A NEW KIND OF WAL-MART HELPS MAKE HISTORY

WAL★MART

1999 ANNUAL REPORT

WHO'S NO.1? THE CUSTOMER!

The People Greeter's smile is just the beginning of our customer focus.

Fine-tuned Merchandising

How do you best serve the customer? By knowing what the customer wants! That's where Wal-Mart's leading-edge information systems come in.

Paul Harvey interview:

An inside look at Wal-Mart

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You never can tell what you'll see at a Wal-Mart *– maybe even the nation's top team of 10- to 14-year-old cheerleaders, the Champion Outlaws from San Diego (left). The name of the game is "retailtainment"; the idea is to make shopping at Wal-Mart fun.* ***Page 15***

Three for the price of one: *Our 1999 Annual Report features an interview with Chairman Rob Walton, President and CEO David Glass and Senior Vice Chairman Don Soderquist (right). Paul Harvey, prominent broadcaster and shareholder, conducts this interview.* ***Page 4***

There's a method in our merchandising: *Industry-leading technology not only helps us stock the items customers want (left), but also helps them find items they may need.* ***Page 8***

A multi-story Wal-Mart? *That's just the first surprise in our new community store in Panorama City (below).* ***Page 12***

Welcome to Wal-Mart's 1999 Annual Report! *Just as they do in our stores, our People Greeters welcome you to each story. Our featured greeters: Cover and Page 14 – Chester Grandstaff; Page 2 (above) – Frances M. Judd; Page 8 – Carrol M. Martin; Page 9 – Pat S. Hines; Page 10 – Shelly L. Bagby; Page 12 – Javier Rincon (Assistant Manager); and Page 16 – Eric Tinderhott.*

WAL★MART

1999 ANNUAL REPORT

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ABOUT THE 1999 ANNUAL REPORT

From our most far-flung facilities to the Saturday morning meetings at the Home Office in Bentonville, seemingly everything that happens at Wal-Mart is accompanied by a rousing rendition of the Wal-Mart cheer. But where a school or another company may cheer that they're "Number One," at Wal-Mart we drive our key principle home by ending our cheer with:

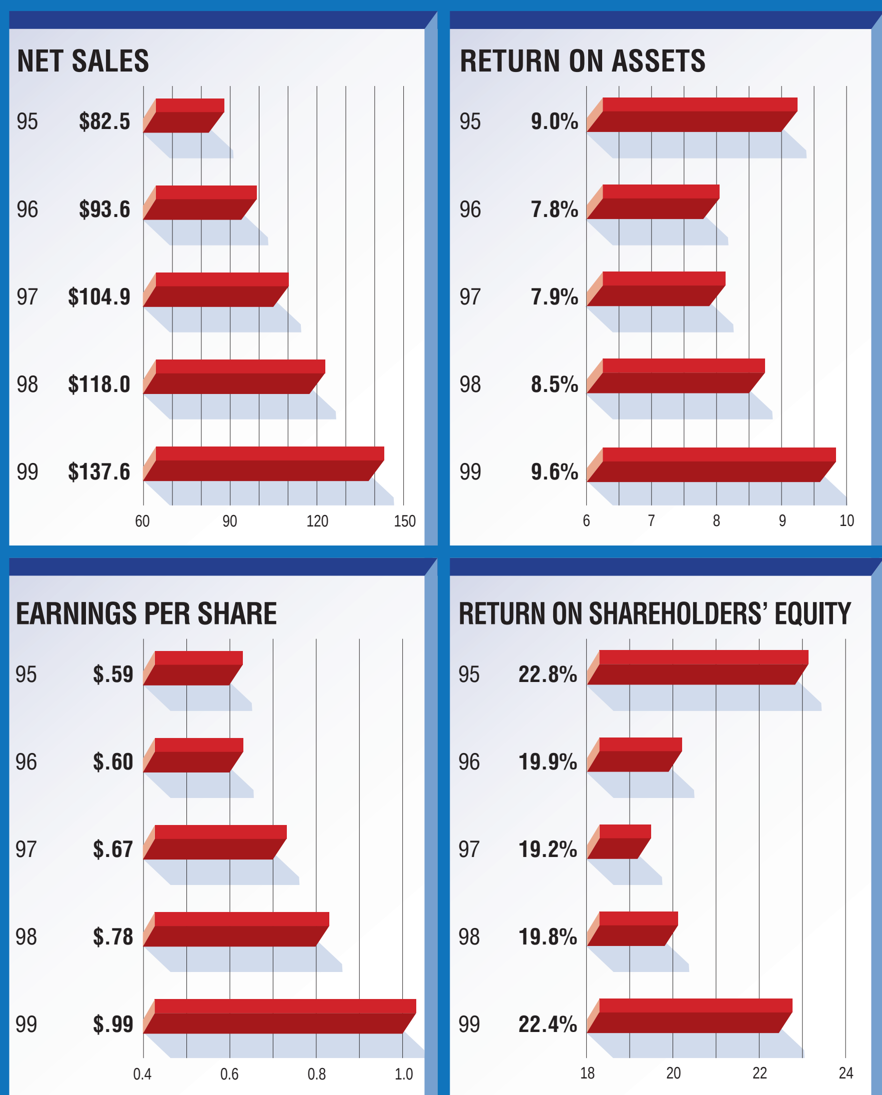
"Who's Number One? The Customer!"

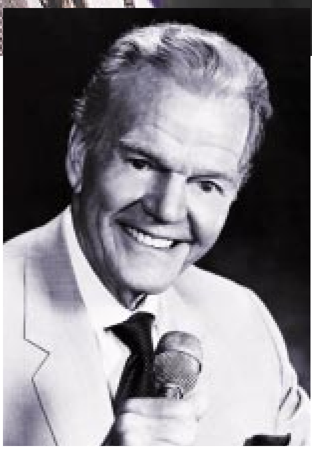
And that brings us to the theme for our 1999 Annual Report: What's the best way to serve the customer? Know what the customer wants!

Did you know that Wal-Mart has one of the largest databases in the world? Our storehouse of information is used to look for new ways to give customers what they want – better, faster and, of course, at Every Day Low Prices.

So as you read this annual report, watch first for the People Greeters from throughout the company whose photos welcome you to each story. Then keep your eyes open for examples of Wal-Mart's 900,000 merchants and the ways we use today's technologies to ensure that at Wal-Mart, the customer is Number One – Always.

FINANCIAL HIGHLIGHTS





STEADY AS SHE GROWS

PAUL HARVEY, ONE OF THE MOST RECOGNIZED NAMES AND VOICES IN AMERICA AND A WAL-MART SHAREHOLDER, INTERVIEWS **ROB WALTON**, CHAIRMAN; **DAVID GLASS**, PRESIDENT AND CEO; AND **DON SODERQUIST**, SENIOR VICE CHAIRMAN; TO UNDERSTAND WHERE THE COMPANY GOES FROM HERE.

Wal-Mart has just completed its best year ever, with sales of over $137 billion in fiscal 1999, up 17%, which is almost $20 billion more than last year. More importantly, Earnings Per Share increased by 27 percent, Return on Assets improved to 9.6 percent and the company paid dividends of almost $700 million to shareholders.

Now we all know and appreciate the associates in our local Wal-Mart, but let's take this opportunity to talk to the leaders of Wal-Mart and ask them why this group of people is so successful and what challenges lie ahead this next year. As shareholders you know the results! Now, the rest of the story.

Wal-Mart had a record year in fiscal 1999. How do you explain the tremendous performance and how will you continue to deliver similar shareholder results in the future?

DAVID GLASS: This year things came together about as well as you could expect. The economic environment was good, our associates did a great job of getting the right merchandise in the stores, our stores executed their plans very well and our customers continued to exhibit their confidence in us by spending their hard-earned dollars in our stores and clubs.

Although we did have the best year in our history, we look at many things we could have done better and just how much in the way of sales and profits we left on the table. Every time we are out of stock on an item that a customer wants, every time we spend more than we need to build a store, every time we fail to meet a customer's expectations and they leave unhappy – each of these are examples of where we can improve. How do we continue to deliver future results? One store at a time, one customer at a time.

You have commented that this year's results exceeded your own expectations. What were the positive factors that provided the upside surprises for your company?

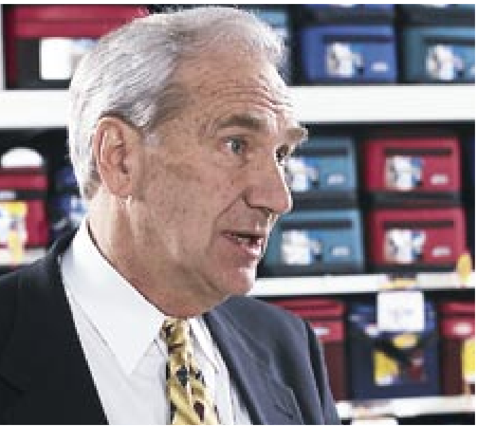
ROB WALTON: Clearly we were a beneficiary of a strong U.S. economy, low inflationary environment, continuing improvements on the food side of our business and a superb performance by some of our international markets like Canada and Puerto Rico. The single biggest positive had to be the diligence and level of execution on the part of our associates and partners around the globe. Every division exceeded its business plan and I believe we worked together as a team better than ever in the past.

If the economy slows down, what will be the impact on Wal-Mart?

DON SODERQUIST: If the economy does tighten, we must make sure that we take care of the customer and pick up market share. We recognize that today's level of consumer optimism is not sustainable forever, but we don't see any current signs that things are slowing. Traditionally we have fared better than our competition during downturns as the consumer focus shifts toward value, and that is exactly what our Every Day Low Price program is all about.

What was the biggest challenge in the year? Why?

WALTON: The biggest challenge was our competition! They continue to get better and better and it forces us to constantly strive to improve every aspect of our business. In the past we competed with



the regional chains, then the national discount chains, and now some of our best competition comes from other retail sectors and for that matter other continents. The most exciting part is that if we learn from competing with the best in each of these categories, in each and every market, we have the opportunity to continue to build a world class organization.

SAM'S experienced some challenges two or three years ago. What changed in that business that caused such an outstanding performance in the last two years and particularly the most recent year?

SODERQUIST: SAM'S Club is a concept that was started back in 1983. We entered the club business because it was the retail concept with the lowest-cost method of distributing merchandise. Unfortunately, I believe that over the years the industry and SAM'S as well, has lost some of its merchandise focus. The SAM'S team used the last two years or so to reinvigorate the clubs and put some fun back into the operations, and with their new president, Tom Grimm, continue to improve the merchandise offering. I believe this is obvious by the acceleration in the sales increases as well as the number of new members and the renewal rates of existing members.

GLASS: The clubs did an excellent job this year of showing value to the members. Throughout the year they took the savings in their expenses and gave them back to the members in the form of lower prices. These efforts also accelerated the sales growth and, consequently, the earnings growth for the division. SAM'S should be able to continue delivering sales growth as well as opening 10 to 15 new clubs this year.

You have just completed your second acquisition in Germany. What are your plans for future international growth?

WALTON: International has become a significant piece of the Wal-Mart business. This year alone the division in its fifth year of operations generated $12.2 billion in revenue and $551 million in operating profit. In addition to the 74 units in Germany we also acquired four units in Korea and added another 36 units to the countries where we had existing operations. We still have tremendous room for growth domestically but also want to offer the Wal-Mart shopping experience to customers around the world. Over the next five years the international division should represent up to one-third of total sales and earnings growth of the company. In addition to being the largest retailer in Canada and Mexico, we now have stores in Asia, Europe and South America and will continue to grow those markets as well as look for other areas where we can build on the Wal-Mart name.

How is Wal-Mart dealing with the financial turmoil in markets like Brazil or Asia?

WALTON: Fortunately, global companies have the opportunity to make positives out of negatives. In our "portfolio" of countries, the difficulties you mention are balanced by the extremely strong performance of other operations – Canada, Mexico and Puerto Rico, for example. Slowdowns in these economies offer real estate and acquisition opportunities. We take a longterm view, and recognize these economies will strengthen again and we look to position ourselves for the future.

Wal-Mart has always had a unique corporate culture – a culture that many said could not transcend geographic boundaries. How have you managed to translate that culture and make it speak to the amazingly diverse population you're now serving?

SODERQUIST: Over the years many said that we would not be able to serve customers west of the Mississippi, outside of the South, in metropolitan areas or outside of the United States. Frankly, we find that customers want the same things. Regardless of where we are, customers want to be treated well, want to have a good assortment of products to choose from and they want that merchandise at a great price. The most amazing fact is that our associates around the world embrace and protect this culture that they have built over the last 35 years.

In January you announced several changes in your management team. I believe Lee Scott is now the COO and Tom Coughlin is the President of the Wal-Mart stores division. Why would you make those changes after such a good year?

GLASS: Change is inevitable, and one of the things that we must do as an organization is to prepare the company for the future. We have always moved our best and brightest talent around the organization to build the broad skills and experience that will carry Wal-Mart into the future. A few years ago we took our CIO, Bobby Martin, and asked him to run our International business. Three years ago we asked Tom Coughlin, who had run our SAM'S business and was then running our Specialty Division, to head up our Wal-Mart store operations. At the same time Lee Scott moved from Logistics to lead our Merchandising team. These are three examples of this cross-pollination that occurs throughout our company. The senior management changes announced in January build on the extensive experiences that these individuals have accumulated over the years and will make our leaders better prepared to serve our customers and shareholders in the future.

There has been a great deal of press regarding your entry into the food business with your new Neighborhood Market Stores. Is this the growth plan of the future?

GLASS: First let me talk a little about the food business. Over 10 years ago we began experimenting with a retail concept called a "Hypermarket" or, as our version was named, a Supercenter. This concept took the idea of retailing both general merchandise and food in the same building and created the convenience of "one-stop shopping." It has become our key domestic growth vehicle and will remain so for at least the next 10 years. This year alone we are going to open approximately 150 Supercenters in the United States as well as using it as a key vehicle in our international growth. Supercenters effectively serve a large trade area, but we think there may be some business that we are not getting purely because they may not be as close to the customer or convenient for small shopping trips. That's where we think there may be an opportunity for the small grocery/drug store format where we are testing the Neighborhood Market.

Wal-Mart associates are renowned for getting involved with and taking care of their communities. Why is this such a way of life for the Wal-Mart family?

SODERQUIST: You know, Wal-Mart started in a small town and remains headquartered in Bentonville, Arkansas. We understand community values. In the last year Wal-Mart associates delivered more than $127 million dollars to communities and charities in their home markets. "Home" is really the key word here! As associates we not only represent Wal-Mart, we also represent our local communities and causes, and by helping those around us we are helping our friends, neighbors and our own families. The most amazing thing is that this mentality permeates the entire organization from Bentonville to Brazil.

We've mentioned that you paid almost $700 million in shareholder dividends this year. What else is the company doing with the tremendous cash flow that is being generated? Where is the company investing the shareholders' money?

GLASS: In addition to the dividends that were returned directly to the shareholders, the company spent $3.7 billion building and remodeling our units around the world, over $800 million on acquisitions in Germany and Korea, and used approximately $1.2 billion for share repurchase.

The company bought over $1.2 billion dollars worth of its own stock this year. Why are you buying your stock and will this continue in the future?

