization has increased in fiscal 2008 due to increased borrowing to fund our increased share repurchases as well as other business needs.

We also use the ratio of adjusted cash flow from operations to adjusted average debt as another metric to review leverage. Adjusted cash flow from operations as the numerator is defined as cash flow from operations of continuing operations for the current year plus two-thirds of the current year operating rent expense less current year capitalized interest expense. Adjusted average debt as the denominator is defined as average debt plus eight times average operating rent expense. Average debt is the simple average of beginning and ending commercial paper, long-term debt due within one year, obligations under capital leases due in one year, long-term debt and long-term obligations under capital leases. Average operating rent expense is the simple average of current year and prior year operating rent expense. We believe this metric is useful to investors as it provides them with a tool to measure our leverage. This metric was 39% for our fiscal year 2008 and lower than 43% for our fiscal year 2007. The decrease in the metric is primarily due to higher borrowing levels as previously discussed.

The ratio of adjusted cash flow to adjusted average debt is considered a non-GAAP financial measure under the SEC's rules. The most recognized directly comparable GAAP measure is the ratio of cash flow from operations of continuing operations for the current year to average total debt (which excludes any effect of operating leases or capitalized interest), which was 49% for fiscal year 2008 and 51% for fiscal year 2007.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

(Amounts in millions except for the calculated ratio)	Fiscal Year Ended January 31,		
	2008	2007	
Net cash provided by operating activities of continuing operations	\$20,354	\$19,997	
+ Two-thirds current period operating rent expense ⁽¹⁾	1,080	961	
- Current year capitalized interest expense	150	182	
Numerator	\$21,284	\$20,776	
Average debt ⁽²⁾	\$41,845	\$38,874	
Eight times average operating rent expense ⁽³⁾	12,244	9,604	
Denominator	\$54,089	\$48,478	
Adjusted cash flow from operations to average debt⁽⁴⁾	39%	43%	
Numerator			
Net cash provided by operating activities of continuing operations	\$20,354	\$19,997	
Denominator			
Average debt ⁽²⁾	\$41,845	\$38,874	
Cash flows from operating activities of continuing operations to average debt	49%	51%	
Selected financial information			
Current period operating rent expense	\$ 1,620	\$ 1,441	
Prior period operating rent expense	1,441	960	
Current period capitalized interest	150	182	
Certain Balance Sheet Information			
January 31,	2008	2007	2006
Commercial paper	\$ 5,040	\$ 2,570	\$ 3,754
Long-term debt due within one year	5,913	5,428	4,595
Obligations under capital leases due within one year	316	285	284
Long-term debt	29,799	27,222	26,429
Long-term obligations under capital leases	3,603	3,513	3,667
Total debt	\$44,671	\$39,018	\$38,729

(1) $2/3 \times \$1,620$ for fiscal year 2008 and $2/3 \times \$1,441$ for fiscal year 2007.

(2) $(\$44,671 + \$39,018)/2$ for fiscal year 2008 and $(\$39,018 + \$38,729)/2$ for fiscal year 2007.

(3) $8 \times ((\$1,620 + \$1,441)/2)$ for fiscal year 2008 and $8 \times ((\$1,441 + \$960)/2)$ for fiscal year 2007.

(4) The calculation of the ratio as defined.

Future Expansion

We expect to make capital expenditures of approximately \$13.5 billion to \$15.2 billion in fiscal 2009. We plan to finance this expansion and any acquisitions of other operations that we may make during fiscal 2009 primarily out of cash flows from operations.

Fiscal 2009 capital expenditures will include the addition of the following new, relocated and expanded units:

	Fiscal Year 2009 Projected Unit Growth
Discount Stores	—
Supercenters	170
Neighborhood Markets	25
Total Wal-Mart Stores Segment	195
Sam's Club Segment	25
Total United States	220
Total International Segment	400
Grand Total	620

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The following represents an allocation of our capital expenditures:

Capital Expenditures	Allocation of Capital Expenditures		
	Projections	Actual	
	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
New stores, including expansions & relocations	35.4%	48.1%	51.0%
Remodels	7.6%	5.7%	5.4%
Information systems, distribution and other	22.8%	15.8%	21.5%
Total United States	65.8%	69.6%	77.9%
International	34.2%	30.4%	22.1%
Total capital expenditures	100.0%	100.0%	100.0%

Market Risk

In addition to the risks inherent in our operations, we are exposed to certain market risks, including changes in interest rates and changes in foreign currency exchange rates.

