1996 ANNUAL REPORT

WAL★MART®

FINANCIAL VERSION

11-YEAR FINANCIAL SUMMARY

(Dollar amounts in millions except per share data)	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Operating Results											
Net sales	**$93,627**	$82,494	$67,344	$55,484	$43,887	$32,602	$25,811	$20,649	$15,959	$11,909	$8,451
Net sales increase	**13%**	22%	21%	26%	35%	26%	25%	29%	34%	41%	32%
Comparative store sales increase	**4%**	7%	6%	11%	10%	10%	11%	12%	11%	13%	9%
Other income — net	**1,122**	918	641	501	403	262	175	137	105	85	55
Cost of sales	**74,564**	65,586	53,444	44,175	34,786	25,500	20,070	16,057	12,282	9,053	6,361
Operating, selling, and general and administrative expenses	**14,951**	12,858	10,333	8,321	6,684	5,152	4,070	3,268	2,599	2,008	1,485
Interest costs:											
Debt	**692**	520	331	143	113	43	20	36	25	10	2
Capital leases	**196**	186	186	180	153	126	118	99	89	76	55
Provision for income taxes	**1,606**	1,581	1,358	1,171	945	752	632	488	441	396	276
Net income	**2,740**	2,681	2,333	1,995	1,609	1,291	1,076	838	628	451	327
Per share of common stock:											
Net income	**1.19**	1.17	1.02	.87	.70	.57	.48	.37	.28	.20	.15
Dividends	**.20**	.17	.13	.11	.09	.07	.06	.04	.03	.02	.02
Financial Position											
Current assets	**$17,331**	$15,338	$12,114	$10,198	$ 8,575	$ 6,415	$ 4,713	$ 3,631	$ 2,905	$ 2,353	$1,784
Inventories at replacement cost	**16,300**	14,415	11,483	9,780	7,857	6,207	4,751	3,642	2,855	2,185	1,528
Less LIFO reserve	**311**	351	469	512	473	399	323	291	203	154	140
Inventories at LIFO cost	**15,989**	14,064	11,014	9,268	7,384	5,808	4,428	3,351	2,652	2,031	1,388
Net property, plant, and equipment and capital leases	**18,894**	15,874	13,176	9,793	6,434	4,712	3,430	2,662	2,145	1,676	1,303
Total assets	**37,541**	32,819	26,441	20,565	15,443	11,389	8,198	6,360	5,132	4,049	3,104
Current liabilities	**11,454**	9,973	7,406	6,754	5,004	3,990	2,845	2,066	1,744	1,340	993
Long-term debt	**8,508**	7,871	6,156	3,073	1,722	740	185	184	186	179	181
Long-term obligations under capital leases	**2,092**	1,838	1,804	1,772	1,556	1,159	1,087	1,009	867	764	595
Shareholders' equity	**14,756**	12,726	10,753	8,759	6,990	5,366	3,966	3,008	2,257	1,690	1,278
Financial Ratios											
Current ratio	**1.5**	1.5	1.6	1.5	1.7	1.6	1.7	1.8	1.7	1.8	1.8
Inventories/working capital	**2.7**	2.6	2.3	2.7	2.1	2.4	2.4	2.1	2.3	2.0	1.8
Return on assets*	**8.3%**	10.1%	11.3%	12.9%	14.1%	15.7%	16.9%	16.3%	15.5%	14.5%	14.8%
Return on shareholders' equity*	**21.5%**	24.9%	26.6%	28.5%	30.0%	32.6%	35.8%	37.1%	37.1%	35.2%	33.3%
Other Year-End Data											
Number of domestic Wal-Mart Stores	**1,995**	1,985	1,950	1,848	1,714	1,568	1,399	1,259	1,114	980	859
Number of domestic Supercenters	**239**	147	72	34	10	9	6	3	2		
Number of domestic SAM'S Clubs	**433**	426	417	256	208	148	123	105	84	49	23
International units	**276**	226	24	10							
Average Wal-Mart store size	**91,100**	87,600	83,900	79,800	74,700	70,700	66,400	63,500	61,500	59,000	57,000
Number of associates	**675,000**	622,000	528,000	434,000	371,000	328,000	271,000	223,000	183,000	141,000	104,000
Number of shareholders of record	**244,483**	259,286	257,946	180,584	150,242	122,414	79,929	80,270	79,777	32,896	21,828