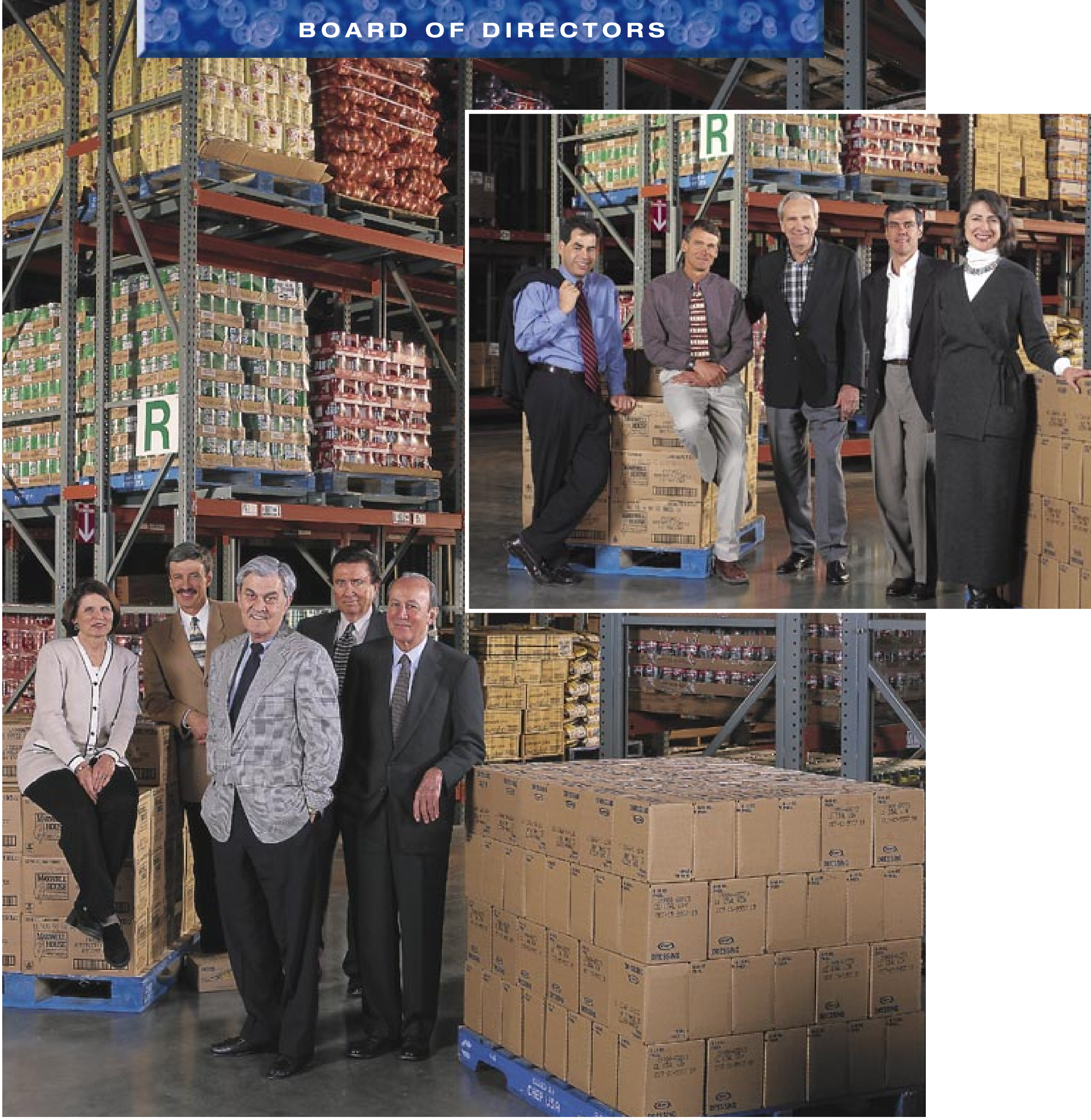
GLASS: In March, the Board of Directors increased the share repurchase authorization to $2 billion dollars. Over the last three or four years the company has repurchased almost 82,600,000 shares of the stock on the open market. Share repurchase programs are a tax-efficient method of giving back to the shareholders and one that is frequently used when companies have very strong cash flow positions. Share repurchase programs lower the number of outstanding shares and therefore increase shareholder value. However, our first priority for use of our cash is to build new stores and clubs throughout our markets. The second is acquisitions that make sense for our company and shareholders and the third is the share repurchase program.

Internet companies made the news a lot this year. What is Wal-Mart's view toward online retailing and how will you deal with this new breed of competitors?

WALTON: Wal-Mart is in the retail business and for that reason we look at any form of retailing as a competitor. The Internet has some very interesting aspects and will definitely serve a growing market as we move into the 21st century. However, very few, if any, Internet retailers have made a profit, and issues like the cost of delivery, merchandise returns and data security all have to be resolved before this business model is validated. We have been selling from our Web site for about two years and we will continue to invest in development and learning as we move forward. When and if the business proves viable, we will be there with the technology, distribution, assortment and the lowest price. Just like we are in all of our concepts. We really look at this business like another Wal-Mart store, but without walls.

Although Wal-Mart, the company, performed superbly, Wal-Mart stock, did even better and was up 106% for the calendar year. In fact, I believe it was the No. 1 stock on the Dow. Will this type of appreciation continue?

GLASS: Last year in this annual report I made the comment that, although it would be nice, I would not expect the stock price to appreciate at that 73 percent rate again. Well, I was wrong! Our associates and customers saw to that. However, I would again repeat that the stock appreciation that we have enjoyed over the last two years is unusual, even considering the tremendous results and effort on the part of all of our associates and partners. Unfortunately, we don't directly control the stock market! Our commitment is to delivering sales and profits for our shareholders, and allowing the market to take care of itself. Over time, our earnings growth will control our share price.



A food distribution center may seem like an odd place to find the board of directors of a $138 billion corporation, but that's the way things work at Wal-Mart. Our board wanted to make sure the associates at Distribution Center 6059 in Olney, Ill., knew how much we appreciate their ranking as Food Distribution Center of the Year. So a group from the board, pictured here, toured the center.

The Wal-Mart Board of Directors:

(Main photo, left to right) **Elizabeth A. Sanders**, President, The Sanders Partnership; **E. Stanley Kroenke**, Chairman, The Kroenke Group; **David D. Glass**, President and CEO, Wal-Mart Stores Inc.; **Jack C. Shewmaker**, retired Vice Chairman, Wal-Mart Stores Inc.; and **Jeronimo Arango**, Founder, Cifra.

(Inset photo, left to right) **Jose Villarreal**, Partner, Akin Gump Strauss Hauer & Feld LLP; **John T. Walton**, Chairman, True North Partners LLC; **Donald G. Soderquist**, Senior Vice Chairman, Wal-Mart Stores Inc.; **Roland Hernandez**, Chairman and CEO, Telemundo Group Inc.; and **Dr. Paula Stern**, President, The Stern Group Inc.

(Not pictured) **John A. Cooper Jr.**, Chairman, Cooper Communities Inc.; **Stephen Friedman**, Senior Advisor, Marsh & McLennan Risk Capital Corp., and Limited Partner, Goldman, Sachs & Co.; **Stanley C. Gault**, retired Chairman, Goodyear Tire & Rubber Co.; **Dr. Frederick S. Humphries**, President, Florida A&M University; and **S. Robson Walton**, Chairman, Wal-Mart Stores Inc.

FINE TUNED MERCHANDISING

INFORMATION IS THE KEY TO SERVING THE CUSTOMER, AND WAL-MART KEEPS LOOKING FOR NEW WAYS TO LEVERAGE **OUR UNDERSTANDING** OF CUSTOMERS, MARKETS AND MERCHANDISE INTO SHAREHOLDER VALUE.

Look up when you walk into a Wal-Mart; the first face you see will quite likely be smiling at you, welcoming you to the store. This is our People Greeter – a real, live person who wants you to know not only that we're glad to see you, but we're glad to serve you.

What you may not see is the vast web of information technology that supports all of our associates at Wal-Mart. Our people make the difference, and our retail knowledge and experience help them ensure that you get what you want, as conveniently as possible – at, of course, Every Day Low Prices.

Few people think of retailing as an industry on the cutting edge of the Information Revolution, but in the world of information technology, that secret has been out for a long time. In fact, the Wal-Mart emphasis on information stems from Sam Walton, who used to say, "People think we got big by putting big stores in small towns. Really we got big by replacing inventory with information."

Here is a look at some of the myriad of ways Wal-Mart uses knowledge to make the customer number one – always.

'WHO'S NUMBER ONE?'

The first and most important thing about Wal-Mart's information systems is precisely that the customer's needs come first. By using technology to reduce inventory, expenses and shrinkage, we can create lower prices for our customers – and better returns for our shareholders.

But how do you quantify what customers want? At Wal-Mart, information technology gives us that knowledge in the most direct way: by collecting and analyzing our own internal information on exactly what any given shopping cart contains. The popular term is "data-mining," and Wal-Mart has been doing it since about 1990.

The result, by now, is an enormous database of purchasing information that enables us to place the right item in the right store at the right price. Our computer system receives 8.4 million updates every minute on the items that customers take home – and the relationship between the items in each basket. Our merchants use this database to understand what customers want – and to find ways to help them get it into their carts with as much convenience, and at as low a cost, as possible.

In any given week, for example, a typical Wal-Mart's highest-selling items will include videotapes of Sleeping Beauty, Folgers® coffee, bananas and toilet paper – although the chances are that no single shopping cart contains all of those items.

That kind of information has significant value in and of itself. Consider Wal-Mart's ability to keep the shelves stocked with exactly what customers want most, but still be able to keep inventories under tight control. The computerized transmission of transactions to our systems, which keep track of what merchandise is needed where, is a key tool as Wal-Mart merchants work to serve our customers.

And that's only the beginning. For example, imagine a receipt that records a customer's purchase of Clearasil,® a Backstreet Boys CD and lip gloss. It's a safe guess that this customer's household has a teenage girl in it, and where there are teenagers, there is merchandising to be done.

'THE CUSTOMER!'

Not every customer wants to get in and get out of Wal-Mart in a hurry. As one customer told a recent gathering of Wal-Mart managers, "Sometimes my wife and I go to Wal-Mart and just wander around – we figure it usually costs $15 to $20 a lap just to get around the store!"

But for many customers in these harried times, every minute is precious. Wal-Mart finds ways to simplify their lives, while speeding them to the checkout – perhaps with items they only realized they needed when they saw the store's product placement. For example:

- Consider the common banana – so common, in fact, that the grocery carts of America contain bananas more often than any other single item. So why not make it easy for a shopper to remember the bananas? In Wal-Mart grocery departments, bananas can often be found not just in the produce section, but in the cereal and dairy aisles too.

- There are some obvious purchasing patterns among the register receipts of families with infants and small children. Well thought-out product placement not only simplifies the shopping trip for these customers – with baby aisles that include infant clothes and children's medicine alongside diapers, baby food and formula – but at the same time places higher-margin products among the staples.

- Seasonal merchandising – a key Wal-Mart focus – offers many opportunities for product placement based on customer buying patterns. For example, as pre-Halloween displays of costumes go up, they can be accompanied by a selection of flashlights – a valuable reminder for busy parents who might not have thought to stop by the hardware department for that important piece of trick-or-treating equipment.

- Customers who buy suitcases are likely to be looking for other items they might need for traveling too – such as travel alarms and irons, which now, logically enough, can be found displayed alongside luggage at many Wal-Mart stores.

The common thread is simple: We are here to serve the customer; and customers tend to buy from us when we make it easy for them. That sounds like a simple idea. But first you must understand the customer's needs. And that's where information comes in.

ADDING VALUE TO THE CARD

At our SAM'S Club division, as we continue to look for new ways to add value to our membership card, Wal-Mart's focus on information provides the infrastructure to both manage and refine our new merchandising concepts.

Under the leadership of new President Tom Grimm, a 25-year retail veteran who was previously president and CEO of another membership warehouse store company, SAM'S Club is trying many ideas to build excitement – and sales – in the stores.

For example: At a handful of test locations, SAM'S Club has placed a gas station in the store's parking lot. With prices that typically run lower than nearby stations, the SAM'S Club stations have achieved enormous sales volumes without any outside advertising.

In the process of implementing the gas station test, SAM'S Club and vendors developed a laser scanner for the gas pumps that can read the bar code on the customer's SAM'S Club card. This certainly makes customers' lives easier because they don't have to carry an extra card to buy gas. It also registers the gas purchases into our information database, so we can better

determine our members' needs, and how best to meet them.

Other new additions to SAM'S Club's departments that are being tested include pharmacy, optical, one-hour photo and copy centers. In each case, the new departments are providing us with invaluable, real-world information on how to improve their operations and better serve our members.

To add variety and spice to the lives of our members while taking advantage of merchandising opportunities, we have been increasing our emphasis on "road shows," in which we bring unique, high-end merchandise – such as gourmet desserts, scuba equipment, custom golf sets and many other kinds of items – to a club for a limited period of 10 to 12 days.

Each SAM'S Club facility hosts from two to six road shows a month, and after a while they begin to add up. Our road show team planned and executed 20,000 road shows last year, partnering with about 100 vendors – an impressive feat of logistical execution in itself – and exceeded its sales goal by several million dollars.

And speaking of carefully targeted merchandising, SAM'S Club has also focused on regional buying – such as stocking Motor City Cinnamon Bread™ in Detroit-area clubs or finding a crawfish plate for our members in Louisiana.

A CULTURE OF CHANGE

Wal-Mart is not afraid of change. Our computerized merchandising aids were but a gleam in some programmer's eye only a few years ago, but Wal-Mart committed itself to taking as much advantage of new technology as possible. In the process, we learned that information can be leveraged into new ideas for serving our customers. And at the same time, each new idea is a source of fresh information.

For example: At about 40,000 square feet, one of Wal-Mart's new Neighborhood Markets is less than one-fourth the size of a Supercenter, and stocks only 20,000 to 23,000 different items in a store, compared to more than 100,000 items at a Supercenter. The Neighborhood Market combines grocery and dry-goods departments with such convenience-oriented features as a drive-through pharmacy.

The Supercenter is a key engine of our current growth. In the past year, we celebrated both the 10th anniversary of the Supercenter and the 500th Supercenter to open. At first, it may seem strange to open much smaller stores with stock similar to both Discount Store and grocery merchandise, but the Neighborhood Market does not compete with Supercenters – it complements them. The Neighborhood Market aims to fill a niche we may not be serving today.

At the same time, because the first Neighborhood Markets are test stores, we can use them as merchandising laboratories. Our newest ideas in product placement, store design and retailtainment (please see accompanying story) can be tested while, at the same time, offering a shopping experience aimed directly at our customers' needs.

"Again and again our customers tell us they expect more convenience these days," said Henry Jordan, Director of Operations for the Neighborhood Markets. "A lot of times, customers go to Supercenters and it is convenient, because if you need a wide variety of items, you have a true one-stop shopping experience.

"But if you only need a handful of items and, say, it's Saturday afternoon, our customers can come down to the Neighborhood Market."

CONNECTIVITY COUNTS

The Wal-Mart web of information systems extends far beyond the walls of any one store. Starting from the basic information compiled at the checkout stand, at the shelves, and gathered by associates equipped with hand-held computer monitors, Wal-Mart works to manage its supplies and inventories not only in the stores, but all the way back to the original source.