The analysis presented for each of our market risk sensitive instruments is based on a 10% change in interest or foreign currency exchange rates. These changes are hypothetical scenarios used to calibrate potential risk and do not represent our view of future market changes. As the hypothetical figures discussed below indicate, changes in fair value based on the assumed change in rates generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. The effect of a variation in a particular assumption is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which may magnify or counteract the sensitivities.

At January 31, 2008 and 2007, we had \$35.7 billion and \$32.7 billion, respectively, of long-term debt outstanding. Our weighted average effective interest rate on long-term debt, after considering the effect of interest rate swaps, was 4.8% and 4.9% at January 31, 2008 and 2007, respectively. A hypothetical 10% increase in interest rates in effect at January 31, 2008 and 2007, would have increased annual interest expense on borrowings outstanding at those dates by \$25 million and \$47 million, respectively.

At January 31, 2008 and 2007, we had \$5.0 billion and \$2.6 billion of outstanding commercial paper obligations. The weighted average interest rate, including fees, on these obligations at January 31, 2008 and 2007, was 4.0% and 5.3%, respectively. A hypothetical 10% increase in commercial paper rates in effect at January 31, 2008 and 2007, would have increased annual interest expense on the outstanding balances on those dates by \$20 million and \$14 million, respectively.

We enter into interest rate swaps to minimize the risks and costs associated with financing activities, as well as to maintain an appropriate mix of fixed- and floating-rate debt. Our preference is to maintain between 40% and 50% of our debt portfolio, including interest rate swaps, in floating-rate debt. The swap agreements are contracts to exchange fixed- or variable-rates for variable- or fixed-interest rate payments periodically over the life of the instruments. The aggregate fair value of these swaps represented a gain of \$265 million at January 31, 2008 and a loss of \$1 million at January 31, 2007. A hypothetical increase (or decrease) of 10% in interest rates from the level in effect at January 31, 2008, would have resulted in a (loss) or gain in value of the swaps of (\$45 million) or \$46 million, respectively. A hypothetical increase (or decrease) of 10% in interest rates from the level in effect at January 31, 2007, would have resulted in a (loss) or gain in value of the swaps of (\$95 million) or \$103 million, respectively.

We hold currency swaps to hedge the foreign currency exchange component of our net investments in the United Kingdom. The aggregate fair value of these swaps at January 31, 2008 and 2007, represented a loss of \$75 million and \$181 million, respectively. A hypothetical 10% increase (or decrease) in the foreign currency exchange rates underlying these swaps from the market rate would have resulted in a (loss) or gain in the value of the swaps of (\$182 million) and \$182 million, respectively, at January 31, 2008. A hypothetical 10% increase (or decrease) in the foreign currency exchange rates underlying these swaps from the market rate would have resulted in a (loss) or gain in the value of the swaps of (\$178 million) and \$196 million, respectively, at January 31, 2007. A hypothetical 10% change in interest rates underlying these swaps from the market rates in effect at January 31, 2008 and 2007, would have an insignificant impact on the value of the swaps.

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In addition to currency swaps, we have designated debt of approximately £3.0 billion as of January 31, 2008 and 2007, as a hedge of our net investment in the United Kingdom. At January 31, 2008, a hypothetical 10% increase (or decrease) in value of the U.S. dollar relative to the British pound would have resulted in a gain (or loss) in the value of the debt of \$601 million. At January 31, 2007, a hypothetical 10% increase (or decrease) in value of the U.S. dollar relative to the British pound would have resulted in a gain (or loss) in the value of the debt of \$594 million. In addition, we have designated debt of approximately ¥142.1 billion as of January 31, 2008 and 2007, as a hedge of our net investment in Japan. At January 31, 2008, a hypothetical 10% increase (or decrease) in value of the U.S. dollar relative to the Japanese yen would have resulted in a gain (or loss) in the value of the debt of \$216 million. At January 31, 2007, a hypothetical 10% increase (or decrease) in value of the U.S. dollar relative to the Japanese yen would have resulted in a gain (or loss) in the value of the debt of \$103 million.