*On beginning of year balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Revenues

Sales for the three fiscal years ended January 31, and the respective total and comparable store percentage increases over the prior year were:

Fiscal Year	Sales (in millions)	Total Company Increases	Comparable Store Increases
1996	**$93,627**	**13%**	**4%**
1995	82,494	22%	7%
1994	67,344	21%	6%

The sales increase of 13% in fiscal 1996 compared with fiscal 1995 was attributable to the Company's expansion program and comparative store sales increases of 4%. Expansion for fiscal 1996 included the opening of 92 Wal-Mart stores, 92 Supercenters (including the conversion of 80 Wal-Mart stores), 9 SAM'S Clubs and 50 International units. International sales accounted for approximately 2.1% of the sales increase with the remainder primarily attributed to Wal-Mart stores and Supercenters. SAM'S Clubs sales as a percentage of total sales decreased from 22.9% in fiscal 1995 to 20.4% in fiscal 1996.

The sales increase of 22% in fiscal 1995 compared with fiscal 1994 was attributable to the Company's domestic expansion of 109 Wal-Mart stores, 75 Supercenters (including the conversion of 69 Wal-Mart stores), and 21 SAM'S Clubs; comparative store sales increases of 7%; and the entry into the Canadian market through the purchase of 122 stores from Woolworth Canada, Inc., a subsidiary of Woolworth Corporation. SAM'S Clubs sales as a percentage of total sales increased by 1.1%, part of which was attributable to the PACE units acquired in the fourth quarter of fiscal 1994. Canadian store sales accounted for 1.5% of total sales in fiscal 1995.

New Operating Locations	1996	1995	1994
Domestic units			
New Wal-Mart stores	**92**	109	141
New Supercenters	**12**	6	1
Wal-Mart stores relocated or expanded to Supercenters	**80**	69	37
New SAM'S Clubs	**9**	21	63
Acquired PACE Clubs			99
Total new domestic units	**193**	205	341
International units			
Acquired Canada Woolco stores		122	
Other new international units	**50**	80	14
Total new international units	**50**	202	14
Total new units	**243**	407	355

Costs and Expenses

Cost of sales as a percentage of sales increased .1% in both fiscal 1996 and fiscal 1995 when compared to the preceding year. The change in fiscal 1996 is comprised of an increase of approximately .3% due to a larger percentage of consolidated sales from departments within Wal-Mart stores which have lower markon percents, and to the Company's continuing commitment to always providing low prices. This increase is offset because the SAM'S Clubs comprised a lower percentage of consolidated sales in 1996 at a lower contribution to gross margin than the stores. The increase in fiscal 1995 is primarily due to a larger percentage of consolidated sales attributable to SAM'S Clubs resulting in part from the addition of the PACE Clubs. The cost of sales in SAM'S Clubs is significantly higher as a percentage of sales than in Wal-Mart stores due to a lower markon on purchases.

Operating, selling, and general and administrative expenses as a percentage of sales increased .4% and .2%, respectively, in each of the last two fiscal years when compared to the previous year. Approximately .2% of the increase in fiscal 1996 was due to increases in payroll and related benefit costs. The remainder of the increase resulted primarily from a lower percentage of sales attributable to SAM'S Clubs and a higher percentage of sales attributable to international operations. SAM'S Clubs operating, selling, and general and administrative expenses as a percentage of sales are lower than the Wal-Mart stores and Supercenters while international expenses are slightly higher. The increase in fiscal 1995 was primarily attributable to the acquisition of the Canadian stores and higher payroll and related benefit costs.