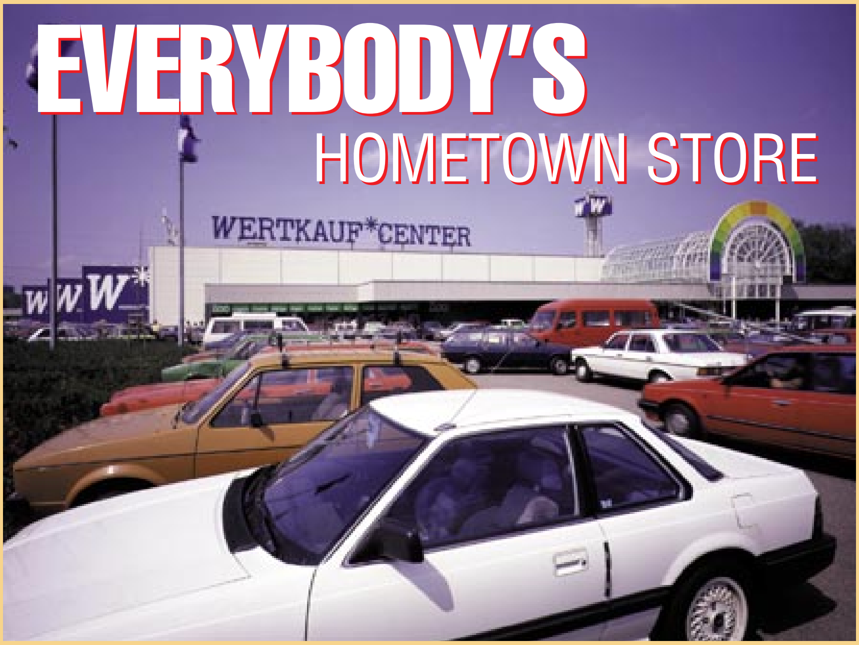
Wal-Mart has given suppliers access to some of our systems, which enables them to know exactly what is selling, and to plan their production accordingly. This not only helps us keep inventories under control, but also helps the supplier deliver the lowest-cost product to the customer.

With sales and in-stock information transmitted between Wal-Mart and our supplier-partners in seconds over the Internet, buyers and suppliers are privy to the same facts and negotiate based on a shared understanding – saving a significant amount of time and energy over more traditional, low-tech systems. Our buyer benefits from the supplier's product knowledge, while the supplier benefits from Wal-Mart's experience in the market.

Combine these information systems with our logistics – our hub-and-spoke system in which distribution centers are placed within a day's truck run of the stores – and all the pieces fall into place for the ability to respond to the needs of our customers, before they are even in the store.

In today's retailing world, speed is a crucial competitive advantage. And when it comes to turning information into improved merchandising and service to the customer, Wal-Mart is out in front and gaining speed. In the words of Randy Mott, Senior Vice President and Chief Information Officer, "The surest way to predict the future is to invent it."

EVERYBODY'S HOMETOWN STORE



"THE WAL-MART WAY" HAS TRULY GONE GLOBAL, **AS CUSTOMERS WORLDWIDE** COME TO KNOW OUR SERVICE, SELECTION AND EVERY DAY LOW PRICES.

Most Wal-Mart customers hear a "welcome" when they enter a store – well, actually, we welcome every customer. But more and more often these days, that welcome sounds more like *¡Bienvenido!* or perhaps *Willkommen*. Don't worry, it still means "welcome" – in Chinese, French, German, Korean, Portuguese or Spanish.

That's because we're doing business not only in the United States, but also in Argentina, Brazil, Canada, China, Germany, Mexico, Puerto Rico and, in our latest international expansion, South Korea. And in the process, we've learned that the Wal-Mart Way of doing business – quality, service and Every Day Low Prices – translates into any language.

"Wal-Mart is still very early in the curve, but we already are a proven global brand," said Bob L. Martin, President and CEO of Wal-Mart International. "The United States has only 4.5 percent of the world's population, so the way we see it, that leaves most of the world as potential Wal-Mart customers."

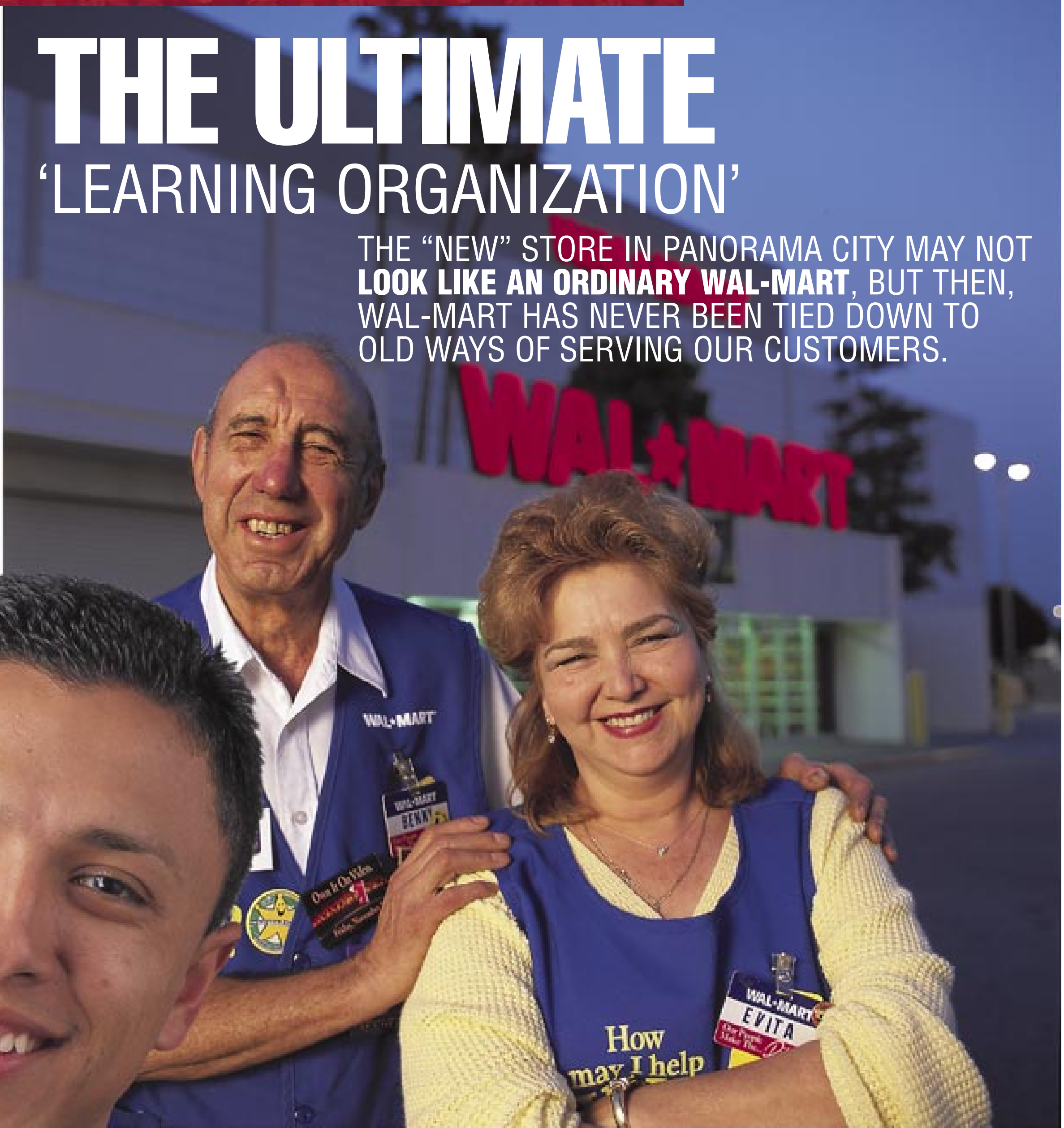
The International division's sales rose to more than $12 billion in fiscal 1999 – an increase of 63 percent over the previous year's sales of $7.5 billion. And International's operating profit for the year was $551 million, for an increase of 110 percent from the year before.

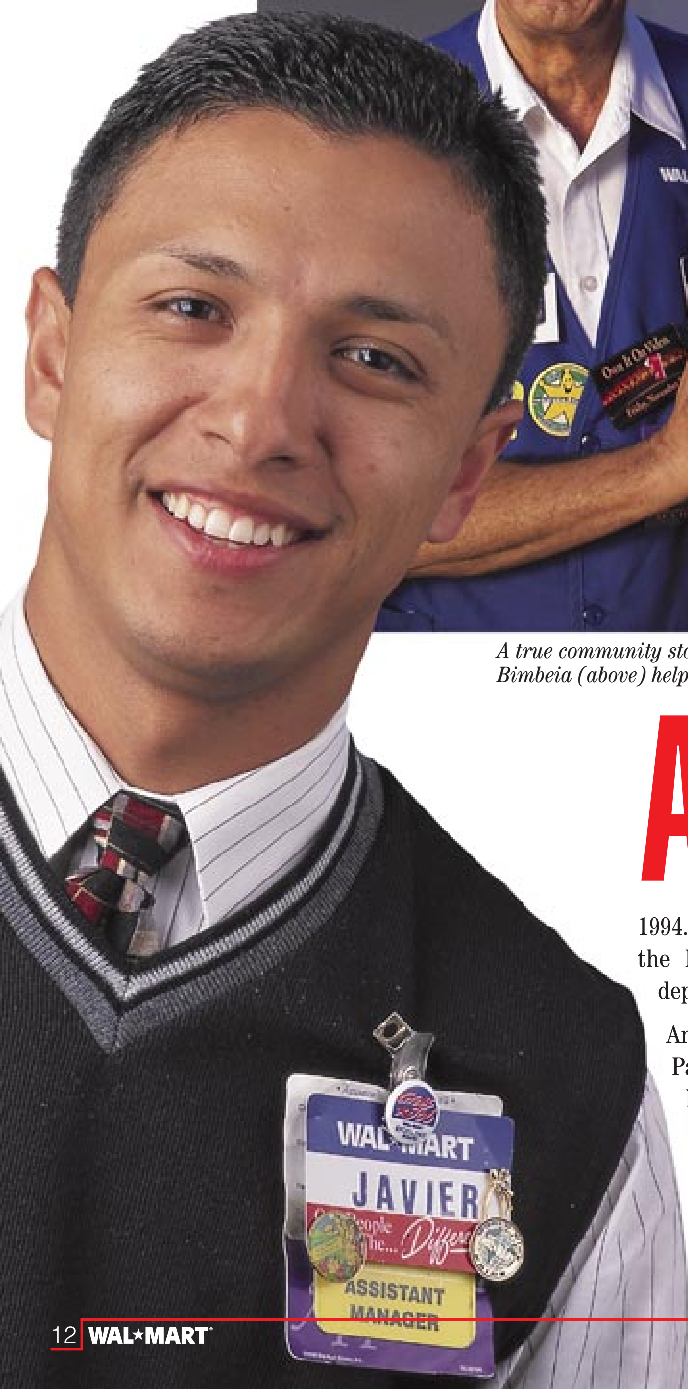
In fiscal 1999, along with growing our business in such familiar venues as Mexico, Canada and Puerto Rico, Wal-Mart also took its first steps into South Korea, acquiring a majority interest in four units previously run by the Korea Makro company; acquired the 74-unit Interspar hypermarket chain in Germany, approximately quadrupling the size of our operations there; and announced plans to triple the size of our operations in China.

"In the markets we currently serve there are significant expansion opportunities, and in the new regions we are exploring, there are millions of underserved customers," Martin said. "But still, despite the size of all these numbers, our future hinges on doing exactly what we've always done – building our success one store at a time, one customer at a time."

THE ULTIMATE 'LEARNING ORGANIZATION'

THE "NEW" STORE IN PANORAMA CITY MAY NOT **LOOK LIKE AN ORDINARY WAL-MART**, BUT THEN, WAL-MART HAS NEVER BEEN TIED DOWN TO OLD WAYS OF SERVING OUR CUSTOMERS.





A true community store: Assistant Manager Javier Rincon (left) and associates Bennie Rubin and Evita Bimbeia (above) help bring the Wal-Mart Way to Panorama City in central-city Los Angeles.

A bit of good news was long overdue in Panorama City.

The General Motors plant closed in 1992. More businesses closed after the Northridge earthquake in 1994. In 1996 the only anchor tenant in the Panorama Mall, The Broadway department store, also closed.

And then good news came to Panorama City, a central-city neighborhood in Los Angeles' San Fernando Valley. It can be summed up in one name: Wal-Mart.

Today, instead of deterioration and declining traffic, bustling crowds and retail excitement are driven by the new Wal-Mart store that replaced The Broadway in the Panorama Mall.

"You can see it in the community – people are happy again," said Louise Marquez, mall manager and marketing director for Panorama Mall, one of 52 malls nationwide owned by The Macerich Co. "You can see a lot of people with strollers, walking over to the mall.

"I have a lot of respect for Wal-Mart," Marquez said. "They do a lot more for the community than most anchors."

Store No. 2568, which opened May 20, 1998 in Panorama Mall, is a Wal-Mart like no other. For starters, it is the first Wal-Mart within the city limits of Los Angeles and the only multi-story Wal-Mart in the United States.

To enable customers to get from floor to floor with their shopping carts, the store features "vermaports" – German-made devices that keep carts level in their own special escalators, running side-by-side with the customer escalators.

And in keeping with the demographics of the community, signs in the store bear such familiar messages as "Always low prices. Always" – except that in Panorama City, the signs read "Siempre precios bajos. Siempre."

Even before the new store opened, associates found a way to plant Wal-Mart firmly in the heart of the community. They teamed up with the Los Angeles Police Department for a pre-grand opening celebration that raised money for LAPD Jeopardy, a gang prevention program. Between the fund-raiser and a matching grant, Wal-Mart ended up contributing about $34,000 to the LAPD program, along with more than $15,000 to other community organizations and causes.

And how did Panorama City respond to the new Wal-Mart? By making it one of the most successful Wal-Marts ever! For example:

- Grand-opening day sales exceeded the store's sales plan by 20 percent;
- More than 43,000 customers passed through the registers in the first week;
- An average of 9,500 customers have made purchases every day since the store opened; and,
- From all accounts, other merchants in the mall and surrounding neighborhood have seen increased business, thanks to the shoppers attracted by Wal-Mart.

"It was definitely something new and unique for Wal-Mart," said Assistant Manager Javier Rincon. "In recycling the building and coming into the city limits, we had to get really involved in the community."

Also, Rincon added with a grin, "Other Wal-Marts have McDonald's. We have Mis Amigos."

And therein lies another story of how Wal-Mart became part of the Panorama City community. Mis Amigos ("my friends"), a Mexican restaurant and snack bar within the Wal-Mart, had been located in the mall before Wal-Mart arrived.

"Without the anchor, we were struggling," recalled Norma Armstrong, who operates Mis Amigos. "So many times we were selling maybe $70 a day. I'd put all my savings into this business and I couldn't close it. I could only wait and hope for something good to happen. It was awful.

"Then one morning, Tom Coughlin came in and ordered chorizo and eggs," said Armstrong. She didn't know that Coughlin, now president and CEO of the Wal-Mart stores division, was then the division's executive vice president and chief operating officer, visiting to look over the opportunities in Panorama City.

