

Only Walmart



2016  
ANNUAL  
REPORT

Retail is changing – and so is Walmart. Customers want to save money and time while shopping. Our mobile apps and innovative services like Online Grocery and Walmart Pay deliver the convenience customers seek today. With our global footprint, only Walmart can deliver a seamless shopping experience at scale. We're investing in people and technology to connect customers to convenience more than a quarter billion times a week.



Focused on a seamless experience

260 million times a week



3rd most-visited U.S. retail website

+107% growth in global e-commerce net sales over the past 4 years

(on a constant currency basis)



## Adding Online Grocery to more markets





2.3  
million  
associates  
worldwide



## Our people make the difference



Walmart's success is dependent upon engaged, motivated associates who love serving customers. Globally, we are doing more to invest in our associates' futures – through increased training and development, higher pay and better opportunities to build rewarding careers. Walmart is positioned to win the future of retail by providing a ladder of opportunity for every member of our team.





**\$2.7  
billion**

approximate 2-year investment  
in higher U.S. hourly wages,  
education and training



**Training and  
“Pathways”**  
program support  
career growth



Expanding options for faster checkout



Improved in-stock through processes and technology





# Winning with our stores

Operating great stores that have friendly associates, well-stocked shelves and fast checkouts is central to our growth agenda. We're infusing our stores with efficient processes and new technology to help associates serve customers better. Our merchandise offering in key categories like fresh food has been strengthened. When customers have an exceptional in-store experience, they shop more, buy more and recommend us to friends and family.



**Focused  
on fresh:  
a key  
driver of  
store traffic**

# Winning in a

# time of change

**Doug McMillon**  
President and Chief Executive Officer  
Wal-Mart Stores, Inc.



Dear shareholders,  
associates and  
customers:

**T**hroughout our history, Walmart has been an innovator in retail. We're now living in a new period of disruption, largely driven by rapid technological advances, and that change is likely to accelerate even further. Our efforts are squarely focused on emerging as the retail leader.

Around the world, we face stiff competition, but our future is within our control. We are a strong and profitable business, with unique strengths and assets. Our people, stores and supply chain, combined with our customer relationships and willingness to change, provide the opportunity for us to continue to win with customers. In fiscal 2016, we took several important steps to reimagine Walmart, including initiating an approximately \$2.7 billion

investment in our people over two years and ramping up Online Grocery. And we will move even faster going forward. The bottom line is this: we have the resources to chart our own destiny, we know where we are going, and we will win with a strategy that only Walmart can execute.

Our work starts and ends with the customer. Technology has changed customer expectations. Customers used to compare us with the store down the street; now they compare us with

*"We have the resources to chart our own destiny, we know where we are going, and we will win with a strategy that only Walmart can execute."*





**DOUG MCMILLON**  
President and Chief Executive Officer, Wal-Mart Stores, Inc.

the best online shopping experience. And beyond just retail, they compare us with every business they interact with in their lives. They compare our pickup experience to the speed and friendliness of the best drive-through. They compare our checkout process to the ease of paying with an app.

Our customers have high expectations of us. And they absolutely should. People have limited time, limited money and limited patience. With so many options and technological tools available today, shopping shouldn't be a hassle.

Our customers deserve and demand value, professional service and a simple, easy experience. And when they're searching for an item or paying for their purchase, they want it to be fast. Winning with customers today means being actively on their side – making their daily lives better. Customers should be able to shop on their own terms – in a great store or club, with a quick pickup stop on the way home from work, or with items reliably arriving at the front door. And customers want to have some money left over to put toward their priorities: an experience together as a family, a special gift every once in a while, or savings for a rainy day.

Retail is not just about putting items on a shelf anymore. It's about fighting for our customers, cutting out the hassles and the headaches and advocating for them on price, too. We're moving

beyond just selling products to being the brand customers rely on to make their lives simpler and more meaningful as they save money.

The winners in this time of change will be those who put the customer first.

**Our plan to win is clear.** It starts with unparalleled assets that only Walmart has – our 2.3 million people; more than 11,500 retail locations; e-commerce websites and apps; and a dynamic, optimized supply chain.

But it also requires new capabilities and fresh thinking. This includes new digital tools for customers and frontline associates, as well as back-end software and platform work that benefits the entire enterprise. The use of data, algorithms, advanced forecasting capabilities – and more – is of extreme strategic significance.

We will put these pieces together in a way no one else can. We will reimagine Walmart by being the first and only to deliver a truly seamless shopping experience at scale, with great savings and massive selection.

We want customers to:

- Trust us to save them money,
- Find it simple and easy to do business with us, whether digitally or physically,
- Know they can find whatever they're looking for, either in stores, on our e-commerce sites, or with our marketplace vendors, and
- Get items when and where they want them – in stores and clubs, through pickup on or off-site, or delivered to their door.

Ultimately, customers don't care about what channel they're shopping in, or about how we deliver them a product or service. They simply know they're shopping with Walmart.

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**\$482**  
BILLION  
TOTAL REVENUE

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**We made great progress** against this strategy over the past year. To help our associates succeed and better serve our customers, we're making big changes – including investing approximately \$2.7 billion over two years in higher wages, education and training to make Walmart U.S. a better place to work and shop. This is an investment to strengthen our company, and we're already seeing positive results: our fourth quarter of fiscal 2016 marked six consecutive quarters of positive comps and five straight quarters of positive traffic at Walmart U.S. There is an underlying strength to the U.S. business that was not there a year ago. Everything we're doing in omnichannel depends on customers having great interactions with us in our stores.

We're also accelerating e-commerce and technology advances globally. We expanded Online Grocery shopping to new markets, ramped up in-store and in-club pickup, fully acquired the Chinese online retailer Yihaodian, and began to add new mobile services such as Walmart Pay. We developed a technology platform that we can scale across the business. We improved our fulfillment capabilities with new centers that are helping us get orders to customers' doors faster and more efficiently.

Last year, we also took difficult but necessary steps to sharpen the focus of our portfolio. The decision to close stores is not one we took lightly, but we must do what's right for the company. We'll continue to evaluate our portfolio as part of the normal course of business.

Overall, we served nearly 260 million customers a week last year in 28 countries. In the United States, more than 78 percent of Americans shopped with us during the year, and traffic was up over last year. Excluding more than \$17 billion in currency impacts, we delivered revenue of \$499.4 billion, up 2.8 percent, which is \$13.7 billion of growth.