Statement of Financial Accounting Standard (SFAS) No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" was issued in March 1995. The statement requires entities to review long-lived assets and certain intangible assets in certain circumstances, and if the value of the assets is impaired, an impairment loss shall be recognized. This statement will be effective for the Company's fiscal year ending January 31, 1997. The Company's existing accounting policies are such that this pronouncement will not have a material effect on the Company's financial position or results of operations.

"Accounting for Stock-Based Compensation," SFAS No. 123, was issued in October 1995 and will be effective for the Company's fiscal year ending January 31, 1997. The statement relates to the measurement of compensation of stock options issued to employees. The statement gives entities a choice of recognizing related compensation expense by adopting a new fair value method determination or to continue to measure compensation using the former standard. If the former standard for measurement is elected, SFAS No. 123 requires supplemental disclosure to show the effects of using the new measurement criteria. The Company intends to continue using the measurement prescribed by the former standard, and accordingly, this pronouncement will not have an effect on the Company's financial position or results of operations.

Interest Cost

Interest cost increased in fiscal 1996 and 1995 due to increased indebtedness and increased average short-term borrowing rates in each of the years. The increased indebtedness is due to the Company's expansion program. See Note 2 of Notes to Consolidated Financial Statements for additional information on interest and debt.

Income Taxes

The effective income tax rate was 37.0% and 37.1% in fiscal 1996 and 1995 respectively. See Note 4 of Notes to Consolidated Financial Statements for additional information on income taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

Cash Flow Information

Cash flow provided from operations was $2.4 billion in fiscal 1996. These funds combined with long-term borrowings of $1 billion and net short-term borrowings of $.7 billion were used to finance capital expenditures of $3.6 billion, to pay dividends, provide working capital, and to fund the operation of subsidiaries.

Borrowing Information

The Company had committed lines of credit of $1,900 million and informal lines totaling an additional $2,450 million with 35 banks which were used to support short-term borrowing and commercial paper. These lines of credit and their anticipated cyclical increases will be sufficient to finance the seasonal buildups in merchandise inventories and interim financing requirements for stores developed with sale/leaseback or other long-term financing objectives.

Favorable debt market conditions combined with the Company's ability to generate significant cash flows from operations have allowed the Company to aggressively expand during the past three years. In fiscal 1996, the Company borrowed $1 billion at interest rates ranging from 6 1/8% to 7% for terms of three to seven years. Although the Company has borrowed to support the expansion, debt and equity have increased proportionately during the past three years. The Company's debt (including obligations under capital leases) to equity ratio was .74:1 at the end of fiscal 1996 compared to .77:1 and .75:1 at the end of fiscal 1995 and 1994, respectively. In view of the Company's significant working capital, its consistent ability to generate working capital from operations and the availability of external financing, the Company foresees no difficulty in providing funds necessary to fulfill its working capital needs and to finance its estimated $3.5 billion capital expansion plan in fiscal 1997.

Foreign Currency Translation

The Company has operations in Puerto Rico, Canada, and Argentina, and through joint ventures in Mexico and Brazil. All foreign operations are measured in their local currencies with the exception of Brazil, operating in a highly inflationary economy, which reports operations using U.S. dollars. All foreign operations as a group are insignificant to the Company's consolidated results of operations and financial position. The foreign currency translation adjustment of $412 and $256 million in fiscal 1996 and 1995, respectively, is primarily due to operations in Mexico. In fiscal 1995 the value of the peso dropped significantly in relation to the dollar and continued to decline in fiscal 1996. The Company continues to evaluate strategies to minimize the financial risk of currency devaluation. Although exposure to this risk exists, any further devaluation of the peso or other currencies should not significantly impact the Company's consolidated operations or financial position.

Expansion

Domestically, the Company plans to open 60 to 70 new Wal-Mart stores, and 100 to 110 Supercenters. Approximately 90 of the Supercenters will come from relocations or expansions of existing Wal-Mart stores. The Company also plans to open 10 new SAM'S Clubs and three distribution centers. International expansion includes 25 to 30 new Wal-Mart stores, Supercenters, and SAM'S Clubs in Argentina, Brazil, Canada, China, Indonesia, Mexico and Puerto Rico.