Coughlin and Armstrong fell into conversation, Armstrong said, "and I told him I would like to expand my business, but business was just so lousy.

"He said, 'How would you like to move into Wal-Mart?'

"I said, 'Are you for real?' He gave me his card, and the rest is history.

"I've been in this community for 35 years," Armstrong said. "I've seen it up, I've seen it in the hole, and I'm here to tell you, Wal-Mart saved this community.

"I've gotten involved so much with Wal-Mart since they came here. It's not just making money for them, they share the wealth. They make dreams come true."

Marquez, the Panorama Mall manager, seconded that motion.

"This community, Los Angeles, they're not used to people trying to help them," Marquez said. "This is an eye-opener for the city of Los Angeles, getting a big business that cares so much about the quality of life. Wal-Mart brings quality, low prices and selection – and they open up a lot of areas for people to succeed."

IT'S NOT A MARKET, **IT'S OUR HOME**

"OUR COMMITMENT HAS ALWAYS BEEN TO OUR CUSTOMERS AND OUR COMMUNITIES," SAYS CYNTHIA LIN, AND SHE SHOULD KNOW. AS A WAL-MART COMMUNITY AFFAIRS DIRECTOR, SHE WORKS TO MAKE THAT COMMITMENT A REALITY.

When Cynthia Lin first arrives in a community where Wal-Mart is planning to place a store, she arrives as a stranger.

But when Lin's work is done, she – and Wal-Mart – are no longer strangers in town. After all, Wal-Mart is not a faceless outsider; we're your neighbors. When Cynthia Lin comes to town, that's the message she brings to our new neighbors, customers and associates.

"As large a company as Wal-Mart is, we are truly a very local presence in every community we serve," said Lin, who is Director of Community Affairs for the West Region of Wal-Mart. "That's reflected in our associates, virtually all of whom are hired locally, and we work closely with community groups, government agencies and the local business community.

"It's wonderful to be able to develop a working relationship with the other merchants in town," Lin said. "There's a very definite niche that we fill, and very definite niches for other businesses in the community. It's a very complementary relationship, although we compete at times.

"Our commitment has always been to our customers and our communities," she said. "The Panorama City store is a perfect example of that commitment in action, with the creation of hundreds of jobs, new sales-tax revenues for the city and extensive community involvement programs. And, as always, Wal-Mart is fulfilling an important need in the community for good products at great prices."

U.S. CONTRIBUTIONS

Teacher of the Year	$1,135,500
Environment	1,574,961
Make A Difference Day	2,400,000
Economic Development	2,429,840
Other Donations	3,442,800
Holiday Charitable Contribution	4,527,106
Scholarships	8,000,000
United Way	14,500,000
Store Contribution Accounts	19,979,016
Children's Miracle Network	27,000,000
Community Matching Grants	42,150,894
Total	**$127,140,117**

GOOD NEIGHBORS TO A NATION

WAL-MART ASSOCIATES, WORKING ONE-BY-ONE ON PROJECTS PLANNED AT THEIR OWN STORES, **ADD UP TO THE LARGEST** CHARITABLE FUND-RAISING FORCE IN THE UNITED STATES.

Read this story with one eye on the big picture – more than $131 million in donations to the Children's Miracle Network (CMN) over 11 years, more than $127 million in total community contributions in fiscal 1999 alone, and on and on ...

But from another viewpoint, this is a small story – the story of individual Wal-Mart associates who, over and over, across America and around the world, go the extra mile to help their communities, and their customers, in their hours of need.

Most of all, perhaps, this is the story of 3-year-old Luke Harbur *(pictured above right)*, an active, happy child who is alive today thanks in large part to a miracle – the Children's Miracle Network, that is.

Luke was only six weeks old when he was diagnosed with Alagille Syndrome, a rare disease that can lead to liver failure. At 11 months he underwent liver transplant surgery, performed at Children's Mercy Hospital in Kansas City, in partnership with the transplant program at the University of Kansas Medical Center.

Today, at 3 going on 4, Luke will need regular treatment for the rest of his life, but his prognosis is good and to the outside eye, he seems like what he is – an active, happy toddler.

That would have been quite enough for Luke's parents, Kim and Nate Harbur of Overland Park, Kan., except that the process of getting – and waiting for – Luke's liver transplant sensitized them to the importance of organ donations. And they're doing something about it, through the non-profit Gift of Life Foundation, whose mission is to educate the public about organ donation.

"This experience has changed our lives forever, and we're only trying to do the same for families like ours," said Kim Harbur. Nate Harbur added, "We feel indebted to Wal-Mart. It's the things their people do that make this possible."

Wal-Mart became the exclusive retail sponsor of CMN Champions, the network's fund-raising campaign, in 1988. Since then, thanks to the ideas, efforts and contributions of our associates and customers, Wal-Mart has raised more than $131 million for the CMN – $27 million in 1998 alone.

The CMN contribution, though, represented only about one-fifth of Wal-Mart's charitable contributions of more than $127 million last year. Our Community Matching Grants totaled more than $42 million, and other contributions went to the United Way, scholarships, grants for economic development and the environment, awards to top teachers and public officials, and more.

WAL-MART FINDS NEW WAYS TO **MAKE SHOPPING FUN.**

There's a lesson here: Make shopping more fun and less of a chore, and shoppers will want to come back for more.

Yes, but what does that have to do with Garth Brooks or 10-year-old cheerleaders flying a dozen feet in the air? Well, here's a new word for your merchandising vocabulary: Retailtainment.

Retailtainment, as President and CEO David Glass puts it, is simply "doing things to make sure our customers enjoy themselves in our stores." And when Wal-Mart associates turn their minds to making customers happy, the results can have people dancing in the aisles – literally.

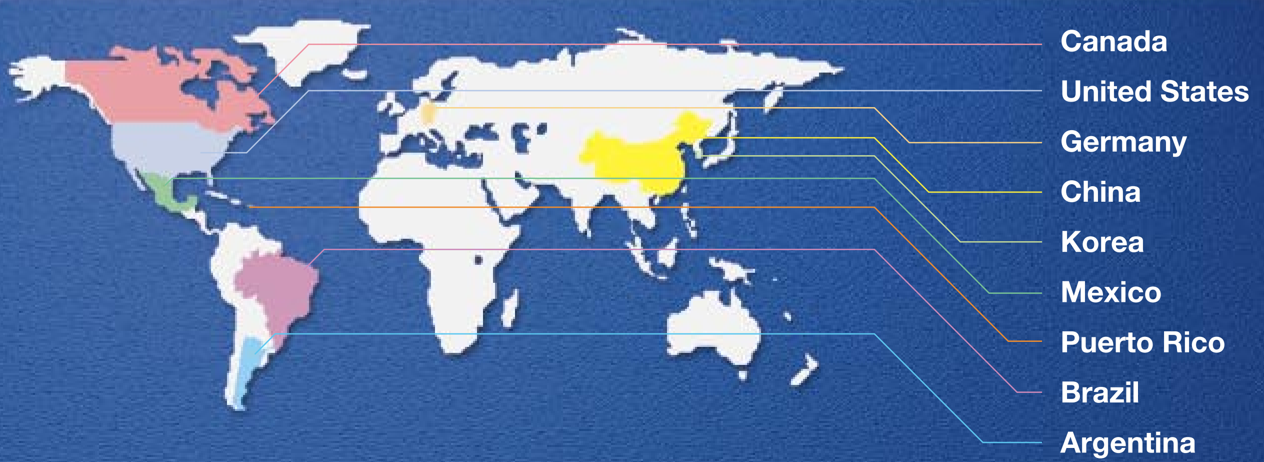
For example, what do Garth Brooks, Trisha Yearwood, Reba McEntire, Brooks and Dunn, the BeeGees and Hanson have in common? Yes, they're all superstars. And they've all played concerts for Wal-Mart and our customers, shown on our Wall of Eyes, the banks of televisions in our Electronics departments.

And then there are those flying cheerleaders. They come from San Diego, they're national champions, they fly through the air with the greatest of ease, and they're only 10 to 14 years old. They're the Champion Outlaws, a cheerleading team that loves to perform at Wal-Mart when they're not competing for national titles or performing at San Diego Chargers games.

We could fill this entire report with more examples – cookie-stacking contests, clowns painting children's faces, spectacular holiday-themed displays – but you get the idea.

What's next? Well, don't look now, but some Wal-Marts are beginning to see couples stopping by the store on dates, to check out the entertainment. Who needs the multiplex? Wal-Mart sells popcorn and soft drinks too!

STATE POPULATION PER WAL-MART STORE



- UNDER 50,000
- 50,000 TO 100,000
- 100,000 TO 150,000
- 150,000 TO 200,000
- 200,000 AND OVER

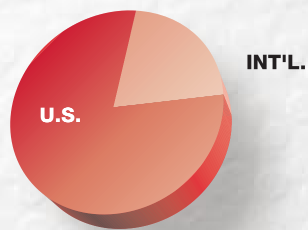
FISCAL 1999 END OF YEAR STORE COUNTS

	Discount Stores	Supercenters	SAM'S Club
Alabama	48	30	8
Alaska	3	0	3
Arizona	34	0	7
Arkansas	49	27	4
California	106	0	24
Colorado	28	10	11
Connecticut	14	0	3
Delaware	2	1	1
Florida	93	44	35
Georgia	62	28	16
Hawaii	5	0	1
Idaho	9	0	1
Illinois	89	17	24
Indiana	58	17	14
Iowa	42	3	7
Kansas	38	10	5
Kentucky	44	27	5
Louisiana	52	23	9
Maine	20	0	3
Maryland	23	1	10
Massachusetts	31	0	3
Michigan	52	0	21
Minnesota	35	0	9
Mississippi	38	18	4
Missouri	72	38	12
Montana	9	0	1
Nebraska	13	5	3
Nevada	13	0	2
New Hampshire	18	2	4
New Jersey	18	0	6
New Mexico	10	11	3
New York	52	7	18
North Carolina	75	12	16
North Dakota	8	0	2
Ohio	74	9	23
Oklahoma	54	24	6
Oregon	23	0	0
Pennsylvania	50	19	18
Rhode Island	6	0	1
South Carolina	35	20	9
South Dakota	8	0	2
Tennessee	52	35	12
Texas	163	82	52
Utah	14	0	5
Vermont	4	0	0
Virginia	27	30	10
Washington	22	0	2
West Virginia	10	11	3
Wisconsin	55	3	11
Wyoming	9	0	2
U.S. TOTAL	**1,869**	**564**	**451**

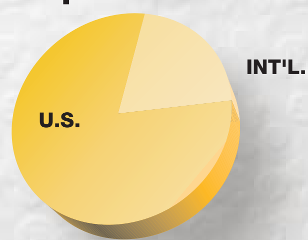
	Discount Stores	Supercenters	SAM'S Club
Alberta	19		0
British Columbia	13		0
Manitoba	9		0
New Brunswick	4		0
Newfoundland	7		0
Nova Scotia	7		0
NW Territories	1		0
Ontario	57		0
Quebec	28		0
Saskatchewan	8		0
CANADA TOTAL	**153**	**0**	**0**
Argentina	0	10	3
Brazil	0	9	5
Korea	0	4	0
Mexico	358*	27	31
Puerto Rico	9	0	6
China	0	4	1
Germany	0	95	0
INT'L. TOTAL	**520**	**149**	**46**
GRAND TOTAL	**2,389**	**713**	**497**

*Includes 36 Superamas, 63 Bodegas, 33 Aurreras, 183 Vips and 43 Suburbias

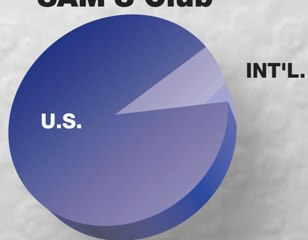
Discount Stores



Supercenters



SAM'S Club



(Dollar amounts in millions except per share data)	**1999**	1998	1997
Net sales	**$ 137,634**	$ 117,958	$ 104,859
Net sales increase	**17%**	12%	12%
Comparative store sales increase	**9%**	6%	5%
Other income-net	**1,574**	1,341	1,319
Cost of sales	**108,725**	93,438	83,510
Operating, selling and general and administrative expenses	**22,363**	19,358	16,946
Interest costs:			
Debt	**529**	555	629
Capital leases	**268**	229	216
Provision for income taxes	**2,740**	2,115	1,794
Minority interest and equity in unconsolidated subsidiaries	**(153)**	(78)	(27)
Net income	**4,430**	3,526	3,056
Per share of common stock*:			
Net income – Basic and Dilutive	**0.99**	0.78	0.67
Dividends	**0.16**	0.14	0.11
Financial Position			
Current assets	**$ 21,132**	$ 19,352	$ 17,993
Inventories at replacement cost	**17,549**	16,845	16,193
Less LIFO reserve	**473**	348	296
Inventories at LIFO cost	**17,076**	16,497	15,897
Net property, plant and equipment and capital leases	**25,973**	23,606	20,324
Total assets	**49,996**	45,384	39,604
Current liabilities	**16,762**	14,460	10,957
Long-term debt	**6,908**	7,191	7,709
Long-term obligations under capital leases	**2,699**	2,483	2,307
Shareholders' equity	**21,112**	18,503	17,143
Financial Ratios			
Current ratio	**1.3**	1.3	1.6
Inventories/working capital	**3.9**	3.4	2.3
Return on assets**	**9.6%**	8.5%	7.9%
Return on shareholders' equity***	**22.4%**	19.8%	19.2 %
Other Year-End Data			
Number of domestic Wal-Mart stores	**1,869**	1,921	1,960
Number of domestic Supercenters	**564**	441	344
Number of domestic SAM'S Club units	**451**	443	436
International units	**715**	601	314
Number of Associates	**910,000**	825,000	728,000
Number of Shareholders	**261,170**	245,884	257,215

* Restated to reflect the two-for-one stock split announced March 4, 1999, with date of record of March 19, 1999. The stock split is payable on April 19, 1999.
** Net income before minority interest and equity in unconsolidated subsidiaries/average assets
*** Net income/average shareholders' equity