**As we win with the customer**, we will also create a great place to work. We will create tremendous opportunities for people from all walks of life, with all kinds of skill sets and education levels. We're striving to create a true meritocracy. Diversity and inclusion are core to who we are and make us a stronger company. No matter where you start from or what your unique and special characteristics are,

you can fulfill your potential here. We believe in opportunity and that hard work, dedication and talent should be rewarded.

We will also shape global systems using our size, mindset and policies and help make the world a better place. We create opportunity throughout our global supply chain – on farms and in factories, by buying more from women-owned businesses, by hiring veterans and by strengthening the retail industry workforce. We also work to be more sustainable, both in our own operations and in our supply chain. We have three big goals: creating zero waste, running on 100 percent renewable energy and selling products that sustain people and the environment. And we give back to the communities we serve – supporting American manufacturing, preparing for and responding to natural disasters and fighting hunger. Customers can be proud to shop at Walmart.

When you put it all together, we'll enable customers around the world to save money and time, so they can invest more of both in the things they love. And we'll help make the world a better place one community at a time.

**We will win with a differentiated, disruptive strategy** and a foundation of operational excellence. As we do, we believe shareholders will benefit by receiving above-average returns.

We have a continued commitment to our shareholders that we're very proud of. Last year, we were able to return more than \$10 billion to shareholders through dividends and share repurchases. This year, we announced a dividend increase to \$2.00 per share, marking the 43rd consecutive year of dividend increases for Walmart. Although this will be another year of foundational investments, we believe we will soon be growing faster than the retail market. We are a growth company; we just happen to be a large one.

The road ahead will not always be easy, but by being customer-focused, hungry, fast and accountable, we will win and have a good time doing it.

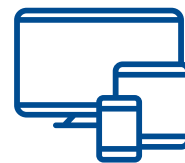
Thank you for your continued interest in our company. It's an incredible time to be a part of Walmart.

Sincerely,



# 2.3 MILLION ASSOCIATES

**\$45-60  
BILLION**  
3-YEAR PROJECTED  
SALES GROWTH\*



**16 WEBSITES**  
IN 11 COUNTRIES

**~11,530**  
STORES WORLDWIDE



**\$10.4  
BILLION**  
DIVIDENDS/SHARE REPURCHASES

\* Projected net sales growth on a constant currency basis for fiscal years 2017-2019.

# Investments that

# win with customers

**Walmart**   
Save money. Live better.



## Customer experience

Stores that are clean and easy to navigate, service that is helpful and friendly, relevant brands that are in stock, checkout that is fast and efficient – these are the ingredients of a great Walmart experience. Across our U.S. fleet, we're making big improvements in processes and technology, focusing on the retail fundamentals that result in a great customer experience.

## People and culture

Throughout Walmart's history our people have made the difference. That's why we're investing approximately \$2.7 billion to raise wages, increase training and expand opportunities for our U.S. associates. We're putting more highly engaged store associates closer to customers. We've added more than 8,000 new department managers and empowered them to be great merchants. These changes are helping us recruit and retain a motivated, customer-centric team.



## Optimizing Supercenters and Neighborhood Markets

Supercenters are strong and profitable, providing customers one-stop shopping with a broad assortment at everyday low prices. We're enhancing them to meet evolving customer needs through a better fresh offering, e-commerce integration and expansion of Store Pickup and Online Grocery. Customers appreciate Neighborhood Markets for their convenience and access to fresh food, fuel, pharmacy and e-commerce order pickup. We're focused on refining processes and selecting quality locations to improve their profitability.





## Convenience/Online Grocery

Order groceries through our website or mobile app and pick them up whenever it's convenient – what could be better for today's busy families? Customers love Online Grocery and it attracts new customers who on average purchase a bigger basket. We've expanded Online Grocery to more than 150 locations across more than 20 U.S. markets. And, we continue to grow. It's another great example of how only Walmart can deliver seamless shopping at scale.



## Adding supply chain capabilities

World-class e-commerce requires world-class distribution and fulfillment capabilities. We provide online shoppers with options – home delivery or in-store pickup as soon as today. To ensure that customers get items quickly, efficiently and in whatever way is most convenient for them, we've expanded our fleet of highly automated, next-generation fulfillment centers in Texas, California, Georgia, Pennsylvania and Indiana.



## Fresh food

Appealing, high-quality fresh food is key to driving store traffic. As we work to improve store operations, enhancing the quality of our fresh offering is a key focus. We're emphasizing the basics – with better processes at every step of the supply chain – from farm to fork. We're also expanding our assortment of organic foods, healthy snacks and easy-prep meals.



**85** MILLION  
average monthly  
unique visitors to  
walmart.com



# Walmart International

## Disciplined growth

## with a focused portfolio

Mexico and Canada drove overall sales growth for the International segment in fiscal 2016. In China, despite ongoing economic challenges, we continued to gain share in the Hypermarket channel and are building a platform for sustainable growth. Our business in Brazil has been impacted by an increasingly challenging economic environment, while competitive intensity continued to increase in the U.K. All other markets had solid performance.

### Delivering balanced growth

We're focused on delivering value to customers across income levels in each of our markets. We've grown comp sales in a majority of our markets for seven consecutive quarters, fueled by investments in price, private brands and our fresh offering. We continued to open stores across our markets and expanded our reach in Online Grocery to China and Canada, leveraging our experience from the U.K.



# 800,000

INTERNATIONAL ASSOCIATES

### Actively managing the portfolio

We continue to review our portfolio, a key strategic priority aimed at sharpening our focus on our core food retail business, in both stores and online, and driving increased profitability. As a result, we sold properties in Canada, exited bank operations in Mexico, and closed underperforming stores in Latin America, while enhancing our portfolio by taking full ownership of Yihaodian in China. These actions position us for improved profitable growth.



### Lowering our costs

We're reducing our cost of goods sold and overhead expenses to fuel growth in our core business. We started a cost analytics program in Canada and the U.K. to provide merchants with tools and cost visibility to lead fact-based negotiations with suppliers. We're continuing to see benefits from productivity initiatives in China as we build a platform for sustainable growth.



# 6.1% INCREASE IN MEMBERSHIP INCOME



Savings Made Simple



### Deeper digital relationships

Whether through Club Pickup or advances in mobile check-in capabilities, we are transforming the shopping experience with technology, simplifying the way members interact with and shop at Sam's Club.

### Driving value

At Sam's Club, we are focused on delivering value for our members through price, quality and convenience. We are lowering our costs as part of our commitment to provide new products and services at a value that is unmatched.

## A member-centric approach to convenience and value



### Relevant merchandise

We are doing more with data and analytics to enhance our assortment. Our members expect to be excited when they shop with us, and we are focused on delivering compelling merchandise across all categories both online and in our clubs.