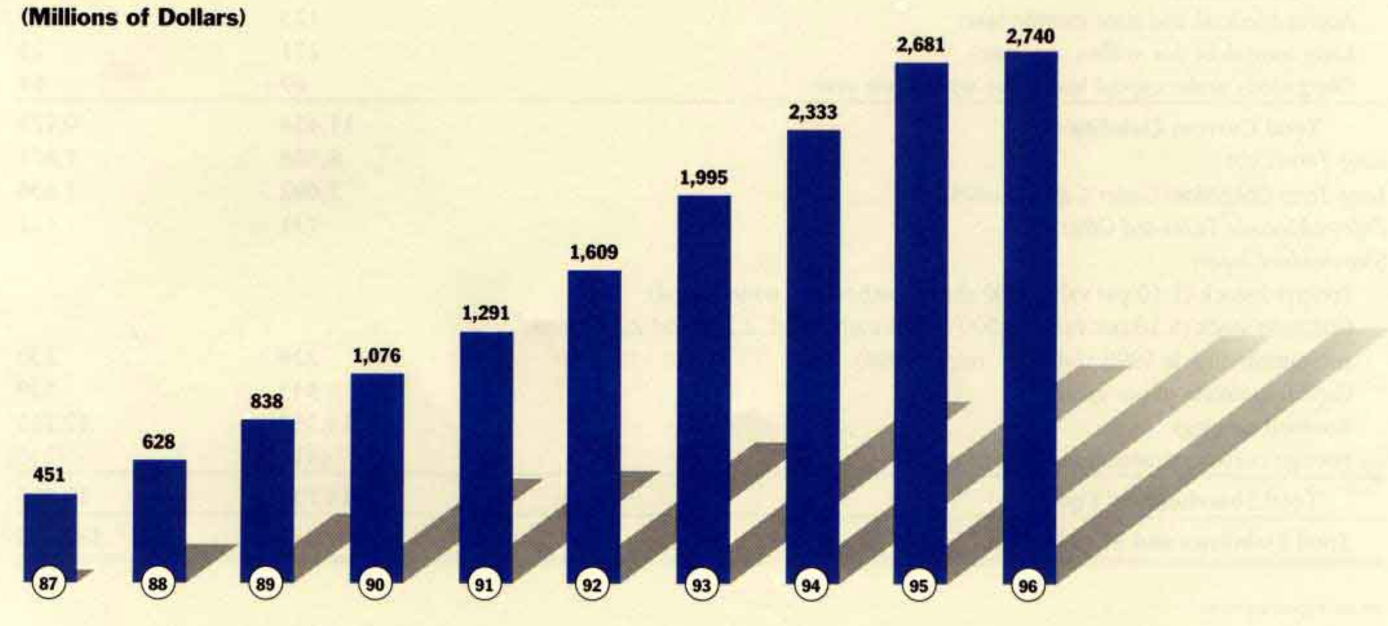
Total capital expenditures for 1997 are not expected to exceed $3.5 billion. The Company plans to primarily finance expansion with operating cash flows. The Company may also provide for cash needs through short-term borrowings backed up by the credit lines discussed above and also may sell $751 million of public debt utilizing shelf registration statements previously filed with the Securities and Exchange Commission to provide for other cash needs.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in millions except per share data) Fiscal years ended January 31,	1996	1995	1994
Revenues:			
Net sales	$93,627	$82,494	$67,344
Other income — net	1,122	918	641
	94,749	83,412	67,985
Costs and Expenses:			
Cost of sales	74,564	65,586	53,444
Operating, selling, and general and administrative expenses	14,951	12,858	10,333
Interest Costs:			
Debt	692	520	331
Capital leases	196	186	186
	90,403	79,150	64,294
Income Before Income Taxes	4,346	4,262	3,691
Provision for Income Taxes:			
Current	1,530	1,572	1,325
Deferred	76	9	33
	1,606	1,581	1,358
Net Income	$ 2,740	$ 2,681	$ 2,333
Net Income Per Share	$ 1.19	$ 1.17	$ 1.02

See accompanying notes.