	1996	1995	1994	1993	1992	1991	1990	1989
	$ 93,627	$ 82,494	$ 67,344	$ 55,484	$ 43,887	$ 32,602	$ 25,811	$ 20,649
	13%	22%	21%	26%	35%	26%	25%	29%
	4%	7%	6%	11%	10 %	10%	11%	12%
	1,146	914	645	497	404	262	175	137
	74,505	65,586	53,444	44,175	34,786	25,500	20,070	16,057
	15,021	12,858	10,333	8,321	6,684	5,152	4,070	3,268
	692	520	331	143	113	43	20	36
	196	186	186	180	153	126	118	99
	1,606	1,581	1,358	1,171	945	752	632	488
	(13)	4	(4)	4	(1)	–	–	–
	2,740	2,681	2,333	1,995	1,609	1,291	1,076	838
	0.60	0.59	0.51	0.44	0.35	0.28	0.24	0.19
	0.10	0.09	0.07	0.05	0.04	0.04	0.03	0.02
	$ 17,331	$ 15,338	$ 12,114	$ 10,198	$ 8,575	$ 6,415	$ 4,713	$ 3,631
	16,300	14,415	11,483	9,780	7,857	6,207	4,751	3,642
	311	351	469	512	473	399	323	291
	15,989	14,064	11,014	9,268	7,384	5,808	4,428	3,351
	18,894	15,874	13,176	9,793	6,434	4,712	3,430	2,662
	37,541	32,819	26,441	20,565	15,443	11,389	8,198	6,360
	11,454	9,973	7,406	6,754	5,004	3,990	2,845	2,066
	8,508	7,871	6,156	3,073	1,722	740	185	184
	2,092	1,838	1,804	1,772	1,556	1,159	1,087	1,009
	14,756	12,726	10,753	8,759	6,990	5,366	3,966	3,008
	1.5	1.5	1.6	1.5	1.7	1.6	1.7	1.8
	2.7	2.6	2.3	2.7	2.1	2.4	2.4	2.1
	7.8 %	9.0 %	9.9 %	11.1 %	12.0 %	13.2 %	14.8 %	14.6 %
	19.9 %	22.8 %	23.9 %	25.3 %	26.0 %	27.7 %	30.9 %	31.8 %
	1,995	1,985	1,950	1,848	1,714	1,568	1,399	1,259
	239	147	72	34	10	9	6	3
	433	426	417	256	208	148	123	105
	276	226	24	10	–	–	–	–
	675,000	622,000	528,000	434,000	371,000	328,000	271,000	223,000
	244,483	259,286	257,946	180,584	150,242	122,414	79,929	80,270

Net Sales

Sales (in millions) by operating segment for the three fiscal years ended January 31, are as follows:

Fiscal Year	Wal-Mart Stores	SAM'S Club	International	Other (McLane)	Total Company	Total Company Increase
1999	**$ 95,395**	**$ 22,881**	**$ 12,247**	**$ 7,111**	**$ 137,634**	**17%**
1998	83,820	20,668	7,517	5,953	117,958	12%
1997	74,840	19,785	5,002	5,232	104,859	12%

The Company's sales growth of 17% in fiscal 1999, when compared to fiscal 1998, was attributable to our expansion program and a domestic comparative store sales increase of 9%. Expansion for fiscal 1999 included the opening of 37 Wal-Mart stores, 123 Supercenters (including the conversion of 88 existing Wal-Mart stores), eight SAM'S Club units, and the opening or acquisition of 114 international units. International sales accounted for approximately 8.9% of total Company sales in fiscal 1999 compared with 6.4% in fiscal 1998. The growth in International is partially due to acquisitions during 1999 and 1998. In the third quarter of fiscal 1998, the Company acquired a controlling interest of Cifra, S.A de C.V. (Cifra) which at acquisition date included 250 units in varying formats including Aurreras, Bodegas, Suburbias, Superamas, and Vips. In the fourth quarter of fiscal 1998, the Company acquired the 21 units of the Wertkauf hypermarket chain in Germany. In fiscal 1999, the Company acquired four units in South Korea which were previously operated by Korea Makro. See Note 6 of Notes to Consolidated Financial Statements for additional information on acquisitions. SAM'S Club sales, as a percentage of total Company sales, decreased from 17.5% in fiscal 1998 to 16.6% in fiscal 1999.

The sales increase of 12% in fiscal 1998 when compared to fiscal 1997 was attributable to our expansion program and comparative store sales increases of 6%. Expansion for fiscal 1998 included the opening of 37 Wal-Mart stores, 97 Supercenters (including the conversion of 75 existing Wal-Mart stores), eight SAM'S Clubs, and the opening or acquisition of 289 international units, including the various Cifra formats. International sales accounted for approximately 6.4% of total Company sales in fiscal 1998 compared with 4.8% in fiscal 1997. The growth in International is partially due to the acquisition of controlling interest of Cifra during the third quarter. SAM'S Club sales, as a percentage of total Company sales, decreased from 18.9% in fiscal 1997 to 17.5% in fiscal 1998.

Costs and Expenses

Cost of sales, as a percentage of sales, decreased, resulting in increases in gross margin of .2% and .4% in fiscal 1999 and fiscal 1998, respectively. These improvements in gross margin occurred even with continued price rollbacks and our continuing commitment to always providing low prices. Lower inventory levels resulted in reduced markdowns and decreased shrink and generated a sustainable improvement in profitability without raising prices. The improvement in gross margin also occurred despite higher food department and International sales, which generally have lower gross margins than domestic general merchandise. This effect is partially offset by the slower growth of SAM'S Club, which is our lowest gross margin retail operation.

Operating, selling, general and administrative expenses decreased .2% as a percentage of sales in fiscal 1999 when compared with fiscal 1998. The strong sales increase along with lower inventory levels combined to reduce expenses as a percentage of sales. The expense leverage was mitigated in the consolidated results due to the percentage of the total volume decreasing in the SAM'S Club segment, which has lower expenses as a percentage of sales, while the percentage of total volume increased in the International segment, which has higher expenses as a percentage of sales than the other operating segments. Every operating segment was flat or down in expenses as a percent of sales in fiscal 1999 when compared with fiscal 1998.

Operating, selling, general and administrative expenses increased .3% as a percentage of sales in fiscal 1998 when compared with fiscal 1997. Approximately .2% of the increase in fiscal 1998 was due to increases in payroll and related benefit costs. Additionally, a contributing factor in the increase for the year was the one-time pre-tax charge of $50 million for closing the majority of the Bud's Discount City stores during the second quarter of fiscal 1998.

Interest Costs

Interest costs decreased .1% as a percentage of sales in fiscal 1999 when compared with fiscal 1998. This marks the third consecutive year that interest costs relating to debt have declined. The Company was able to meet cash requirements without short-term borrowings throughout most of fiscal 1999 due to enhanced operating cash flows. The interest on the Company's capital leases increased over fiscal 1998 due to continuing expansion. Interest costs decreased in fiscal 1998 compared to fiscal 1997 due primarily to lower short-term borrowings. Enhanced operating cash flows and lower capital spending enabled the Company to meet cash requirements without short-term borrowings throughout most of fiscal 1998. See Note 3 of Notes to Consolidated Financial Statements for additional information on interest and debt.

Market Risk

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign exchange rates.

The Company enters into interest rate swaps to minimize the risk and costs associated with financing activities. The swap agreements are contracts to exchange fixed or variable rates for variable or fixed interest rate payments periodically over the life of the instruments. The following tables provide information about the Company's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and interest rates by contractual maturity dates. The applicable floating rate index is included for variable rate instruments. All amounts are stated in United States dollar equivalents.

Interest Rate Sensitivity
As of January 31, 1999
Principal (Notional) Amount by Expected Maturity
Average Interest (Swap) Rate

(Amounts in millions)	2000	2001	2002	2003	2004	Thereafter	Total	Fair value 1/31/99
Liabilities								
Long-term debt including current portion								
Fixed rate debt	$ 900	$1,284	$801	$558	$285	$3,980	$7,808	$8,323
Average interest rate – U.S.$ rate	7.1%	7.2%	7.1%	6.9%	7.0%	7.2%	7.2%	
Long-term obligation related to real estate investment trust								
Fixed rate obligation	39	43	46	50	55	327	560	641
Fixed interest rate – U.S.$ rate	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	
Interest Rate Derivative Financial Instruments Related to Debt								
Interest rate swap								
Pay variable/receive fixed	–	500	–	–	–	–	500	10
Average rate paid – 30-day U.S. commercial paper non-financial plus .134%								
Fixed rate received – U.S.$ rate	–	5.7%	–	–	–	–	5.7%	
Interest rate swap								
Pay variable/receive fixed	–	500	–	–	–	–	500	5
Average rate paid – 30-day U.S. commercial paper non-financial plus .245%								
Fixed rate received – U.S.$ rate	–	5.9%	–	–	–	–	5.9%	
Interest Rate Derivative Financial Instruments Related to Real Estate Investment Trust Obligation								
Interest rate swap								
Pay variable/receive fixed	38	41	45	49	54	324	551	44
Average rate paid – 30-day U.S. commercial paper non-financial								
Fixed rate received – U.S.$ rate	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
Interest rate swap								
Pay variable/receive fixed	–	–	–	–	–	230	230	30
Average rate paid – 6-month U.S. LIBOR								
Fixed rate received – U.S.$ rate	–	–	–	–	–	7.0%	7.0%	
Interest Rate Derivative Financial Instrument Related to Currency Swaps								
Currency swap – German Deutschemarks								
Pay variable/receive variable	–	–	–	1,101	–	–	1,101	(43)
Average rate paid – 3-month German Deutschemark LIBOR minus .0676%								
Average rate received – 30-day U.S. commercial paper non-financial								
Interest rate swap – German Deutschemarks								
Pay fixed/receive variable	–	–	–	1,101	–	–	1,101	(58)
Fixed rate paid – German Deutschemark rate	–	–	–	4.5%	–	–	4.5%	
Average rate received – 3-month German Deutschemark LIBOR minus .0676%								
Interest rate swap – U.S. Dollars								
Pay variable/receive fixed	–	–	–	1,101	–	–	1,101	28
Average rate paid – 30-day U.S. commercial paper non-financial								
Fixed rate received – U.S.$ rate	–	–	–	5.8%	–	–	5.8%	
Currency swap – German Deutschemarks								
Pay variable/receive variable	–	–	–	–	809	–	809	18
Average rate paid – 3-month German Deutschemark LIBOR minus .055%								
Average rate received – 30-day U.S. commercial paper non-financial								
Interest rate swap – German Deutschemarks								
Pay fixed/receive variable	–	–	–	–	809	–	809	3
Fixed rate paid – German Deutschemark rate	–	–	–	–	3.4%	–	3.4%	
Average rate received – 3-month German Deutschemark LIBOR minus .055%								
Interest rate swap – U.S. Dollars								
Pay variable/receive fixed	–	–	–	–	809	–	809	1
Average rate paid – 30-day U.S. commercial paper non-financial								
Fixed rate received – U.S.$ rate	–	–	–	–	5.2%	–	5.2%	

Interest Rate Sensitivity
As of January 31, 1998
Principal (Notional) Amount by Expected Maturity
Average Interest (Swap) Rate

(Amounts in millions)	1999	2000	2001	2002	2003	Thereafter	Total	Fair value 1/31/98
Liabilities								
Long-term debt including current portion								
Fixed rate debt	$1,039	$815	$1,268	$802	$559	$3,747	$8,230	$8,639
Average interest rate – U.S.$ rate	7.1%	7.2%	7.2%	7.1%	6.9%	7.2%	7.2%	
Long-term obligation related to real estate investment trust								
Fixed rate obligation	36	39	43	46	50	382	596	660
Fixed interest rate – U.S.$ rate	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	
Interest Rate Derivative Financial Instruments Related to Debt								
Interest rate swap								
Pay variable/receive fixed	–	–	500	–	–	–	500	–
Average rate paid – 30-day U.S. commercial paper non-financial plus .134%								
Fixed rate received- U.S.$ rate	–	–	5.7%	–	–	–	5.7%	
Interest Rate Derivative Financial Instruments Related to Real Estate Investment Trust Obligation								
Interest rate swap								
Pay variable/receive fixed	34	38	41	45	49	378	585	17
Average pay rate – 30-day U.S. commercial paper non-financial								
Fixed rate received- U.S.$ rate	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
Interest rate swap								
Pay variable/receive fixed	–	–	–	–	–	230	230	20
Average rate paid – 6-month U.S. LIBOR								
Fixed rate received- U.S.$ rate	–	–	–	–	–	7.0%	7.0%	
Interest Rate Derivative Financial Instrument Related to Currency Swap								
German Deutschemarks								
Pay variable/receive variable	–	–	–	1,101	–	–	1,101	(1)
Average rate paid – 3-month German Deutschemark LIBOR minus .0676%								
Average rate received – 30-day U.S. commercial paper non-financial								

The Company routinely enters into forward currency exchange contracts in the regular course of business to manage its exposure against foreign currency fluctuations on cross-border purchases of inventory. These contracts are generally for durations of six months or less. In addition, the Company entered into two foreign currency swaps to hedge the net investment in Germany.

The following tables provide information about the Company's derivative financial instruments, including foreign currency forward exchange agreements and currency swap agreements by functional currency and presents the information in United States dollar equivalents. For foreign currency forward exchange agreements, the table presents the notional amounts and average exchange rates by contractual maturity dates.

Foreign Currency Exchange Rate Sensitivity
As of January 31, 1999
Principal (Notional) Amount by Expected Maturity

(Amounts in millions)	2000	2001	2002	2003	2004	Thereafter	Total	Fair value 1/31/99
Forward Contracts to Sell Foreign Currencies for U.S.$								
Canadian Dollars								
Notional amount	45	–	–	–	–	–	45	(1)
Average contract rate	1.5	–	–	–	–	–	1.5	
German Deutschemarks								
Notional amount	1	–	–	–	–	–	1	–
Average contract rate	1.8	–	–	–	–	–	1.8	
Forward Contracts to Sell Foreign Currencies for Hong Kong $								
German Deutschemarks								
Notional amount	1	–	–	–	–	–	1	–
Average contract rate	0.2	–	–	–	–	–	0.2	
Average currency exchange rate	1.8	–	–	–	–	–	1.8	
Currency Swap Agreements								
Payment of German Deutschemarks								
Notional amount	–	–	–	1,101	–	–	1,101	(43)
Average contract rate	–	–	–	1.8	–	–	1.8	
Payment of German Deutschemarks								
Notional amount	–	–	–	–	809	–	809	18
Average contract rate	–	–	–	–	1.7	–	1.7	

Foreign Currency Exchange Rate Sensitivity
As of January 31, 1998
Principal (Notional) Amount by Expected Maturity

(Amounts in millions)	1999	2000	2001	2002	2003	Thereafter	Total	Fair value 1/31/98
Forward Contracts to Sell Foreign Currencies for U.S.$								
Canadian Dollars								
Notional amount	24	–	–	–	–	–	24	–
Average contract rate	1.4	–	–	–	–	–	1.4	
German Deutschemarks								
Notional amount	2	–	–	–	–	–	2	–
Average contract rate	1.8	–	–	–	–	–	1.8	
Forward Contracts to Sell Foreign Currencies for Hong Kong $								
German Deutschemarks								
Notional amount	1	–	–	–	–	–	1	–
Average contract rate	0.2	–	–	–	–	–	0.2	
Average currency exchange rate	1.8	–	–	–	–	–	1.8	
Currency Swap Agreements								
Payment of German Deutschemarks								
Notional amount	–	–	–	–	1,101	–	1,101	(1)
Average contract rate	–	–	–	–	1.8	–	1.8	

International Operations

The Company's foreign operations are comprised of wholly-owned operations in Argentina, Canada, Germany and Puerto Rico; joint ventures in China and Korea; and majority-owned subsidiaries in Brazil and Mexico. As a result, the Company's financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which the Company does business. The Company minimizes exposure to the risk of devaluation of foreign currencies by operating in local currencies and through buying forward contracts, where feasible, for known transactions.

All foreign operations are measured in their local currencies with the exception of Mexico, which operates in a highly-inflationary economy and reports operations using United States dollars. Beginning in fiscal 2000, Mexico will no longer be considered a highly-inflationary economy and will begin reporting its operations in its local currency. The Company does not anticipate there will be a material impact on the consolidated or International segment's results of operations or financial position as a result of the change. In fiscal 1999, the foreign currency translation adjustment increased by $36 million to $509 million primarily due to the exchange rates in Brazil and Canada, and in fiscal 1998, the foreign currency translation adjustment increased by $73 million to $473 million primarily due to the exchange rate in Canada.