### Member growth and retention

We are creating winning moments with our members and exceeding their expectations through personal engagement and a value proposition designed to save them time and money. We know our members, and we are building a shopping experience for them that is seamless no matter how they choose to shop.



# Delivering strong governance

**GREG PENNER**  
Chairman of the Board of Directors  
Wal-Mart Stores, Inc.



The past year has been a period of transition for Walmart as we make strategic investments to position the company for sustainable growth. Management took bold steps focused on winning with customers by increasing wages and training for U.S. store associates, investing in the technology powering our websites and apps, and expanding our e-commerce fulfillment capabilities. Walmart's Board of Directors fully supports these investments in people and technology as they will strengthen the company's competitive position both now and in the future. We've challenged management to increase the pace of change even further, and we're tracking comp sales, customer satisfaction scores and growth in gross merchandise value to monitor progress on delivering this strategy.

Walmart's Board also experienced changes this past year, and none was more notable than the retirement of my father-in-law, Rob Walton, as Chairman. We are fortunate that Rob continues to serve on our Board, offering his expertise and unequalled perspective derived from his more than two decades of effective leadership as Chairman. I'm honored to succeed him as Chairman and excited to lead a Board that is deeply committed to our company's success, to strong governance and to the interests of Walmart's shareholders. The members of our Board represent an exceptional array of talent, diversity and expertise in retail and a broad range of other industries and disciplines. We are committed to an independent Board, and Dr. James Cash is our Lead Independent Director.

Our Board members are dedicated in their service to shareholders, demonstrated by their attendance at 98 percent of Board and committee meetings last year.

During this period of change, Board refreshment and succession planning remain top of mind. The Board is committed to continuous improvement, and we have adapted the way we operate to maximize our effectiveness. We're reducing the Board's size while maintaining its independence, changing our Board committee composition and ensuring that Walmart's strategic priorities are a key focus. Shareholders benefit as we leverage the Board's strategic expertise to guide Walmart's path forward.

The past year has also brought an unprecedented level of engagement with Walmart shareholders. Members of management have actively engaged with the majority of our largest institutional shareholders to hear their perspectives on Walmart's strategy, Board structure and compensation programs. I participated in several of those meetings, as did Dr. Cash. Shareholders told us that we're focused on the right strategy to deliver a seamless shopping experience for customers. Shareholders value the quality and diversity of our director skill sets and believe that the Board is a strategic asset. And, most shareholders felt our executive compensation program was appropriately performance-based and aligned with Walmart's strategy and shareholder interests. The views of shareholders have always been important to us, and we continually strive to improve our level of disclosure and transparency with shareholders. Thank you for the feedback you provided this past year.

As we look ahead, the Board is confident that Walmart's strategy is the right one, our governance processes are strong and management is fully aligned with an actionable plan for success.

Sincerely,



We've continued to improve our proxy statement disclosure. As you review the proxy, we hope you find it informative and we ask you to vote your shares.



# Board of Directors

Pictured below from left to right:

## Linda S. Wolf

Ms. Wolf is the retired Chairman of the Board of Directors and Chief Executive Officer of Leo Burnett Worldwide, Inc., an advertising agency and division of Publicis Groupe S.A.

## Steven S Reinemund

Mr. Reinemund is the retired Dean of Business and Professor of Leadership and Strategy at Wake Forest University. He previously served as the Chairman of the Board and Chairman and Chief Executive Officer of PepsiCo, Inc.

## S. Robson Walton

Mr. Walton is the retired Chairman of the Board of Directors of Wal-Mart Stores, Inc.

## C. Douglas McMillon

Mr. McMillon is the President and Chief Executive Officer of Wal-Mart Stores, Inc.

## Roger C. Corbett

Mr. Corbett is the retired Chief Executive Officer and Group Managing Director of Woolworths Limited, the largest retail company in Australia.

## Marissa A. Mayer

Ms. Mayer is the Chief Executive Officer and President and Director of Yahoo!, Inc., a digital media company.

## James I. Cash, Jr., Ph.D.

### (Lead Independent Director)

Dr. Cash is the James E. Robison Professor of Business Administration, Emeritus at Harvard Business School, where he served from July 1976 to October 2003.

## Gregory B. Penner (Chairman)

Mr. Penner is the Chairman of the Board of Directors of Wal-Mart Stores, Inc. and a General Partner at Madrone Capital Partners, an investment firm.

## Kevin Y. Systrom

Mr. Systrom is the Chief Executive Officer and co-founder of Instagram, a social media application.

## Aida M. Alvarez

Ms. Alvarez is the former Administrator of the U.S. Small Business Administration and was a member of President Clinton's Cabinet from 1997 to 2001.

## Thomas W. Horton

Mr. Horton is the former Chairman of American Airlines Group Inc. and the former Chairman of American Airlines, Inc. He also previously served as the Chairman and Chief Executive Officer of AMR Corporation and CEO of American Airlines, Inc.

## Michael T. Duke

Mr. Duke is the former Chairman of the Executive Committee of the Board of Directors of Wal-Mart Stores, Inc., where he served in that capacity until January 31, 2015. He previously served as the President and Chief Executive Officer of Wal-Mart Stores, Inc. from February 2009 to January 2014.

## Timothy P. Flynn

Mr. Flynn is the retired Chairman of KPMG International, a professional services firm.

## Jim C. Walton

Mr. Walton is the Chairman of the Board of Directors and Chief Executive Officer of Arvest Bank Group, Inc., a group of banks operating in the states of Arkansas, Kansas, Missouri and Oklahoma.

## Pamela J. Craig

Ms. Craig is the retired Chief Financial Officer of Accenture plc, a global management consulting, technology services, and outsourcing company.

## Board Committees:

Name	Audit	Comp., Nominating & Governance	Executive	Global Comp.	Strategic Planning & Finance	Tech & e-commerce
Linda S. Wolf		* <sup>(C)</sup>				*
Steven S Reinemund		*			* <sup>(C)</sup>	
S. Robson Walton			*	*	*	
C. Douglas McMillon			* <sup>(C)</sup>	* <sup>(C)</sup>		
Roger C. Corbett					*	
Marissa A. Mayer		*				*
James I. Cash, Jr., Ph.D. <sup>(FE)</sup>	*		*			*
Gregory B. Penner			*	*		

Name	Audit	Comp., Nominating & Governance	Executive	Global Comp.	Strategic Planning & Finance	Tech & e-commerce
Kevin Y. Systrom		*				* <sup>(C)</sup>
Aida M. Alvarez		*				*
Thomas W. Horton <sup>(FE)</sup>	*				*	
Michael T. Duke					*	
Timothy P. Flynn <sup>(FE)</sup>	* <sup>(C)</sup>				*	
Jim C. Walton						*
Pamela J. Craig <sup>(FE)</sup>	*					*

<sup>(C)</sup> Committee Chair <sup>(FE)</sup> Financial Expert



# Transforming the company from

# a position of great financial strength

Change is sweeping through today's retail marketplace. Yet change is nothing new for our industry – nor for Walmart. For more than 50 years, we have been a disruptor in retail, tailoring our proposition to align with evolving customer preferences. To continue leading, Walmart is making significant investments in people and technology to deliver results for our associates, customers and shareholders.