Net Income
(Millions of Dollars)



CONSOLIDATED BALANCE SHEETS

(Amounts in millions) January 31,	1996	1995
Assets		
Current Assets:		
Cash and cash equivalents	$ 83	$ 45
Receivables	853	900
Inventories:		
At replacement cost	16,300	14,415
Less LIFO reserve	311	351
Inventories at LIFO cost	15,989	14,064
Prepaid expenses and other	406	329
Total Current Assets	17,331	15,338
Property, Plant, and Equipment, at Cost:		
Land	3,559	3,036
Buildings and improvements	11,290	8,973
Fixtures and equipment	5,665	4,768
Transportation equipment	336	313
	20,850	17,090
Less accumulated depreciation	3,752	2,782
Net property, plant, and equipment	17,098	14,308
Property under capital leases	2,476	2,147
Less accumulated amortization	680	581
Net property under capital leases	1,796	1,566
Other Assets and Deferred Charges	1,316	1,607
Total Assets	$37,541	$32,819
Liabilities and Shareholders' Equity		
Current Liabilities:		
Commercial paper	$ 2,458	$ 1,795
Accounts payable	6,442	5,907
Accrued liabilities	2,091	1,819
Accrued federal and state income taxes	123	365
Long-term debt due within one year	271	23
Obligations under capital leases due within one year	69	64
Total Current Liabilities	11,454	9,973
Long-Term Debt	8,508	7,871
Long-Term Obligations Under Capital Leases	2,092	1,838
Deferred Income Taxes and Other	731	411
Shareholders' Equity:		
Preferred stock ($.10 par value; 100 shares authorized, none issued)		
Common stock ($.10 par value; 5,500 shares authorized, 2,293 and 2,297 issued and outstanding in 1996 and 1995, respectively)	229	230
Capital in excess of par value	545	539
Retained earnings	14,394	12,213
Foreign currency translation adjustment	(412)	(256)
Total Shareholders' Equity	14,756	12,726
Total Liabilities and Shareholders' Equity	$37,541	$32,819

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in millions except per share data)	Number of shares	Common stock	Capital in excess of par value	Retained earnings	Foreign currency translation adjustment	Total
Balance — January 31, 1993	2,300	$230	$527	$ 8,003	$ —	$ 8,760
Net income				2,333		2,333
Cash dividends ($.13 per share)				(299)		(299)
Other	(1)		9	(50)		(41)
Balance — January 31, 1994	2,299	230	536	9,987	—	10,753
Net income				2,681		2,681
Cash dividends ($.17 per share)				(391)		(391)
Foreign currency translation adjustment					(256)	(256)
Other	(2)		3	(64)		(61)
Balance — January 31, 1995	2,297	230	539	12,213	(256)	12,726
Net income				2,740		2,740
Cash dividends ($.20 per share)				(458)		(458)
Foreign currency translation adjustment					(156)	(156)
Other	(4)	(1)	6	(101)		(96)
Balance — January 31, 1996	2,293	$229	$545	$14,394	$(412)	$14,756