The International segment's operating profit increased from $262 million in fiscal 1998 to $551 million in fiscal 1999. As noted above, the results for fiscal 1999 include the operating profit of Cifra and Wertkauf. Because the acquisitions occurred during the last half of fiscal 1998, the additional operating profit resulting from these acquisitions accounts for a part of the increase in the International segment's operating profit.

Liquidity and Capital Resources

Cash Flows Information

Cash flows from operating activities were $7,580 million in fiscal 1999, up from $7,123 million in fiscal 1998. In fiscal 1999, the Company invested $3,734 million in capital assets, paid dividends of $693 million, and had a net cash outlay of $855 million for acquisitions. Acquisitions include the purchase of six undeveloped sites and four units in Korea which had been operated by Korea Makro, and 74 Interspar hypermarkets in Germany from Spar Handels AG. See Note 6 of Notes to Consolidated Financial Statements for additional information on acquisitions.

Company Stock Purchase and Common Stock Dividends

In fiscal 1999, the Company repurchased over 21 million shares of its common stock for $1,202 million. In March of 1999 the Company announced plans to increase the existing common stock repurchase program by $1.2 billion, resulting in a total outstanding authorization of $2 billion. Additionally, the Company increased the dividend 29% to $.20 per share (after the two-for-one common stock split, which was also announced in March of 1999) for fiscal 2000. This marks the 27th consecutive yearly increase in dividends.

Borrowing Information

The Company had committed lines of credit with 78 banks, aggregating $1,872 million and informal lines of credit with various other banks, totaling an additional $1,950 million, which were used to support short-term borrowing and commercial paper. These lines of credit and their anticipated cyclical increases were sufficient to finance the seasonal buildups in merchandise inventories and other cash requirements.

The Company anticipates generating sufficient operating cash flow to pay the increased dividend and to fund all capital expenditures. Accordingly, management does not plan to finance future capital expenditures with debt. However, the Company plans to refinance existing long-term debt as it matures and may desire to obtain additional long-term financing for other uses of cash or for strategic reasons. The Company anticipates no difficulty in obtaining long-term financing in view of an excellent credit rating and favorable experiences in the debt market in the recent past. In addition to the available credit lines mentioned above, the Company may sell up to $501 million of public debt under shelf registration statements previously filed with the United States Securities and Exchange Commission.

Expansion

Domestically, the Company plans to open approximately 40 new Wal-Mart stores and approximately 150 new Supercenters. Relocations or expansions of existing discount stores will account for 90 of the Supercenters, while approximately 60 will be new locations. Due to the positive customer feedback on the Neighborhood Market concept, which is being tested in four locations, the Company plans to expand the test to additional areas. Also planned for fiscal 2000 are ten to fifteen new SAM'S Clubs, including six relocations. In addition, the Company will remodel approximately 140 of the existing SAM'S Clubs and expand one unit. In order to serve these and future developments, the Company will begin shipping from three new distribution centers in the next fiscal year. Internationally, plans are to develop 75 to 80 new retail units. These stores are planned in Argentina, Brazil, Canada, China, Korea, Mexico, and Puerto Rico. Total planned growth represents approximately 34 million square feet of net additional retail space.

Total planned capital expenditures for fiscal 2000 approximate $4.9 billion. We plan to finance our expansion primarily with operating cash flows.

Year 2000 Issue State of Readiness

Historically, computer software has been programmed to make assumptions about the century when given a date that only uses two digits to represent the year. Although these assumptions have been perfectly acceptable the past few decades, they are a potential cause for concern for software used in the year 2000 and beyond. Specifically, this abbreviated date format makes it difficult for an application or computer user to distinguish between dates starting with 19xx and 20xx. The Company has been evaluating and adjusting all of its known date-sensitive systems and equipment for Year 2000 compliance, including those systems and equipment which support the Company's International segment. The assessment phase of the Year 2000 project is substantially complete and included both information technology, such as point-of-sale computer systems, as well as non-information technology equipment, such as warehouse conveyor systems. All internal coding conversions are complete. Some third-party applications representing less than 1% of the total application inventory remain to be converted, these applications are dependent on vendor upgrade availability and will be completed by October 1999. Virtually all the conversions were performed or are expected to be performed by Company associates.

The next phase of the Company's Year 2000 project, complete system testing, began during the second quarter of fiscal 1999. The first phase of testing has been completed on critical systems. Thus far, no significant issues have been detected in the testing. A second, more comprehensive phase of testing, is scheduled for the March 1999 to July 1999 timeframe. A final test cycle is planned for October 1999 to ensure all version levels, upgrades, new releases and enhancements are Year 2000 compliant.

The total incremental estimated cost directly related to the Year 2000 remedy is $27 million. Approximately $17.5 million of the cost is related to reprogramming, replacement, extensive testing and validation of software, which is being expensed as incurred, while approximately $9.5 million is related to acquisition of hardware. Approximately $8 million of the $27 million cost of conversion has been incurred as of the end of the fourth quarter of fiscal 1999. The majority of the remaining costs include future testing of the systems and the purchase of additional equipment. All of these costs are being funded through operating cash flows. These costs are not a significant component of the Company's overall information technology budget. The Company's Information Systems Division did not defer any information technology projects last year to address the Year 2000 issue. During fiscal 2000 the Company still plans to complete and implement over half of the normal project load in priority sequence.

In addition to internal Year 2000 implementation activities, the Company is communicating with other companies with which our systems interface or on which it relies to determine the extent to which those companies are addressing their Year 2000 compliance. Testing began during the third quarter of fiscal year 1999 and will be substantially complete by October 31, 1999. Thus far, no significant issues have been detected in the testing process. There can be no assurance that there will not be an adverse effect on the Company if third parties, such as utility companies or merchandise suppliers, do not convert their systems in a timely manner and in a way that is compatible with the Company's systems. However, management believes that ongoing communication with and assessment of these third parties should minimize these risks.

The Company anticipates minimal business disruption will occur as a result of Year 2000 issues; however, possible consequences include, but are not limited to, loss of communications links with certain store locations, loss of electric power, inability to process transactions, send purchase orders, or engage in similar normal business activities. In addition, since there is no uniform definition of Year 2000 compliance and not all customer situations can be anticipated, the Company may experience an increase in sales returns of merchandise that may contain hardware or software components. If returns of merchandise increase, such returns are not expected to be material to the Company's financial condition.

Although the Company has not finalized its contingency plans for possible Year 2000 issues, initial analysis and planning is underway. Where needed, the Company will establish contingency plans based on its actual testing experience with its supplier base and assessment of outside risks. The Company anticipates the majority of its contingency plans to be in place by October 31, 1999.

The cost of the conversions and the completion dates are based on management's best estimates and may be updated as additional information becomes available. Readers are referred to the next section of this report, which addresses forward-looking statements made by the Company.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. Certain statements contained in Management's Discussion and Analysis and in other Company filings are forward-looking statements. These statements discuss, among other things, expected growth, future revenues, future cash flows and future performance. The forward-looking statements are subject to risks and uncertainties including but not limited to the cost of goods, competitive pressures, inflation, consumer debt levels, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, Year 2000 issues, interest rate fluctuations and other capital market conditions, and other risks indicated in the Company's filings with the United States Securities and Exchange Commission. Actual results may materially differ from anticipated results described in these statements.

(Amounts in millions except per share data) Fiscal years ended January 31,	**1999**	1998	1997
Revenues:			
Net sales	**$ 137,634**	$ 117,958	$ 104,859
Other income-net	**1,574**	1,341	1,319
	139,208	119,299	106,178
Costs and Expenses:			
Cost of sales	**108,725**	93,438	83,510
Operating, selling and general and administrative expenses	**22,363**	19,358	16,946
Interest Costs:			
Debt	**529**	555	629
Capital leases	**268**	229	216
	131,885	113,580	101,301
Income Before Income Taxes, Minority Interest and Equity in Unconsolidated Subsidiaries	**7,323**	5,719	4,877
Provision for Income Taxes			
Current	**3,380**	2,095	1,974
Deferred	**(640)**	20	(180)
	2,740	2,115	1,794
Income Before Minority Interest and Equity in Unconsolidated Subsidiaries	**4,583**	3,604	3,083
Minority Interest and Equity in Unconsolidated Subsidiaries	**(153)**	(78)	(27)
Net Income	**$ 4,430**	$ 3,526	$ 3,056
Net Income Per Share – Basic and Dilutive	**$0.99**	$0.78	$0.67
Average Number of Common Shares:			
Basic	**4,464**	4,516	4,585
Dilutive	**4,485**	4,533	4,592

See accompanying notes.

(Amounts in millions) January 31,	1999	1998
Assets		
Current Assets:		
Cash and cash equivalents	**$ 1,879**	$ 1, 447
Receivables	**1,118**	976
Inventories		
At replacement cost	**17,549**	16,845
Less LIFO reserve	**473**	348
Inventories at LIFO cost	**17,076**	16,497
Prepaid expenses and other	**1,059**	432
Total Current Assets	**21,132**	19,352
Property, Plant and Equipment, at Cost:		
Land	**5,219**	4,691
Building and improvements	**16,061**	14,646
Fixtures and equipment	**9,296**	7,636
Transportation equipment	**553**	403
	31,129	27,376
Less accumulated depreciation	**7,455**	5,907
Net property, plant and equipment	**23,674**	21,469
Property Under Capital Lease:		
Property under capital lease	**3,335**	3.040
Less accumulated amortization	**1,036**	903
Net property under capital leases	**2,299**	2,137
Other Assets and Deferred Charges	**2,891**	2,426
Total Assets	**$ 49,996**	$ 45,384
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	**$ 10,257**	$ 9,126
Accrued liabilities	**4,998**	3,628
Accrued income taxes	**501**	565
Long-term debt due within one year	**900**	1,039
Obligations under capital leases due within one year	**106**	102
Total Current Liabilities	**16,762**	14,460
Long-Term Debt	**6,908**	7,191
Long-Term Obligations Under Capital Leases	**2,699**	2,483
Deferred Income Taxes and Other	**716**	809
Minority Interest	**1,799**	1,938
Shareholders' Equity		
Preferred stock ($.10 par value; 100 shares authorized, none issued)		
Common stock ($.10 par value; 5,500 shares authorized, 4,448 and 2,241 issued and outstanding in 1999 and 1998, respectively)	**445**	224
Capital in excess of par value	**435**	585
Retained earnings	**20,741**	18,167
Other accumulated comprehensive income	**(509)**	(473)
Total Shareholders' Equity	**21,112**	18,503
Total Liabilities and Shareholders' Equity	**$ 49,996**	$ 45,384

See accompanying notes.

(Amounts in millions except per share data)	Number of shares	Common stock	Capital in excess of par value	Retained earnings	Other accumulated comprehensive income	Total
Balance – January 31, 1996	2,293	$ 229	$ 545	$ 14,394	($ 412)	$ 14,756
Comprehensive Income						
Net income				3,056		3,056
Other accumulated comprehensive income						
Foreign currency translation adjustment					12	12
Total Comprehensive income						**$ 3,068**
Cash dividends ($.11 per share)				(481)		(481)
Purchase of Company stock	(8)		(7)	(201)		(208)
Stock options exercised and other		(1)	9			8
Balance – January 31, 1997	2,285	228	547	16,768	(400)	17,143
Comprehensive Income						
Net income				3,526		3,526
Other accumulated comprehensive income						
Foreign currency translation adjustment					(73)	(73)
Total Comprehensive income						**$3,453**
Cash dividends ($.14 per share)				(611)		(611)
Purchase of Company stock	(47)	(5)	(48)	(1,516)		(1,569)
Stock options exercised and other	3	1	86			87
Balance – January 31, 1998	2,241	224	585	18,167	(473)	18,503
Comprehensive Income						
Net income				4,430		4,430
Other accumulated comprehensive income						
Foreign currency translation adjustment					(36)	(36)
Total Comprehensive income						**$4,394**
Cash dividends ($.16 per share)				(693)		(693)
Purchase of Company stock	(21)	(2)	(37)	(1,163)		(1,202)
Two-for-one stock split						
(announced March 4, 1999)	2,224	223	(223)			
Stock options exercised and other	4		110			110
Balance – January 31, 1999	4,448	$ 445	$ 435	$ 20,741	($ 509)	$ 21,112

See accompanying notes.

(Amounts in millions) Fiscal years ended January 31,	1999	1998	1997
Cash flows from operating activities			
Net Income	**$ 4,430**	$ 3,526	$ 3,056
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**1,872**	1,634	1,463
Increase in accounts receivable	**(148)**	(78)	(58)
(Increase)/decrease in inventories	**(379)**	(365)	99
Increase in accounts payable	**1,108**	1,048	1,208
Increase in accrued liabilities	**1,259**	1,329	430
Deferred income taxes	**(640)**	20	(180)
Other	**78**	9	(88)
Net cash provided by operating activities	**7,580**	7,123	5,930
Cash flows from investing activities			
Payments for property, plant and equipment	**(3,734)**	(2,636)	(2,643)
Proceeds from sale of photo finishing plants	–	–	464
Acquisitions	**(855)**	(1,865)	–
Other investing activities	**171**	80	111
Net cash used in investing activities	**(4,418)**	(4,421)	(2,068)
Cash flows from financing activities			
Decrease in commercial paper	–	–	(2,458)
Proceeds from issuance of long-term debt	**536**	547	–
Net proceeds from formation of Real Estate Investment Trust	–	–	632
Purchase of Company stock	**(1,202)**	(1,569)	(208)
Dividends paid	**(693)**	(611)	(481)
Payment of long-term debt	**(1,075)**	(554)	(541)
Payment of capital lease obligations	**(101)**	(94)	(74)
Other financing activities	**(195)**	143	68
Net cash used in financing activities	**(2,730)**	(2,138)	(3,062)
Net increase in cash and cash equivalents	**432**	564	800
Cash and cash equivalents at beginning of year	**1,447**	883	83
Cash and cash equivalents at end of year	**$ 1,879**	$ 1,447	$ 883
Supplemental disclosure of cash flow information			
Income tax paid	**$ 3,458**	$ 1,971	$ 1,791
Interest paid	**805**	796	851
Capital lease obligations incurred	**347**	309	326
Investment in unconsolidated subsidiary exchanged in acquisition	**–**	226	–

See accompanying notes.

1 Summary of Significant Accounting Policies

Consolidation
The consolidated financial statements include the accounts of subsidiaries. Significant intercompany transactions have been eliminated in consolidation.

Cash and cash equivalents
The Company considers investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories
The Company uses the retail last in first out (LIFO) method for domestic Wal-Mart discount stores and Supercenters and cost LIFO for SAM'S Clubs. International inventories are on other cost methods. Inventories are not in excess of market value.

Pre-opening costs
During fiscal 1999, the Company adopted Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities." The SOP requires that the costs of start-up activities, including organization costs, be expensed as incurred. The impact of the adoption of SOP 98-5 was $8 million net of taxes. Due to the immateriality to the Company's results of operations, the initial application was not reported as a cumulative effect of a change in an accounting principle. The impact of the change did not have a material effect on any of the years presented.