**BRETT BIGGS**  
Executive Vice President and  
Chief Financial Officer  
Wal-Mart Stores, Inc.

We take these steps with confidence because Walmart is one of the strongest companies in the world, with a strong balance sheet and significant cash generation.

In fiscal 2016, Walmart generated revenue of \$482 billion, operating income of \$24 billion, operating cash flow of \$27 billion and return on investment of 15.5 percent. Excluding more than \$17 billion in currency impacts, revenue would have been over \$499 billion. Looking ahead, we expect to add approximately \$45 billion to \$60 billion of sales on a constant currency basis in the three years ending in fiscal 2019, an amount equivalent to a Fortune 50 company.

*Over the past 5 years*

**\$60B**

revenue growth

**\$129B**

cash flow from operations

**\$55B**

returned to shareholders

(through dividends and  
share repurchases)

However, running a healthy business sometimes requires sharpening the focus of the portfolio. After a thorough review of our stores from both a financial and strategic standpoint, we made the decision to close stores representing less than 1 percent of our global revenue and square footage. A key takeaway from this portfolio review was the health of our overall store base. During fiscal 2017,

we project to add more than 300 new stores globally. We are a growth company.

Our great financial strength positions us to make the necessary investments in our business to drive sustainable long-term results, even as shareholders see a solid return on their investment.

During this past year, Walmart's financial strength allowed for shareholder returns in excess of \$10 billion through dividends and share repurchases. Also, in February 2016, we raised our annual dividend for the 43rd consecutive year to \$2.00 per share. I'm proud of Walmart's long record of shareholder returns.

Only Walmart can deliver a seamless shopping experience at scale, and we are strengthening our proposition for customers. Winning with stores is critical to our strategy. That's why the approximately \$2.7 billion wage and training investment in our U.S. associates that was started in fiscal 2016 is not only the right thing to do for our associates, but it positions us to be a stronger company going forward.

We will continue to invest in our business, with capital investments of approximately \$11 billion in fiscal 2017, including more than \$1 billion in global e-commerce initiatives that will improve our technology and fulfillment capabilities to ensure that customers receive items efficiently and in a cost-effective manner. I'm excited that we are building one of the world's largest technology companies inside of one of the world's most financially strong companies.

As I conclude my first letter to you as CFO, let me thank you for being a Walmart shareholder. I am honored to serve in this capacity during this exciting time at Walmart. Our business is strong, and we are making the strategic investments to become even stronger. As a result, I'm confident that we will serve customers more effectively, drive sales growth and continue to deliver strong returns for our shareholders.

Sincerely,



# 2016

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### Executive Officers

**Neil M. Ashe**

Executive Vice President, President and Chief Executive Officer, Global eCommerce and Technology

**Daniel J. Bartlett**

Executive Vice President, Corporate Affairs

**M. Brett Biggs**

Executive Vice President and Chief Financial Officer

**Rosalind G. Brewer**

Executive Vice President, President and Chief Executive Officer, Sam's Club

**Jacqueline P. Canney**

Executive Vice President, Global People

**David Cheesewright**

Executive Vice President, President and Chief Executive Officer, Walmart International

**Greg S. Foran**

Executive Vice President, President and Chief Executive Officer, Walmart U.S.

**Rollin L. Ford**

Executive Vice President and Chief Administrative Officer

**Jeffrey J. Gearhart**

Executive Vice President, Global Governance and Corporate Secretary

**C. Douglas McMillon**

President and Chief Executive Officer

**Steven P. Whaley**

Senior Vice President and Controller

# Five-Year Financial Summary



As of and for the Fiscal Years Ended January 31,

(Amounts in millions, except per share and unit count data)

	2016	2015	2014	2013	2012
<b>Operating results</b>					
Total revenues	<b>\$482,130</b>	\$485,651	\$476,294	\$468,651	\$446,509
Percentage change in total revenues from previous fiscal year	<b>(0.7)%</b>	2.0%	1.6%	5.0%	6.0%
Net sales	<b>\$478,614</b>	\$482,229	\$473,076	\$465,604	\$443,416
Percentage change in net sales from previous fiscal year	<b>(0.7)%</b>	1.9%	1.6%	5.0%	6.0%
Increase (decrease) in calendar comparable sales <sup>(1)</sup>					
in the United States	<b>0.3%</b>	0.5%	(0.5)%	2.4%	1.6%
Walmart U.S.	<b>1.0%</b>	0.6%	(0.6)%	2.0%	0.3%
Sam's Club	<b>(3.2)%</b>	0.0%	0.3%	4.1%	8.4%
Gross profit margin	<b>24.6%</b>	24.3%	24.3%	24.3%	24.5%
Operating, selling, general and administrative expenses, as a percentage of net sales	<b>20.3%</b>	19.4%	19.3%	19.0%	19.2%
Operating income	<b>\$ 24,105</b>	\$ 27,147	\$ 26,872	\$ 27,725	\$ 26,491
Income from continuing operations attributable to Walmart	<b>14,694</b>	16,182	15,918	16,963	15,734
Net income per common share:					
Diluted income per common share from continuing operations attributable to Walmart	<b>\$ 4.57</b>	\$ 4.99	\$ 4.85	\$ 5.01	\$ 4.53
Dividends declared per common share	<b>1.96</b>	1.92	1.88	1.59	1.46
<b>Financial position</b>					
Inventories	<b>\$ 44,469</b>	\$ 45,141	\$ 44,858	\$ 43,803	\$ 40,714
Property, equipment, capital lease and financing obligation assets, net	<b>116,516</b>	116,655	117,907	116,681	112,324
Total assets <sup>(2)</sup>	<b>199,581</b>	203,490	204,541	202,910	193,120
Long-term debt <sup>(2)</sup> and long-term capital lease and financing obligations (excluding amounts due within one year)	<b>44,030</b>	43,495	44,368	41,240	46,818
Total Walmart shareholders' equity	<b>80,546</b>	81,394	76,255	76,343	71,315
<b>Unit counts<sup>(3)</sup></b>					
Walmart U.S. segment	<b>4,574</b>	4,516	4,203	4,005	3,868
Walmart International segment	<b>6,299</b>	6,290	6,107	5,783	5,287
Sam's Club segment	<b>655</b>	647	632	620	611
<b>Total units</b>	<b>11,528</b>	11,453	10,942	10,408	9,766

(1) Comparable sales include sales from stores and clubs open for the previous 12 months, including remodels, relocations and expansions, as well as e-commerce sales. Comparable store and club sales include fuel.