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions) Fiscal years ended January 31,	1996	1995	1994
Cash flows from operating activities:			
Net income	$ 2,740	$ 2,681	$ 2,333
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,304	1,070	849
Increase in accounts receivable	(61)	(84)	(165)
Increase in inventories	(1,850)	(3,053)	(1,324)
Increase in accounts payable	448	1,914	230
Increase in accrued liabilities	29	496	327
Other	(227)	(118)	(55)
Net cash provided by operating activities	2,383	2,906	2,195
Cash flows from investing activities:			
Payments for property, plant, and equipment	(3,566)	(3,734)	(3,644)
Acquisition of assets from PACE Membership Warehouses, Inc.	—	—	(830)
Acquisition of assets from Woolworth Canada, Inc.	—	(352)	—
Sale/leaseback arrangements	—	502	272
Investment in international operations	(57)	(434)	(198)
Other investing activities	291	226	(86)
Net cash used in investing activities	(3,332)	(3,792)	(4,486)
Cash flows from financing activities:			
Increase (decrease) in commercial paper	660	220	(14)
Proceeds from issuance of long-term debt	1,004	1,250	3,108
Dividends paid	(458)	(391)	(299)
Payment of long-term debt	(126)	(37)	(19)
Payment of capital lease obligations	(81)	(70)	(437)
Other financing activities	(12)	(61)	(40)
Net cash provided by financing activities	987	911	2,299
Net increase in cash and cash equivalents	38	25	8
Cash and cash equivalents at beginning of year	45	20	12
Cash and cash equivalents at end of year	$ 83	$ 45	$ 20
Supplemental disclosure of cash flow information:			
Income tax paid	$ 1,785	$ 1,390	$ 1,366
Interest paid	866	658	450
Capital lease obligations incurred	365	193	162

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

Segment information

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

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

Inventories are stated principally at cost (last-in, first-out), which is not in excess of market, using the retail method for inventories in stores.

Pre-opening costs

Costs associated with the opening of stores are expensed during the first full month of operations. The costs are carried as prepaid expenses prior to the store opening.

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 $50 million, $70 million, and $65 million in 1996, 1995, and 1994, respectively.

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.

Long-lived assets

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Statement 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company will adopt Statement 121 in the first quarter of 1997 and, based on current circumstances, does not believe the effect of adoption will be material.

Operating, selling, and general and administrative expenses

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

Net income per share

Net income per share is based on the weighted average outstanding common shares. The dilutive effect of stock options is insignificant and consequently has been excluded from the earnings per share computations.

Stock options

Proceeds from the sale of common stock issued under the stock option plans and related tax benefits which accrue to the Company are accounted for as capital transactions, and no charges or credits are made to income in connection with the plans.

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.

2 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,	**1996**	1995	1994
Maximum amount outstanding at month-end	**$3,686**	$2,729	$2,395
Average daily short-term borrowings	**2,106**	1,693	1,247
Weighted average interest rate	**5.9%**	4.4%	3.0%

On January 31, 1996, the Company had committed lines of credit of $1,900 million and informal lines of credit totaling an additional $2,450 million with 35 banks, 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):

		1996	1995
8⅜%	Notes due April 2001	**$ 750**	$ 750
5⅞%	Notes due October 2005	**750**	750
9⅒%	Notes due July 2000	**500**	500
5½%	Notes due September 1997	**500**	500
6⅛%	Notes due October 1999	**500**	500
5½%	Notes due March 1998	**500**	500
6½%	Notes due June 2003	**500**	500
7¼%	Notes due June 2013	**500**	500
7½%	Notes due May 2004	**500**	500
7$\frac{8}{10}$%-8¼%	Obligations from sale/leaseback transactions due 2014	**478**	484
7% – 8%	Obligations from sale/leaseback transactions due 2013	**318**	322
6¾%	Notes due May 2002	**300**	–
6⅜%	Notes due March 2003	**250**	250
6¾%	Notes due October 2023	**250**	250
8%	Notes due September 2006	**250**	250
8½%	Notes due September 2024	**250**	250
6⅞%	Eurobond due June 1999	**250**	250
5⅛%	Eurobond due October 1998	**250**	250
7%	Eurobond due April 1998	**250**	–
6⅛%	Eurobond due November 2000	**250**	–
6¾%	Eurobond due May 2002	**200**	–
8%	Notes due May 1996	**–**	250
10⅞%	Debentures due August 2000	**–**	100
	Other	**212**	215
		$8,508	$7,871

Long-term debt is unsecured except for $213 million which is collateralized by property with an aggregate carrying value of approximately $351 million. Annual maturities of long-term debt during the next five years are (in millions):

Fiscal years ending January 31,	Annual maturity
1997	$ 271
1998	525
1999	1,025
2000	807
2001	2,065
Thereafter	4,086

The Company has agreed to observe certain covenants under the terms of its note and debenture agreements the most restrictive of which relates 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, 1996 are (in millions):

Fiscal years ending January 31,	Minimum Rentals
1997	$ 72
1998	76
1999	76
2000	104
2001	100
Thereafter	1,009

The fair value of the Company's long-term debt approximates $8,960 million based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying amount of the short-term borrowings approximates fair value.