Interest during construction
In order that interest costs properly reflect only that portion relating to current operations, interest on borrowed funds during the construction of property, plant and equipment is capitalized. Interest costs capitalized were $41 million, $33 million and $44 million in 1999, 1998 and 1997, respectively.

Financial instruments
The Company uses derivative financial instruments for purposes other than trading to reduce its exposure to fluctuations in foreign currencies and to minimize the risk and cost associated with financing and global operating activities. Contracts that effectively meet risk reduction and correlation criteria are recorded using hedge accounting. Unrealized gains and losses resulting from market movements are not recognized. Hedges of firm commitments are deferred and recognized when the hedged transaction occurs.

Goodwill and other acquired intangible assets
Goodwill and other acquired intangible assets are amortized on a straight-line basis over the periods that expected economic benefits will be provided. Management estimates such periods of economic benefits using factors such as entry barriers in certain countries, operating rights and estimated lives of other operating assets acquired. The realizability of goodwill and other intangibles is evaluated periodically when events or circumstances indicate a possible inability to recover the carrying amount. Such evaluation is based on cash flow and profitability projections that incorporate the impact of existing Company businesses. The analyses necessarily involve significant management judgment to evaluate the capacity of an acquired business to perform within projections. Historically, the Company has generated sufficient returns from acquired businesses to recover the cost of the goodwill and other intangible assets. Goodwill and other acquired intangible assets, net of accumulated amortization, included in the consolidated balance sheets is $2,538 million and $1,887 million in 1999 and 1998, respectively.

Long-lived assets
The Company periodically reviews long-lived assets and certain intangible assets when indicators of impairments exist and if the value of the assets is impaired, an impairment loss would be recognized.

Comprehensive income
In fiscal 1999, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting and display of comprehensive income and its components. The Company has reclassified all years presented to reflect comprehensive income and its components in the consolidated statements of shareholders' equity.

Stock split
On March 4, 1999, the Company announced a two-for-one stock split issued in the form of a 100% stock dividend. The date of record is March 19, 1999, and it will be distributed April 19, 1999. Consequently, the stock option data and per share data have been restated to reflect the stock split.

Advertising costs
Advertising costs are expensed as incurred and were $405 million, $292 million and $249 million in 1999, 1998 and 1997, respectively.

Operating, selling and general and administrative expenses
Buying, warehousing and occupancy costs are included in operating, selling and general and administrative expenses.

Depreciation and amortization
Depreciation and amortization for financial statement purposes is provided on the straight-line method over the estimated useful lives of the various assets. For income tax purposes, accelerated methods are used with recognition of deferred income taxes for the resulting temporary differences. Estimated useful lives are as follows:

Building and improvements	5-33 years
Fixtures and equipment	5-12 years
Transportation equipment	2-5 years
Goodwill and other acquired intangible assets	20-40 years

Costs of computer software
In March 1998, the Accounting Standards Executive Committee issued Statement of Position (SOP) 98-1, "Accounting For the Costs of Computer Software Developed For or Obtained For Internal Use." The SOP will be effective for the Company beginning February 1, 1999. The SOP will require the capitalization of certain costs incurred in connection with developing or obtaining software for internal use. Currently, costs related to developing internal-use software are expensed as incurred. The Company does not anticipate there will be a material impact on the results of operations or financial position after SOP 98-1 is adopted.

Accounting for derivative instruments and hedging activities

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Statement will be effective for the Company beginning February 1, 2000. The new Statement requires all derivatives to be recorded on the balance sheet at fair value and establishes accounting treatment for three types of hedges: hedges of changes in the fair value of assets, liabilities, or firm commitments; hedges of the variable cash flows of forecasted transactions; and hedges of foreign currency exposures of net investments in foreign operations. The Company is analyzing the implementation requirements and currently does not anticipate there will be a material impact on the results of operations or financial position after the adoption of Statement No. 133.

Net income per share

Basic net income per share is based on the weighted average outstanding common shares. Dilutive net income per share is based on the weighted average outstanding shares reduced by the dilutive effect of stock options.

Foreign currency translation

The assets and liabilities of most foreign subsidiaries are translated at current exchange rates and any related translation adjustments are recorded as a component of accumulated comprehensive income. Operations in Mexico operate in highly inflationary economies and certain assets are translated at historical exchange rates and all translation adjustments are reflected in the Consolidated Statements of Income. Beginning in fiscal 2000, Mexico will no longer be considered highly inflationary and will begin reporting operations in local currency.

Estimates and assumptions

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior periods to conform to current presentations.

2 Defined Contribution Plans

The Company maintains profit sharing plans under which most full-time and many part-time associates become participants following one year of employment and a 401(k) plan in which the same associates may elect to contribute up to 10% of their earnings.

The Company will make annual contributions to these plans on behalf of all eligible associates, including those who have not elected to contribute to the 401(k) plan.

Annual Company contributions are made at the sole discretion of the Company, and were $388 million, $321 million and $247 million in 1999, 1998 and 1997, respectively.

3 Commercial Paper and Long-term Debt

Information on short-term borrowings and interest rates is as follows (dollar amounts in millions):

Fiscal years ended January 31,	**1999**	1998	1997
Maximum amount outstanding at month-end	**$ 1,976**	$ 1,530	$ 2,209
Average daily short-term borrowings	**256**	212	1,091
Weighted average interest rate	**5.1%**	5.6%	5.3%

At January 31, 1999 and 1998, there were no short-term borrowings outstanding. At January 31, 1999, the Company had committed lines of credit of $1,872 million with 78 banks and informal lines of credit with various banks totaling an additional $1,950 million, which were used to support short-term borrowings and commercial paper. Short-term borrowings under these lines of credit bear interest at or below the prime rate.

Long-term debt at January 31, consists of (amounts in millions):

Fiscal years ended January 31,		1999	1998
8.625%	Notes due April 2001	$ 750	$ 750
5.875%	Notes due October 2005	597	597
5.850%	Notes due June 2018 with biannual put options	500	–
5.650%	Notes due February 2010 with biannual put options	500	500
7.500%	Notes due May 2004	500	500
9.100%	Notes due July 2000	500	500
6.500%	Notes due June 2003	454	454
7.250%	Notes due June 2013	445	445
7.800% - 8.250%	Obligations from sale/leaseback transactions due 2014	427	458
6.750%	Notes due May 2002	300	300
7.000% - 8.000%	Obligations from sale/leaseback transactions due 2013	292	306
8.500%	Notes due September 2024	250	250
6.750%	Notes due October 2023	250	250
8.000%	Notes due September 2006	250	250
6.125%	Eurobond due November 2000	250	250
6.375%	Notes due March 2003	228	228
6.750%	Eurobond due May 2002	200	200
6.875%	Eurobond due June 1999	–	250
6.125%	Notes due October 1999	–	500
	Other	215	203
		$ 6,908	$ 7,191

The Company has $1 billion of outstanding debt with imbedded put options. Beginning in fiscal 2001, and every second year thereafter the holders of the debt may require the Company to repurchase the debt at face value.

Long-term debt is unsecured except for $182 million which is collateralized by property with an aggregate carrying value of approximately $347 million. Annual maturities of long-term debt during the next five years are (in millions):

Fiscal years ended January 31,	Annual maturity
2000	$ 900
2001	1,284
2002	801
2003	558
2004	285
Thereafter	3,980

The Company has agreed to observe certain covenants under the terms of its note agreements, the most restrictive of which relate to amounts of additional secured debt and long-term leases.

The Company has entered into sale/leaseback transactions involving buildings while retaining title to the underlying land. These transactions were accounted for as financings and are included in long-term debt and the annual maturities schedules above. The resulting obligations are amortized over the lease terms. Future minimum lease payments for each of the five succeeding years as of January 31, 1999, are (in millions):

Fiscal years ended January 31,	Minimum rentals
2000	$104
2001	100
2002	94
2003	98
2004	93
Thereafter	724

At January 31, 1999 and 1998, the Company had letters of credit outstanding totaling $767 million and $673 million, respectively. These letters of credit were issued primarily for the purchase of inventory.

Under shelf registration statements previously filed with the Securities and Exchange Commission, the Company may issue debt securities aggregating $501 million.

4 Financial Instruments

Interest rate instruments

The Company enters into interest rate swaps to minimize the risks and costs associated with its financing activities. The swap agreements are contracts to exchange fixed or variable rate interest for fixed or variable interest rate payments periodically over the life of the instruments. The notional amounts are used to measure interest to be paid or received and do not represent the exposure due to credit loss. Settlements of interest rate swaps are accounted for by recording the net interest received or paid as an adjustment to interest expense on a current basis. These instruments are not recorded on the balance sheet, and as of January 31, 1999 and 1998, are as follows:

Notional amount (in millions)	Maturity date	Rate received	Rate paid	Fair value
January 31, 1999				
$ 551	2007	7.0%	30-day U.S. commercial paper non-financial	$44
500	2001	5.9%	30-day U.S. commercial paper non-financial plus .245%	5
500	2001	5.7%	30-day U.S. commercial paper non-financial plus .134%	10
1,101	2003	5.8%	30-day U.S. commercial paper non-financial	28
1,101	2003	30-day U.S. commercial paper non-financial	3-month German DEM LIBOR minus .0676%	(43)
1,101	2003	3-month German DEM LIBOR minus .0676%	4.5% – DEM rate	(58)
809	2004	5.2%	30-day U.S. commercial paper non-financial	1
809	2004	30-day U.S. commercial paper non-financial	3-month German DEM LIBOR minus .055%	18
809	2004	3-month German DEM LIBOR minus .055%	3.4% – DEM rate	3
230	2027	7.0%	6-month U.S. LIBOR	30
January 31, 1998				
$ 585	2007	7.0%	30-day U.S. commercial paper non-financial	$17
500	2001	5.7%	30-day U.S. commercial paper non-financial plus .134%	–
1,101	2003	30-day U.S. commercial paper non-financial	3-month German DEM LIBOR minus .0676%	(1)
230	2027	7.0%	6-month U.S. LIBOR	20

Foreign exchange instruments

The Company has entered into two foreign currency swap agreements to hedge its net investment in Germany. In fiscal 1998, the Company entered into a foreign currency swap where it will pay 1,960 million in German Deutschemarks in 2003 and will receive $1,101 million in United States Dollars. In fiscal 1999, the Company entered into a foreign currency swap where it will pay 1,360 million in German Deutschemarks in 2004 and will receive $809 million in United States Dollars.

The Company routinely enters into forward currency exchange contracts in the regular course of business to manage its exposure against foreign currency fluctuations on cross-border purchases of inventory. These contracts are generally for short durations of six months or less and are insignificant to the Company's operations or financial position. There were approximately $46 million notional outstanding at January 31, 1999.

Fair value of financial instruments

Cash and cash equivalents: The carry amount approximates fair value due to the short maturity of these instruments.

Long-term debt: The fair value of the Company's long-term debt, including current maturities, approximates $8,323 million at January 31, 1999 and is based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

Interest rate instruments: The fair values are estimated amounts the Company would receive or pay to terminate the agreements as of the reporting dates.

Foreign currency contracts: The fair value of foreign currency contracts are estimated by obtaining quotes from external sources.

5 Income Taxes

The income tax provision consists of the following (in millions):

Fiscal years ended January 31	**1999**	1998	1997
Current			
Federal	**$ 3,043**	$ 1,891	$ 1,769
State and local	**254**	186	201
International	**83**	18	4
Total current tax provision	**3,380**	2,095	1,974
Deferred			
Federal	**(655)**	(5)	(97)
State and local	**(28)**	(2)	(9)
International	**43**	27	(74)
Total deferred tax provision	**(640)**	20	(180)
Total provision for income taxes	**$ 2,740**	$ 2,115	$ 1,794

Items that give rise to significant portions of the deferred tax accounts at January 31, are as follows (in millions):

Fiscal years ended January 31,	**1999**	1998	1997
Deferred tax liabilities:			
Property, plant and equipment	**$ 695**	$ 797	$ 721
Inventory	**286**	275	145
International, principally asset basis differences	**272**	387	83
Other	**36**	33	45
Total deferred tax liabilities	**1,289**	1,492	994
Deferred tax assets:			
Amounts accrued for financial reporting purposes not yet deductible for tax purposes	**985**	441	295
Capital leases	**188**	190	169
International, asset basis and loss carryforwards	**143**	258	314
Deferred revenue	**66**	89	113
Other	**184**	108	68
Total deferred tax assets	**1,566**	1,086	959
Net deferred tax (assets) liabilities	**$ (277)**	$ 406	$ 35

A reconciliation of the significant differences between the effective income tax rate and the federal statutory rate on pretax income follows:

Fiscal years ended January 31,	**1999**	**1998**	**1997**
Statutory tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal income tax benefit	**2.0%**	2.1%	2.2%
International	**(0.5%)**	(0.3%)	(1.5%)
Other	**0.9%**	0.2%	1.1%
	37.4%	37.0%	36.8%

6 Acquisitions

On January 1, 1999, the Company took possession of 74 units from the Interspar hypermarket chain in Germany. The units were acquired from Spar Handels AG, a German company that owns multiple retail formats and wholesale operations throughout Germany. The transaction closed on December 29, 1998; therefore, the assets are included in the Company's consolidated balance sheet and the results of operations will be included beginning in fiscal 2000. The transaction has been recorded as a purchase. The net assets and liabilities acquired are recorded at fair value. Resulting goodwill is being amortized over 40 years.

In July 1998, the Company extended its presence in Asia with an investment in Korea. The Company acquired a majority interest in four units as well as six undeveloped sites. The four units were previously operated by Korea Makro. The transaction has been accounted for as a purchase. The new assets and liabilities acquired are recorded at fair value. The goodwill is being amortized over 40 years. The results of operations since the effective date of the acquisition have been included in the Company's results.

A merger of the Mexican joint venture companies owned by Wal-Mart Stores, Inc. and Cifra, S.A. de C.V. (Cifra) with, and into Cifra, was consummated with an effective merger date of September 1, 1997. The Company received voting shares of Cifra equaling approximately 33.5% of the outstanding voting shares of Cifra in exchange for the Company's joint venture interests having a net book value of approximately $644 million.

The Company then acquired 593,100,000 shares of the Series "A" Common Shares and Series "B" Common Shares of Cifra, for approximately $1.2 billion. The transaction has been accounted for as a purchase. The net assets and liabilities acquired are recorded at fair value. Resulting goodwill is being amortized over 40 years. As a result of the merger and tender offer, Wal-Mart holds a majority interest of the outstanding voting shares of Cifra. The results of operations for Cifra, since the effective merger date, have been included in the Company's results.

In December 1997, the Company acquired the Wertkauf hypermarket chain in Germany, as well as certain real estate. The 21 hypermarkets are one-stop shopping centers that offer a broad assortment of high quality general merchandise and food and are similar to the Wal-Mart Supercenter format in the United States. The transaction has been accounted for as a purchase. Net assets and liabilities of Wertkauf and the real estate are recorded at fair value. The goodwill is being amortized over 40 years. The transaction closed on December 30, 1997; therefore, the assets are included in the January 31, 1998 consolidated balance sheet and the results of operations are included in fiscal 1999.