Summary of Critical Accounting Policies

Management strives to report the financial results of the Company in a clear and understandable manner, although in some cases accounting and disclosure rules are complex and require us to use technical terminology. In preparing our Consolidated Financial Statements, we follow accounting principles generally accepted in the United States. These principles require us to make certain estimates and apply judgments that affect our financial position and results of operations as reflected in our financial statements. These judgments and estimates are based on past events and expectations of future outcomes. Actual results may differ from our estimates.

Management continually reviews its accounting policies, how they are applied and how they are reported and disclosed in our financial statements. Following is a summary of our more significant accounting policies and how they are applied in preparation of the financial statements.

Inventories

We value our 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 our Wal-Mart Stores segment's merchandise. Sam's Club merchandise and merchandise in our distribution warehouses are valued based on weighted average cost using the LIFO method. Inventories for international operations are primarily valued by the retail method of accounting and are stated using the first-in, first-out ("FIFO") method.

Under the retail method, inventory is stated at cost, which is determined by applying a cost-to-retail ratio to each merchandise grouping's retail value. The FIFO cost-to-retail ratio is based on the initial margin of beginning inventory plus the fiscal year purchase activity. The cost-to-retail ratio for measuring any LIFO reserves is based on the initial margin of the fiscal year purchase activity less the impact of any markdowns. The retail method requires management to make certain judgments and estimates that may significantly impact the ending inventory valuation at cost as well as the amount of gross margin recognized. Judgments made include recording markdowns used to sell through inventory and shrinkage. When management determines the salability of inventory has diminished, markdowns for clearance activity and the related cost impact are recorded at the time the price change decision is made. Factors considered in the determination of markdowns include current and anticipated demand, customer preferences and age of merchandise, as well as seasonal and fashion trends. Changes in weather patterns and customer preferences related to fashion trends could cause material changes in the amount and timing of markdowns from year to year.

When necessary, the Company records a LIFO provision for a quarter for the estimated annual effect of inflation, and these estimates are adjusted to actual results determined at year-end. Our LIFO provision is calculated based on inventory levels, markup rates and internally generated retail price indices. At January 31, 2008 and 2007, our inventories valued at LIFO approximated those inventories as if they were valued at FIFO.

The Company provides for estimated inventory losses ("shrinkage") between physical inventory counts on the basis of a percentage of sales. The provision is adjusted annually to reflect the historical trend of the actual physical inventory count results.

Impairment of Assets

We evaluate long-lived assets other than goodwill and assets with indefinite lives for indicators of impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. Management's judgments regarding the existence of impairment indicators are based on market conditions and our operational performance, such as operating income and cash flows. The evaluation for long-lived assets is performed at the lowest level of identifiable cash flows, which is generally at the individual store level or, in certain circumstances, at the market group level. The variability of these factors depends on a number of conditions, including uncertainty about future events and changes in demographics. Thus our accounting estimates may change from period to period. These factors could cause management to conclude that impairment indicators exist and require that impairment tests be performed, which could result in management determining that the value of long-lived assets is impaired, resulting in a writedown of the long-lived assets.

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Goodwill and other indefinite-lived acquired intangible assets are not amortized, but are evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of a certain asset may be impaired. This evaluation requires management to make judgments relating to future cash flows, growth rates, and economic and market conditions. These evaluations are based on determining the fair value of a reporting unit or asset using a valuation method such as discounted cash flow or a relative, market-based approach. Historically, the Company has generated sufficient returns to recover the cost of goodwill and other indefinite-lived acquired intangible assets. Because of the nature of the factors used in these tests, if different conditions occur in future periods, future operating results could be materially impacted.

Income Taxes

The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefit of uncertain tax positions are recorded in our financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. When facts and circumstances change, we reassess these probabilities and record any changes in the financial statements as appropriate. The Financial Accounting Standards Board issued FIN 48, which set out criteria for the use of judgment in assessing the timing and amounts of deductible and taxable items. We adopted this interpretation for fiscal year 2008.

Self-Insurance

We use a combination of insurance, self-insured retention and self-insurance for a number of risks, including, without limitation, workers' compensation, general liability, vehicle liability and the Company's obligation for employee-related health care benefits. Liabilities associated with the risks that we retain are estimated by considering historical claims experience, including frequency, severity, demographic factors and other actuarial assumptions. In calculating our liability, we analyze our historical trends, including loss development, and apply appropriate loss development factors to the incurred costs associated with the claims made against our self-insured program. The estimated accruals for these liabilities could be significantly affected if future occurrences or loss development differ from these assumptions. For example, for our workers' compensation and general liability, a 1% increase or decrease to the assumptions for claims costs or loss development factors would increase or decrease our self-insurance accrual by \$24 million or \$79 million, respectively.