(2) Total assets and long-term debt were adjusted to reflect the adoption of ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost, for all periods.

(3) Unit counts related to discontinued operations have been removed from all relevant periods.

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

## Overview

Wal-Mart Stores, Inc. ("Walmart," the "Company" or "we") is engaged in retail and wholesale operations in various formats around the world. Through our operations, we help people around the world save money and live better – anytime and anywhere – in retail stores or through our e-commerce and mobile capabilities. Through innovation, we are striving to create a customer-centric experience that seamlessly integrates digital and physical shopping. Physical retail encompasses our brick and mortar presence in each of the markets in which we operate. Digital retail is comprised of our e-commerce websites and mobile commerce applications. Each week, we serve nearly 260 million customers who visit our over 11,500 stores under 63 banners in 28 countries and e-commerce websites in 11 countries. Our strategy is to lead on price, invest to differentiate on access, be competitive on assortment and deliver a great experience. By leading on price we earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at everyday low prices ("EDLP"). EDLP is our pricing philosophy under which we price items at a low price every day so our customers trust that our prices will not change under frequent promotional activity. Price leadership is core to who we are. Everyday low cost ("EDLC") is our commitment to control expenses so those cost savings can be passed along to our customers. Our digital and physical presence, which we are investing in to integrate, provides customers access to our broad assortment anytime and anywhere. We strive to give our customers and members a great digital and physical shopping experience.

Our operations consist of three reportable segments: Walmart U.S., Walmart International and Sam's Club.

- Walmart U.S. is our largest segment with three primary store formats, as well as digital retail. Of our three reportable segments, Walmart U.S. has historically had the highest gross profit as a percentage of net sales ("gross profit rate"). In addition, it has historically contributed the greatest amount to the Company's net sales and operating income.
- Walmart International consists of our operations outside of the U.S. and includes retail, wholesale and other businesses. These businesses consist of numerous formats, including supercenters, supermarkets, hypermarkets, warehouse clubs, including Sam's Clubs, cash & carry, home improvement, specialty electronics, apparel stores, drug stores and convenience stores, as well as digital retail. The overall gross profit rate for Walmart International is lower than that of Walmart U.S. because of its merchandise mix. Walmart International is our second largest segment and has grown through acquisitions, as well as by adding retail, wholesale and other units, and expanding digital retail.
- Sam's Club consists of membership-only warehouse clubs as well as digital retail. As a membership-only warehouse club, membership income is a significant component of the segment's operating income. Sam's Club operates with a lower gross profit rate and lower operating expenses as a percentage of net sales than our other segments.

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

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

This discussion, which presents our results for periods occurring in the fiscal years ended January 31, 2016 ("fiscal 2016"), January 31, 2015 ("fiscal 2015") and January 31, 2014 ("fiscal 2014") should be read in conjunction with our Consolidated Financial Statements and the accompanying notes. We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from period to period and the primary factors that accounted for those changes. We also discuss certain performance metrics that management uses to assess the Company's performance. Additionally, the discussion provides information about the financial results of the three segments of our business to provide a better understanding of how each of those segments and its results of operations affect the financial condition and results of operations of the Company as a whole.

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, we discuss segment operating income, comparable store and club sales and other measures. Management measures the results of the Company's segments using each segment's operating income, including certain corporate overhead allocations, as well as other measures. From time to time, we revise the measurement of each segment's operating income, including certain corporate overhead allocations, and other measures as determined by the information regularly reviewed by our chief operating decision maker. When we do so, the previous period amounts and balances are reclassified to conform to the current period's presentation.

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



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

In discussing our operating results, we use the term "currency exchange rates" to refer to the currency exchange rates we use to convert the operating results for all countries where the functional currency is not the U.S. dollar into U.S. dollars for financial reporting purposes. We calculate the effect of changes in currency exchange rates from the prior period to the current period as the difference between current period activity translated using the current period's currency exchange rates, and current period activity translated using the comparable prior year period's currency exchange rates. Throughout our discussion, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. Volatility in currency exchange rates may impact the results, including net sales and operating income, of the Company and the Walmart International segment in the future.

We made certain reclassifications to prior period amounts or balances to conform to the presentation in the current fiscal year. These reclassifications did not impact the Company's operating income or consolidated net income.

## The Retail Industry

We operate in the highly competitive retail industry in all of the markets we serve. We face strong sales competition from other discount, department, drug, dollar, variety and specialty stores, warehouse clubs and supermarkets, as well as e-commerce and catalog businesses. Many of these competitors are national, regional or international chains or have a national or international online presence. We compete with a number of companies for prime retail site locations, as well as in attracting and retaining quality employees (whom we call "associates"). We, along with other retail companies, are influenced by a number of factors including, but not limited to: catastrophic events, weather, competitive pressures, consumer disposable income, consumer debt levels and buying patterns, consumer credit availability, cost of goods, currency exchange rate fluctuations, customer preferences, deflation, inflation, fuel and energy prices, general economic conditions, insurance costs, interest rates, labor costs,

tax rates, cybersecurity attacks and unemployment. Further information on the factors that can affect our operating results and on certain risks to our Company and an investment in its securities can be found under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016, and in the discussion under "Cautionary Statement Regarding Forward-Looking Statements and Information" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016.

## Company Performance Metrics

We are committed to helping customers save money and live better through everyday low prices, supported by everyday low costs. At times, we adjust our business strategies to ensure we maintain our strong leadership position around the world and in the countries in which we operate. For several years, our performance metrics emphasized three financial priorities: growth, leverage and returns. We are currently making strategic investments in our associates and in the integration of digital and physical retail. These investments support long-term growth while we maintain our heritage of everyday low prices which are supported by everyday low cost. During this time of increased investments, we have shifted our financial priorities to focus primarily on growth, balanced by the long-term health of the Company including returns. We will continue to grow through new stores and clubs, and through increasing comparable store and club sales, which include our e-commerce sales. While leverage remains important to everyday low cost, during this time of increased investments, operating expenses may grow at a rate that is greater than or equal to the rate of our net sales growth, and operating income may grow at a rate that is equal to or less than the rate of our net sales growth.