As of January 31, 1996 and 1995, the Company had letters of credit outstanding totaling $551 and $580 million, respectively. These letters of credit were issued primarily for the purchase of inventory.

The Company has guaranteed the indebtedness of a joint venture for the development of real estate in Puerto Rico. On January 31, 1996, the amount guaranteed was approximately $85 million. The Company does not anticipate any joint venture defaults.

Under shelf registration statements previously filed with the Securities and Exchange Commission, the Company may issue debt securities aggregating $751 million.

3 Defined Contribution Plan

The Company maintains a profit sharing plan under which most full and many part-time Associates become participants following one year of employment. Annual contributions, based on the profitability of the Company, are made at the sole discretion of the Company. Contributions were $204 million, $175 million, and $166 million in 1996, 1995, and 1994, respectively.

4 Income Taxes

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

	1996	1995	1994
Current:			
Federal	**$1,342**	$1,394	$1,193
State and local	**188**	178	132
Total current tax provision	**1,530**	1,572	1,325
Deferred:			
Federal	**61**	7	30
State and local	**15**	2	3
Total deferred tax provision	**76**	9	33
Total provision for income taxes	**$1,606**	$1,581	$1,358

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

	1996	1995	1994
Deferred tax liabilities:			
Property, plant, and equipment	**$617**	$518	$408
Inventory	**135**	88	38
Other	**19**	8	9
Total deferred tax liabilities	**771**	614	455
Deferred tax assets:			
Amounts accrued for financial reporting purposes not yet deductible for tax purposes	**204**	230	114
Capital leases	**147**	114	95
Other	**150**	33	18
Total deferred tax assets	**501**	377	227
Net deferred tax liabilities	**$270**	$237	$228

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

	1996	1995	1994
Statutory tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal income tax benefit	**3.1**	2.7	2.4
Other	**(1.1)**	(0.6)	(0.6)
Effective tax rate	**37.0%**	37.1%	36.8%

5 Acquisitions

In two unrelated cash transactions during fiscal 1994, the Company acquired selected assets of PACE Membership Warehouses, Inc., including the right to operate 107 of PACE's former locations, for $830 million, recording $336 million of goodwill which is being amortized over 25 years.

In fiscal 1995, the Company acquired selected assets related to 122 Woolco stores in Canada from Woolworth Canada, Inc., a subsidiary of Woolworth Corporation, for approximately $352 million, recording $221 million of leasehold and location value which is being amortized over 20 years. These transactions have been accounted for as purchases. The results of operations for the acquired units since the dates of their acquisitions have been included in the Company's results. Pro forma results of operations are not presented due to insignificant differences from the historical results.

6 Stock Option Plans

At January 31, 1996, 75 million shares of common stock were reserved for issuance under stock option plans. The options granted under the stock option plans expire 10 years from the date of grant. Options granted prior to November 1995 may be exercised in nine annual installments. Options granted after November 1995 may be exercised in seven annual installments. Further information concerning the options is as follows:

	Shares	Option price per share	Total
Shares under option			
January 31, 1993	14,464,000	$ 1.43-30.82	$234,860,000
Options Granted	3,550,000	25.00-27.25	90,377,000
Options Cancelled	(803,000)	1.43-30.82	(17,325,000)
Options Exercised	(1,335,000)	1.43-30.82	(9,664,000)
January 31, 1994	15,876,000	1.43-30.82	298,248,000
Options Granted	4,125,000	21.63-26.75	95,689,000
Options Cancelled	(1,013,000)	1.43-30.82	(23,127,000)
Options Exercised	(1,019,000)	2.08-27.25	(7,829,000)
January 31, 1995	17,969,000	2.78-30.82	362,981,000
Options Granted	7,114,000	23.50-24.75	167,959,000
Options Cancelled	(1,953,000)	3.75-30.82	(43,873,000)
Options Exercised	(1,101,000)	2.78-25.38	(9,678,000)
January 31, 1996 (5,011,000 shares exerciseable)	22,029,000	$ 2.78-30.82	$477,389,000
Shares available for option			
January 31, 1995	58,107,000		
January 31, 1996	52,946,000		