In December 1997, the Company acquired the minority interest in its Brazilian joint venture from Lojas Americanas, and then sold a lesser share to an individual. The purchase price of the minority interest approximated book value. Because the transaction closed on December 30, 1997, the results of operations for fiscal 1998 include the Company's original ownership percentage of the joint venture.

Pro forma results of operations are not presented due to the insignificant differences from historical results, both individually and in the aggregate. The fair value of the assets and liabilities recorded as a result of these transactions is as follows (in millions):

	1999	1998
Cash and cash equivalents	$137	$ 500
Receivables	–	97
Inventories	200	266
Net property, plant and equipment	219	2,105
Goodwill and other acquired intangible assets	576	1,213
Accounts payable	(112)	(431)
Accrued liabilities	(60)	(132)
Deferred income taxes	32	(353)
Minority interest	(22)	(705)
Other	22	31
	992	2,591
Investment in unconsolidated Mexican subsidiary exchanged	–	(226)
Total cash purchase price	$992	$ 2,365

7 Stock Option Plans

At January 31, 1999, 131 million shares of common stock were reserved for issuance under stock option plans. The options granted under the stock option plans expire ten years from the date of grant. Options granted prior to November 17, 1995, may be exercised in nine annual installments. Generally, options granted on or after November 17, 1995, may be exercised in seven annual installments. The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options because the alternative fair value accounting provided under FASB Statement 123, "Accounting for Stock-Based Compensation," (FAS No. 123) requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

Pro forma information, regarding net income and income per share, is required by FAS No.123 and has been determined as if the Company had accounted for its associate stock option plans under the fair value method of that statement. The fair value of these options was estimated at the date of the grant using the Black-Scholes option pricing model with the following assumption ranges: risk-free interest rates between 7.2% and 4.4%, dividend yields between 0.4% and 1.2%, volatility factors between .23 and .29, and an expected life of the option of 7.4 years for the options issued prior to November 17, 1995, and 5.8 years for options issued thereafter.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferrable. In addition, option valuation methods require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's associate stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its associate stock options. Using the Black-Scholes option evaluation model, the weighted average value of options granted during the years ending January 31, 1999, 1998 and 1997, were $14, $7 and $4 per option, respectively.

The effect of applying the fair value method of FAS No. 123 to the stock option grants subsequent to February 1, 1995, does not result in net income and net income per share that are materially different from the amounts reported in the Company's consolidated financial statements as demonstrated below: (Amounts in millions except per share data)

	1999	1998	1997
Pro forma net income	$ 4,397	$ 3,504	$ 3,042
Pro forma earnings per share – basic	$ 0.98	$ 0.78	$ 0.66
– dilutive	$ 0.98	$ 0.77	$ 0.66

The following table summarizes information about stock options outstanding as of January 31, 1999.

Range of exercise prices	Number of outstanding options	Weighted average remaining life (Years)	Weighted average exercise price of outstanding options	Number of options exercisable	Weighted average exercise price of exercisable options
$ 4.39 to 5.33	1,544,000	1.0	$ 5.30	1,538,000	$ 5.30
6.63 to 8.84	1,155,000	1.9	7.25	831,000	7.25
10.00 to 14.88	35,277,000	6.5	12.03	8,869,000	12.37
15.41 to 19.97	11,726,000	9.0	19.30	1,113,000	19.13
20.88 to 34.53	716,000	9.5	28.79	6,000	20.88
39.88 to 43.00	5,740,000	10.0	39.90	–	–
$ 4.39 to 43.00	56,158,000	7.2	$16.32	12,357,000	$12.78

Further information concerning the options is as follows:

	Shares	Option price per share	Weighted average price per share	Total
January 31, 1996	44,058,000	$ 2.47-15.41	$ 10.84	$ 477,389,000
(10,022,000 shares exercisable)				
Options granted	22,932,000	11.13-12.63	11.60	265,931,000
Options canceled	(4,220,000)	2.89-15.41	11.64	(49,109,000)
Options exercised	(1,998,000)	2.47-12.88	5.17	(10,327,000)
January 31, 1997	60,772,000	3.25-15.41	11.26	683,884,000
(12,896,000 shares exercisable)				
Options granted	10,526,000	12.44-19.97	18.93	199,309,000
Options canceled	(3,604,000)	3.25-17.53	11.72	(42,251,000)
Options exercised	(7,038,000)	3.25-15.41	9.62	(67,729,000)
January 31, 1998	60,656,000	3.60-19.97	12.75	773,213,000
(13,462,000 shares exercisable)				
Options granted	9,256,000	12.63-43.00	33.02	305,646,000
Options canceled	(4,254,000)	4.39-39.88	13.74	(58,436,000)
Options exercised	(9,500,000)	3.59-19.09	10.92	(103,748,000)
January 31, 1999	56,158,000	$ 4.39-43.00	$ 16.32	$ 916,675,000
(12,357,000 shares exercisable)				
Shares available for option:				
January 31, 1998	80,258,000			
January 31, 1999	75,256,000			

8 Long-term Lease Obligations

The Company and certain of its subsidiaries have long-term leases for stores and equipment. Rentals (including, for certain leases, amounts applicable to taxes, insurance, maintenance, other operating expenses and contingent rentals) under all operating leases were $654 million, $596 million and $561 million in 1999, 1998 and 1997, respectively. Aggregate minimum annual rentals at January 31, 1999, under non-cancelable leases are as follows (in millions):

Fiscal year	Operating leases	Capital leases
1999	$ 394	$ 349
2000	371	370
2001	358	370
2002	337	366
2003	324	365
Thereafter	2,745	3,504
Total minimum rentals	$ 4,529	5,324
Less estimated executory costs		69
Net minimum lease payments		5,255
Less imputed interest at rates ranging from 6.1% to 14.0%		2,450
Present value of minimum lease payments		$ 2,805

Certain of the leases provide for contingent additional rentals based on percentage of sales. Such additional rentals amounted to $49 million, $46 million and $51 million in 1999, 1998 and 1997, respectively. Substantially all of the store leases have renewal options for additional terms from five to 25 years at comparable rentals.

The Company has entered into lease commitments for land and buildings for 47 future locations. These lease commitments with real estate developers provide for minimum rentals for 20 to 25 years, excluding renewal options, which if consummated based on current cost estimates, will approximate $49 million annually over the lease terms.

9 Segments

The Company and its subsidiaries are principally engaged in the operation of mass merchandising stores located in all 50 states, Argentina, Canada, Germany, and Puerto Rico, and through joint ventures in China and Korea, and through majority-owned subsidiaries in Brazil and Mexico.

The Company identifies segments based on management responsibility within the United States and geographically for all international units. The Wal-Mart Stores segment includes the Company's discount stores and Supercenters in the United States. The SAM'S Club segment includes the warehouse membership clubs in the United States. The Company's operations in Argentina, Brazil, Germany, Mexico, China and Korea are consolidated using a December 31 fiscal year end, generally due to statutory reporting requirements. The Company's operations in Canada and Puerto Rico are consolidated using a January 31 fiscal year end. There were no significant intervening events which materially affected the financial statements. The Company measures segment profit as operating profit, which is defined as income before interest expense, income taxes and minority interest. Information on segments and a reconciliation to income, before income taxes and minority interest, are as follows (in millions):

Fiscal year ended January 31,1999

	Wal-Mart Stores	SAM'S Club	International	Other	Consolidated
Revenues from external customers	$ 95,395	$ 22,881	$ 12,247	$ 7,111	$ 137,634
Intercompany real estate charge (income)	1,502	355		(1,857)	
Depreciation and amortization	716	111	252	793	1,872
Operating income	7,075	707	551	(213)	8,120
Interest expense					797
Income before income taxes and minority interest					7,323
Total assets	$ 16,950	$ 2,834	$ 9,537	$ 20,675	$ 49,996

Fiscal year ended January 31,1998

	Wal-Mart Stores	SAM'S Club	International	Other	Consolidated
Revenues from external customers	$ 83,820	$ 20,668	$ 7,517	$ 5,953	$ 117,958
Intercompany real estate charge (income)	1,375	349		(1,724)	
Depreciation and amortization	674	104	118	738	1,634
Operating income	5,833	616	262	(208)	6,503
Interest expense					784
Income before income taxes and minority interest					5,719
Total assets	$ 16,229	$ 2,933	$ 7,390	$ 18,832	$ 45,384

Fiscal year ended January 31,1997

	Wal-Mart Stores	SAM'S Club	International	Other	Consolidated
Revenues from external customers	$ 74,840	$ 19,785	$ 5,002	$ 5,232	$ 104,859
Intercompany real estate charge (income)	1,250	346		(1,596)	
Depreciation and amortization	628	99	70	666	1,463
Operating income	5,033	557	24	108	5,722
Interest expense					845
Income before income taxes and minority interest					4,877
Total assets	$ 15,387	$ 3,115	$ 2,887	$ 18,215	$ 39,604

International long-lived assets excluding goodwill are $4,044 million, $3,537 million and $1,199 million in 1999, 1998 and 1997, respectively. Additions to international long-lived assets are $732 million, $2,401 million and $317 million in 1999, 1998 and 1997, respectively. The International segment includes all international real estate. All of the real estate in the United States is included in the "Other" category and is leased to Wal-Mart Stores and SAM'S Club. The revenues in the "Other" category result from sales to third parties by McLane Company, Inc., a wholesale distributor.

McLane offers a wide variety of grocery and non-grocery products, which it sells to a variety of retailers including the Company's Wal-Mart Stores and SAM'S Club segments. McLane is not a significant segment and therefore, results are not presented separately.

10 Quarterly Financial Data (unaudited)

Amounts in millions (except per share information)	Quarters ended April 30,	July 31,	October 31,	January 31,
1999				
Net sales	$ 29,819	$ 33,521	$ 33,509	$ 40,785
Cost of sales	23,526	26,422	26,380	32,397
Net income	828	1,034	1,009	1,559
Net income per share, basic and dilutive	$.18	$.23	$.23	$.35
1998				
Net sales	$ 25,409	$ 28,386	$ 28,777	$ 35,386
Cost of sales	20,127	22,478	22,680	28,153
Net income	652	795	792	1,287
Net income per share, basic and dilutive	$.14	$.18	$.17	$.29

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders,
Wal-Mart Stores, Inc.

We have audited the accompanying consolidated balance sheets of Wal-Mart Stores, Inc. as of January 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wal-Mart Stores, Inc. and Subsidiaries at January 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 1999, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Tulsa, Oklahoma
March 24, 1999

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements and information of Wal-Mart Stores, Inc. presented in this Report have been prepared by management which has responsibility for their integrity and objectivity. These financial statements have been prepared in conformity with generally accepted accounting principles, applying certain estimates and judgments based upon currently available information and management's view of current conditions and circumstances.

Management has developed and maintains a system of accounting and controls, including an extensive internal audit program, designed to provide reasonable assurance that the Company's assets are protected from improper use and that accounting records provide a reliable basis for the preparation of financial statements. This system is continually reviewed, improved and modified in response to changing business conditions and operations, and to recommendations made by the independent auditors and the internal auditors. Management believes that the accounting and control systems provide reasonable assurance that assets are safeguarded and financial information is reliable.

The Company has adopted a Statement of Ethics to guide our management in the continued observance of high ethical standards of honesty, integrity and fairness in the conduct of the business and in accordance with the law. Compliance with the guidelines and standards is periodically reviewed and is acknowledged, in writing, by all management associates.

The Board of Directors, through the activities of its Audit Committee consisting solely of outside Directors, participates in the process of reporting financial information. The duties of the Committee include keeping informed of the financial condition of the Company and reviewing its financial policies and procedures, its internal accounting controls and the objectivity of its financial reporting. Both the Company's independent auditors and the internal auditors have free access to the Audit Committee and meet with the Committee periodically, with and without management present.

John B. Menzer
Executive Vice President and Chief Financial Officer

Registrar and Transfer Agent:

First Chicago Trust Company of New York
P.O. Box 2540
Jersey City, NJ 07303-2540
1-800-438-6278 (GET-MART)

TDD for hearing impaired: 1-202-222-4955

Internet: http://www.fctc.com

Dividend Reinvestment and Direct Stock Purchase Available

Listings- Stock Symbol: WMT

New York Stock Exchange
Pacific Stock Exchange

Annual Meeting:

Our Annual Meeting of Shareholders will be held on Friday, June 4, 1999, at 9:00 a.m. in Bud Walton Arena on the University of Arkansas campus, Fayetteville, Arkansas.

Independent Auditors:

Ernst & Young LLP
3900 One Williams Center
Tulsa, Oklahoma 74172

Corporate Address:

Wal-Mart Stores, Inc.
Bentonville, AR 72716-8611
Telephone: 501-273-4000

Internet: http://www.wal-mart.com

The following reports are available upon request by writing the Company or by calling 501-273-8446.

Annual Report on Form 10-K*
Quarterly Financial Information*
Current Press Releases*
Diversity Programs Report
Copy of Proxy Statement

* These reports are also available via fax and e-mail.

Market Price of Common Stock **

	Fiscal years ended January 31,			
	1999		1998	
Quarter Ended	Hi	Low	Hi	Low
April 30	$26.94	$20.41	$14.94	$11.56
July 31	$34.50	$24.97	$19.28	$14.13
October 31	$34.53	$26.56	$19.38	$16.09
January 31	$43.00	$33.44	$20.88	$18.03

Dividends Paid Per Share **

Fiscal years ended January 31, Quarterly			
1999		1998	
April 6	$0.0388	April 9	$0.0338
July 13	$0.0388	July 14	$0.0338
October 12	$0.0388	October 14	$0.0338
January 11	$0.0388	January 12	$0.0338

Trustees

5.65%, 5.85%, 5 7/8%, 6 1/8%, 6 3/8%, 6 1/2%, 6 3/4%, 7 1/4%, 7 1/2%, 8%, 8 1/2%, 8 5/8% Notes, and $110,000,000 of the Mortgage Notes:
First National Bank
of Chicago
One First National Plaza
Suite 126
Chicago, Illinois 60670

9 1/10% Notes:
Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690

Obligations from Sale/Leaseback Transaction (Wal-Mart Retail Trust I, II, III):
State Street Bank & Trust
Company of Connecticut
750 Main Street
Suite 1114
Hartford, Connecticut 06103

6 1/8%, 6 3/4%, 6 7/8% Eurobonds:
First National Bank
of Chicago
First Chicago House
90 Long Acre
London, England WC2E9RB
United Kingdom

Participating Mortgage Certificates I & II:
Bank of New York
Attn: Corp. Trust Administrator
101 Barclay Street
New York, New York 10286

Pass Through Certificates 1992-A-1-7.49%
First Security Bank
of Utah, N.A.
Corporate Trust Department
79 South Main Street
P.O. Box 30007
Salt Lake City, Utah 84130

Pass Through Certificates 1992-A-2-8.07%
First Security Bank
of Idaho, N.A.
1119 North 9th Street
Boise, Idaho 83701

Pass Through Certificates 1994-A-1-8.57% 1994-A-1-8.85% 1994-B-1-8.45% 1994-B-2-8.62%
First National Bank
of Chicago
One First National Plaza
Suite 126
Chicago, Illinois 60670

** Restated to reflect the two-for-one stock split announced March 4, 1999, with date of record of March 19, 1999. The stock split is payable on April 19, 1999.

A world of opportunity

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David Glass President and CEO, Wal-Mart

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