Our objective of balancing growth with returns means that we are focused on efficiently employing assets for return on investment and more effectively managing working capital to deliver strong free cash flow. We will also continue to provide returns to our shareholders through share repurchases and dividends.

## Growth

We measure our growth primarily by the amount of the period-over-period growth in our net sales and our comparable store and club sales. We also review the progress of our digital retail investments by measuring the impact e-commerce sales have on our comparable store and club sales. At times, we make strategic investments which are focused on the long-term growth of the Company. These strategic investments may not benefit net sales and comparable store and club sales in the near term.

## Net Sales

(Amounts in millions)	Fiscal Years Ended January 31,							
	2016			2015			2014	
	Net Sales	Percent of Total	Percent Change	Net Sales	Percent of Total	Percent Change	Net Sales	Percent of Total
Walmart U.S.	\$298,378	62.3%	3.6%	\$288,049	59.8%	3.1%	\$279,406	59.0%
Walmart International	123,408	25.8%	(9.4)%	136,160	28.2%	(0.3)%	136,513	28.9%
Sam's Club	56,828	11.9%	(2.1)%	58,020	12.0%	1.5%	57,157	12.1%
Net sales	\$478,614	100.0%	(0.7)%	\$482,229	100.0%	1.9%	\$473,076	100.0%

Our consolidated net sales decreased \$3.6 billion or 0.7% for fiscal 2016 and increased \$9.2 billion or 1.9% for fiscal 2015, when compared to the previous fiscal year. Net sales for fiscal 2016 were negatively impacted by \$17.1 billion or 3.5% as a result of fluctuations in currency exchange rates and a \$1.9 billion decrease in fuel sales primarily due to the lower selling prices of fuel at our Sam's Club segment. The negative effect of such factors was offset by 1.3% year-over-year growth in retail square feet, positive comparable sales in the Walmart U.S. segment and higher e-commerce sales across the Company. The increase in net sales for fiscal 2015 was primarily due to 3.0% year-over-year growth in retail square feet, positive comparable sales in the U.S. and higher e-commerce sales across the Company. The increase was partially offset by \$5.3 billion of negative impact from fluctuations in currency exchange rates for fiscal 2015.

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

## Calendar Comparable Store and Club Sales

Comparable store and club sales is a metric which indicates the performance of our existing U.S. stores and clubs by measuring the change in sales for such stores and clubs, including e-commerce sales, for a particular period over the corresponding period in the previous year. The retail industry generally reports comparable store and club sales using the retail calendar (also known as the 4-5-4 calendar). To be consistent with the retail industry, we provide comparable store and club sales using the retail calendar in our quarterly earnings releases. However, when we discuss our comparable store and club sales below, we are referring to our calendar comparable store and club sales calculated using our fiscal calendar. As our fiscal calendar differs from the retail calendar, our fiscal calendar comparable store and club sales also differ from the retail calendar comparable store and club sales provided in our quarterly earnings releases. Calendar comparable store and club sales, as well as the impact of fuel, for fiscal 2016 and 2015, were as follows:

	Fiscal Years Ended January 31,			
	2016	2015	2016	2015
	With Fuel		Fuel Impact	
Walmart U.S.	1.0%	0.6%	0.0%	0.0%
Sam's Club	(3.2)%	0.0%	(3.4)%	(0.6)%
Total U.S.	0.3%	0.5%	(0.6)%	(0.1)%

Comparable store and club sales in the U.S., including fuel, increased 0.3% and 0.5% in fiscal 2016 and 2015, respectively, when compared to the previous fiscal year. The fiscal 2016 total U.S. comparable store and club sales were positively impacted by continued traffic improvement and higher e-commerce sales at the Walmart U.S. segment, offset to a significant degree by the negative impact of lower fuel sales primarily due to lower fuel prices at the Sam's Club segment. E-commerce sales positively impacted comparable sales approximately 0.2% and 0.6% for Walmart U.S. and Sam's Club, respectively, for fiscal 2016. The fiscal 2015 total U.S. comparable store and club sales were positively impacted by higher traffic during the end of the fiscal year. E-commerce sales positively impacted comparable sales approximately 0.3% and 0.2% for Walmart U.S. and Sam's Club, respectively, for fiscal 2015.

As we continue to add new stores and clubs in the U.S., we do so with an understanding that additional stores and clubs may take sales away from existing units. We estimate the negative impact on comparable store and club sales as a result of opening new stores and clubs was approximately 0.8% and 0.9% in fiscal 2016 and 2015, respectively. Our estimate is calculated primarily by comparing the sales trends of the impacted stores and clubs, which are identified based on their proximity to the new stores and clubs, to those of nearby non-impacted stores and clubs, in each case, as measured after the new stores and clubs are opened.

## Strategic Growth Investments

During fiscal 2016, we made capital investments globally of \$11.5 billion. These capital investments primarily consisted of payments to add new stores and clubs, remodel existing stores and clubs, construct distribution centers and invest in technology. In addition, we made an incremental operational investment of \$296 million in e-commerce in fiscal 2016 as compared to fiscal 2015. We also made operational investments of approximately \$1.2 billion in fiscal 2016 in connection with the new associate wage structure and comprehensive associate training and educational programs announced in first quarter of fiscal 2016. These operational investments will continue into the year ending January 31, 2017 ("fiscal 2017").

## Returns

While we are focused primarily on growth, we also place a priority on generating returns to ensure our approach is appropriately balanced. We generate returns by efficiently deploying assets and effectively managing working capital. We monitor these efforts through our return on investment and free cash flow metrics, which we discuss below. In addition, we are focused on providing returns to our shareholders in the form of share repurchases and dividends, which are discussed in the Liquidity and Capital Resources section.

### Return on Investment

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

ROI was 15.5% and 16.9% for the fiscal years ended January 31, 2016 and 2015, respectively. The decline in ROI was primarily due to our decrease in operating income, as well as continued capital investments.

We define ROI as adjusted operating income (operating income plus interest income, depreciation and amortization, and rent expense) for the fiscal year divided by average invested capital during that period. We consider average invested capital to be the average of our beginning and ending total assets, plus average accumulated depreciation and average accumulated amortization, less average accounts payable and average accrued liabilities for that period, plus a rent factor equal to the rent for the fiscal year multiplied by a factor of eight. When we have discontinued operations, we exclude the impact of the discontinued operations.