During the last few years, we have enhanced how we manage our workers' compensation and general liability claims. As a result, our loss experience with respect to such claims has improved and the actuarially determined ultimate loss estimates, primarily for fiscal year 2004 through 2007 claims, were reduced during the quarter ended July 31, 2007. The reductions in ultimate loss estimates resulted primarily from improved claims handling experience, which impacts loss development factors and other actuarial assumptions. Due to the beneficial change in estimate of our ultimate losses, accrued liabilities for general liability and workers' compensation claims were reduced by \$196 million after tax, resulting in an increase in net income per basic and diluted common share of \$0.05 for the second quarter of fiscal year 2008.

For a summary of our significant accounting policies, please see Note 1 to our Consolidated Financial Statements that appear after this discussion.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Annual Report contains statements that Wal-Mart believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Those statements are intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. These forward-looking statements include statements in Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Company Performance Metrics" regarding the effect of the opening of new stores on comparable store sales under the caption "Results of Operations" with respect to our expected tax rate for fiscal 2009 and under the caption "Liquidity and Capital Resources" with respect to the amount of increases in payments under operating leases if certain leases are executed, our ability to finance seasonal build-ups in inventories and to meet other cash requirements with cash flows from operations and the sale of commercial paper, our ability to fund certain cash flow shortfalls by the sale of commercial paper and long-term debt securities, our plan to refinance long-term debt as it matures, our anticipated funding of shortfall in cash to pay dividends and make capital expenditures through the sale of commercial paper and long-term debt securities, our ability to sell our long-term securities, the anticipated number of new stores and clubs to be opened in the United States and internationally, and the anticipated allocation of capital expenditures in fiscal year 2009, in Note 5 to our Consolidated Financial Statements regarding the possible tax treatment and effect of the loss recorded in connection with the disposition of our German operations in fiscal year 2007 and in Note 6 to our Consolidated Financial Statements regarding our expected acquisition of the shares of Seiyu we currently do not own. These statements are identified by the use of the words "anticipate," "believe," "could increase," "could result," "expect," "will result," "may result," "plan," "will be" "will include," "will increase" and other, similar words or phrases. Similarly, descriptions of our objectives, strategies, plans, goals or targets are also forward-looking statements. These statements discuss, among other things, expected growth, future revenues, future cash flows, future capital expenditures, future performance and the anticipation and expectations of Wal-Mart and its management as to future occurrences and trends. These forward-looking statements are subject to certain factors, in the United States and internationally, that could affect our financial performance, business strategy, plans, goals and objectives. Those factors include, but are not limited to, general economic conditions, consumer credit availability, gasoline and other energy prices, the cost of goods, information security costs, labor costs, the cost of fuel and electricity, the cost of healthcare

benefits, insurance costs, cost of construction materials, catastrophic events, competitive pressures, inflation, accident-related costs, consumer buying patterns and debt levels, weather patterns, transport of goods from foreign suppliers, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, changes in tax and other laws and regulations that affect our business, the outcome of legal proceedings to which we are a party, unemployment levels, interest rate fluctuations, changes in employment legislation and other capital market, economic and geo-political conditions and events. Moreover, we typically earn a disproportionate part of our annual operating income in the fourth quarter as a result of the seasonal buying patterns. Those buying patterns are difficult to forecast with certainty. The foregoing list of factors that may affect our performance is not exclusive. Other factors and unanticipated events could adversely affect our business operations and financial performance. We discuss certain of these matters more fully, as well as certain risk factors that may affect our business operations, financial condition, results of operations and liquidity in other of our filings with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K. We filed our Annual Report on Form 10-K for the year ended January 31, 2008, with the SEC on or about March 31, 2008. The forward-looking statements described above are made based on knowledge of our business and the environment in which we operate. However, because of the factors described and listed above, as well as other factors, or as a result of changes in facts, assumptions not being realized or other circumstance, actual results may materially differ from anticipated results described or implied in these forward-looking statements. We cannot assure the reader that the results or developments expected or anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business or our operations in the way we expect. You are urged to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements and not to place undue reliance on such forward-looking statements. The forward-looking statements included in this Annual Report speak only as of the date of this report, and we undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances, except as may be required by applicable law.