7 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 $531 million in 1996, $479 million in 1995, and $361 million in 1994. Aggregate minimum annual rentals at January 31, 1996, under non-cancelable leases are as follows (in millions):

Fiscal years	Operating leases	Capital leases
1997	$ 382	$ 263
1998	417	285
1999	358	284
2000	343	282
2001	317	279
Thereafter	3,117	3,087
Total minimum rentals	$4,934	4,480
Less estimated executory costs		83
Net minimum lease payments		4,397
Less imputed interest at rates ranging from 6.1% to 14.0%		2,236
Present value of minimum lease payments		$2,161

Certain of the leases provide for contingent additional rentals based on percentage of sales. Such additional rentals amounted to $41 million, $42 million, and $27 million in 1996, 1995, and 1994, 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 34 future locations. These lease commitments with real estate developers or through sale/leaseback arrangements provide for minimum rentals for 20 to 25 years, excluding renewal options, which, if consummated based on current cost estimates, will approximate $32 million annually over the lease terms.

8 Quarterly Financial Data (Unaudited)

	Quarters ended			
Amounts in millions (except per share information)	April 30,	July 31,	October 31,	January 31,
1996				
Net sales	$20,440	$22,723	$22,913	$27,551
Cost of sales	16,196	18,095	18,176	22,097
Net income	553	633	612	942
Net income per share	$ .24	$ .28	$ .27	$ .41
1995				
Net sales	$17,686	$19,942	$20,418	$24,448
Cost of sales	14,063	15,960	16,201	19,362
Net income	498	565	588	1,030
Net income per share	$ .22	$ .25	$ .26	$ .45

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., and Subsidiaries as of January 31, 1996 and 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 1996. 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, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 1996, in conformity with generally accepted accounting principles.

Ernst + Young LLP

Tulsa, Oklahoma
March 25, 1996

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements and information of Wal-Mart Stores, Inc., and Subsidiaries 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

CORPORATE INFORMATION

Registrar and Transfer Agent

1st 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

Independent Auditors

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

Listings

Stock Symbol: WMT
New York Stock Exchange
Pacific Stock Exchange
Toronto Stock Exchange

Corporate Address

Wal-Mart Stores, Inc.
Bentonville, Arkansas
72716-8611
Telephone: 501-273-4000
Internet: http://www.wal-mart.com

Form 10-K and Other Reports

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

*Annual Report on Form 10K
*Quarterly Financial Information
*Current Press Releases
Diversity Programs Report

**These reports are also available via fax by calling: 1-800-WAL-MART*

Annual Meeting

Our Annual Meeting of Shareholders will be held on Friday, June 7, 1996, at 10:00 a.m. in Bud Walton Arena on the University of Arkansas campus, Fayetteville, Arkansas.

Market Price Of Common Stock

	Fiscal years ended January 31,			
	1996		1995	
Quarter	High	Low	High	Low
April 30	$26.00	$23.13	$29.13	$24.00
July 31	27.50	23.00	25.88	22.75
October 31	26.00	21.63	26.00	22.75
January 31	24.75	19.25	24.13	20.88

Dividends Paid Per Share

Fiscal years ended January 31,			
Quarterly			
1996		1995	
April 14	$0.0500	April 14	$0.0425
July 10	0.0500	July 8	0.0425
October 3	0.0500	October 3	0.0425
January 5	0.0500	January 5	0.0425

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Address: ____________________

City/State/ZIP: ____________________

Phone: ____________________

Member No.: 176931475

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