Our calculation of ROI is considered a non-GAAP financial measure because we calculate ROI using financial measures that exclude and include amounts that are included and excluded in the most directly comparable financial measure calculated and presented in accordance with generally accepted accounting principles in the U.S. ("GAAP"). For example, we exclude the impact of depreciation and amortization from our reported operating income in calculating the numerator of our calculation of ROI. In addition, we include



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

a factor of eight for rent expense that estimates the hypothetical capitalization of our operating leases. We consider return on assets ("ROA") to be the financial measure computed in accordance with GAAP that is the most directly comparable financial measure to our calculation of ROI. ROI differs from ROA (which is consolidated income from continuing operations for the period divided by average total assets of continuing operations for the period) because ROI: adjusts operating income to exclude certain expense items and adds interest income; adjusts total assets of continuing operations for the impact of accumulated depreciation and amortization, accounts payable and accrued liabilities; and incorporates a factor of rent to arrive at total invested capital. Because of the adjustments mentioned above, we believe ROI more accurately measures how we are deploying our key assets and is more meaningful to investors than ROA.

Although ROI is a standard financial metric, numerous methods exist for calculating a company's ROI. As a result, the method used by management to calculate our ROI may differ from the methods used by other companies to calculate their ROI.

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

	Fiscal Years Ended January 31,	
	2016	2015
<i>(Amounts in millions)</i>		
<b>CALCULATION OF RETURN ON INVESTMENT</b>		
<b>Numerator</b>		
Operating income	\$ 24,105	\$ 27,147
+ Interest income	81	113
+ Depreciation and amortization	9,454	9,173
+ Rent	2,532	2,777
= Adjusted operating income	\$ 36,172	\$ 39,210
<b>Denominator</b>		
Average total assets of continuing operations <sup>(1)</sup>	\$201,536	\$203,786
+ Average accumulated depreciation and amortization <sup>(1)</sup>	68,759	63,375
- Average accounts payable <sup>(1)</sup>	38,449	37,913
- Average accrued liabilities <sup>(1)</sup>	19,380	18,973
+ Rent x 8	20,256	22,216
= Average invested capital	\$232,722	\$232,491
<b>Return on investment (ROI)</b>	<b>15.5%</b>	<b>16.9%</b>
<b>CALCULATION OF RETURN ON ASSETS</b>		
<b>Numerator</b>		
Income from continuing operations	\$ 15,080	\$ 16,814
<b>Denominator</b>		
Average total assets of continuing operations <sup>(1)</sup>	\$201,536	\$203,786
<b>Return on assets (ROA)</b>	<b>7.5%</b>	<b>8.2%</b>

As of January 31,

	2016	2015	2014
<b>Certain Balance Sheet Data</b>			
Total assets of continuing operations <sup>(2)</sup>	\$199,581	\$203,490	\$204,081
Accumulated depreciation and amortization	71,538	65,979	60,771
Accounts payable	38,487	38,410	37,415
Accrued liabilities	19,607	19,152	18,793

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

(2) Total assets of continuing operations were adjusted to reflect the adoption of ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost, for all periods.

### Free Cash Flow

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

We define free cash flow as net cash provided by operating activities in a period minus payments for property and equipment made in that period. We generated free cash flow of \$15.9 billion, \$16.4 billion and \$10.1 billion for fiscal 2016, 2015 and 2014, respectively. The decrease in free cash flow in fiscal 2016 from fiscal 2015 was primarily due to lower income from continuing operations, partially offset by lower capital spending and improved working capital management.

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

Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by Walmart's management to calculate our free cash flow may differ from the methods used by other companies to calculate their free cash flow.



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

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

(Amounts in millions)	Fiscal Years Ended January 31,		
	2016	2015	2014
Net cash provided by operating activities	\$ 27,389	\$ 28,564	\$ 23,257
Payments for property and equipment	(11,477)	(12,174)	(13,115)
<b>Free cash flow</b>	<b>\$ 15,912</b>	<b>\$ 16,390</b>	<b>\$ 10,142</b>
Net cash used in investing activities <sup>(1)</sup>	\$ (10,675)	\$ (11,125)	\$ (12,526)
Net cash used in financing activities	(16,122)	(15,071)	(10,789)

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

## Results of Operations

### Consolidated Results of Operations

(Amounts in millions, except unit counts)	Fiscal Years Ended January 31,		
	2016	2015	2014
Total revenues	\$482,130	\$485,651	\$476,294
Percentage change from comparable period	(0.7)%	2.0%	1.6%
Net sales	\$478,614	\$482,229	\$473,076
Percentage change from comparable period	(0.7)%	1.9%	1.6%
Total U.S. calendar comparable store and club sales increase (decrease)	0.3%	0.5%	(0.5)%
Gross profit rate	24.6%	24.3%	24.3%
Operating income	\$ 24,105	\$ 27,147	\$ 26,872
Operating income as a percentage of net sales	5.0%	5.6%	5.7%
Income from continuing operations	\$ 15,080	\$ 16,814	\$ 16,551
Unit counts at period end	11,528	11,453	10,942
Retail square feet at period end	1,149	1,135	1,101

Our total revenues, which are mostly comprised of net sales, but also include membership and other income, decreased 0.7% for fiscal 2016 and increased 2.0% for fiscal 2015 when compared to the previous fiscal year. Net sales decreased 0.7% for fiscal 2016 and increased 1.9% for fiscal 2015 when compared to the previous fiscal year. For fiscal 2016, net sales were negatively impacted by \$1.7 billion as a result of fluctuations in currency exchange rates and a decrease of \$1.9 billion in fuel sales that resulted primarily from lower selling prices for fuel at our Sam's Club

segment. The negative effect of such factors on our consolidated net sales was partially offset by the 1.3% year-over-year growth in retail square feet, positive comparable sales in the Walmart U.S. segment and higher e-commerce sales across the Company. For fiscal 2015, the increase in net sales was primarily due to 3.0% year-over-year growth in retail square feet, positive comparable sales in the U.S. and higher e-commerce sales across the Company. The increase was partially offset by \$5.3 billion of negative impact from fluctuations in currency exchange rates for fiscal 2015.

Our gross profit rate increased 29 basis points for fiscal 2016 when compared to fiscal 2015. Improved margins in food, general merchandise, and consumables in the Walmart U.S. segment positively impacted our gross profit rate. Changes in the merchandise mix in the Walmart International segment and a reduction in low margin fuel sales in the Sam's Club segment also positively impacted our gross profit rate, while continued pharmacy reimbursement pressure at the Walmart U.S. segment negatively impacted our gross profit rate. Our gross profit rate was relatively flat in fiscal 2015 when compared to fiscal 2014.

Operating expenses as a percentage of net sales increased 91 and 6 basis points for fiscal 2016 and 2015, respectively, when compared to the previous fiscal year. For fiscal 2016, the increase in operating expenses as a percentage of net sales was primarily due to an increase in wage expense at the Walmart U.S. segment due to the new associate wage structure and increased associate hours to improve the overall customer experience, the approximately \$0.9 billion charge for the store closures announced in January 2016 and our continued investments in digital retail and information technology. For fiscal 2015, the increase in operating expenses as a percentage of net sales was due to our continued investments in digital retail and higher health-care expenses in the U.S. from increased enrollment in our associate health-care plans and medical cost inflation, the \$249 million impact of wage and hour litigation in the U.S., as well as expenses of \$148 million related to the closure of approximately 30 underperforming stores in Japan. The impact of these factors in the increase of operating expenses as a percentage of net sales for fiscal 2015 was partially offset by nearly \$1.0 billion of aggregated expenses incurred in fiscal 2014.

Our effective income tax rate was 30.3%, 32.2% and 32.9% for fiscal 2016, 2015 and 2014, respectively. Our effective tax rate fluctuates from period to period and may be impacted by a number of factors, including changes in our assessment of certain tax contingencies, valuation allowances, changes in laws, outcomes of administrative audits, the impacts of discrete items and the mix of earnings among our U.S. and international operations. The reconciliation from the U.S. statutory rate to the effective income tax rates for fiscal 2016, 2015 and 2014 is presented in Note 9 in the "Notes to Consolidated Financial Statements."

As a result of the factors discussed above, we reported \$15.1 billion, \$16.8 billion and \$16.6 billion of consolidated income from continuing operations for fiscal 2016, 2015 and 2014, respectively; a decrease of \$1.7 billion for fiscal 2016 and an increase of \$263 million for fiscal 2015 when compared to the previous fiscal year. Diluted income from continuing operations per common share attributable to Walmart ("EPS") was \$4.57, \$4.99 and \$4.85 for fiscal 2016, 2015 and 2014, respectively.

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

## Walmart U.S. Segment

(Amounts in millions, except unit counts)	Fiscal Years Ended January 31,		
	2016	2015	2014
Net sales	<b>\$298,378</b>	\$288,049	\$279,406
Percentage change from comparable period	<b>3.6%</b>	3.1%	1.8%
Calendar comparable store sales increase	<b>1.0%</b>	0.6%	(0.6)%
Operating income	<b>\$ 19,087</b>	\$ 21,336	\$ 21,787
Operating income as a percentage of net sales	<b>6.4%</b>	7.4%	7.8%
Unit counts at period end	<b>4,574</b>	4,516	4,203
Retail square feet at period end	<b>690</b>	680	659

Net sales for the Walmart U.S. segment increased 3.6% and 3.1% for fiscal 2016 and 2015, respectively, when compared to the previous fiscal year. The increases in net sales were primarily due to year-over-year growth in retail square feet of 1.4% and 3.2% for fiscal 2016 and 2015, respectively, as well as increases in comparable store sales of 1.0% and 0.6% for fiscal 2016 and 2015, respectively. Positive customer traffic and higher e-commerce sales contributed to the increases in comparable store sales in both periods.

The fiscal 2016 gross profit rate increased 12 basis points compared to the previous fiscal year, primarily due to improved margin in food, general merchandise, and consumables, partially offset by continued pharmacy reimbursement pressure. The fiscal 2015 gross profit rate decreased 12 basis points when compared to the previous fiscal year, primarily due to the result of the segment's strategic focus on price investment, pharmacy cost inflation, reductions in third-party reimbursement rates and changes in merchandise mix.

Operating expenses as a percentage of segment net sales increased 113 and 24 basis points for fiscal 2016 and 2015, respectively, when compared to the previous fiscal year. For fiscal 2016, the increase was primarily driven by an increase in wage expense due to the new associate wage structure and increased associate hours. Enhancements to the customer-facing areas of the store to improve the overall customer experience drove the increase in associate hours as well as increased maintenance expenses. In addition, the approximately \$700 million charge for the closures of 150 stores announced in January 2016, an increase in store associate incentive expense and our continued investments in digital retail and information technology contributed to the fiscal 2016 increase in operating expenses as a percentage of segment net sales. For fiscal 2015, the increase in operating expenses as a percentage of segment net sales was primarily driven by higher health-care expenses from increased enrollment in our associate health-care plans and medical cost inflation. In addition, expenses from severe winter storms early in fiscal 2015 contributed to the increase in operating expenses as a percentage of segment net sales.

As a result of the factors discussed above, segment operating income was \$19.1 billion, \$21.3 billion and \$21.8 billion during fiscal 2016, 2015 and 2014, respectively.

## Walmart International Segment

(Amounts in millions, except unit counts)	Fiscal Years Ended January 31,		
	2016	2015	2014
Net sales	<b>\$123,408</b>	\$136,160	\$136,513
Percentage change from comparable period	<b>(9.4)%</b>	(0.3)%	1.3%
Operating income	<b>\$ 5,346</b>	\$ 6,171	\$ 5,153
Operating income as a percentage of net sales	<b>4.3%</b>	4.5%	3.8%
Unit counts at period end	<b>6,299</b>	6,290	6,107
Retail square feet at period end	<b>372</b>	368	358

Net sales for the Walmart International segment decreased 9.4% and 0.3% for fiscal 2016 and 2015, respectively, when compared to the previous fiscal year. For fiscal 2016, the decrease in net sales was primarily due to the \$17.1 billion of negative impact from fluctuations in currency exchange rates and negative comparable sales in the U.K. and China, partially offset by year-over-year growth in retail square feet of 1.2% and positive comparable sales in Mexico and Canada. For fiscal 2015, the decrease in net sales was primarily due to \$5.3 billion of negative impact from fluctuations in currency exchange rates, partially offset by year-over-year growth in retail square feet of 2.6% and higher e-commerce sales in each country with e-commerce operations, particularly in the United Kingdom, China and Brazil.

Gross profit rate increased 23 and 12 basis points for fiscal 2016 and 2015, respectively, when compared to the same periods in the previous fiscal year. The fiscal 2016 and 2015 increases in gross profit rate were primarily due to changes in the merchandise mix in certain markets.

Operating expenses as a percentage of segment net sales increased 44 basis points for fiscal 2016, when compared to the previous fiscal year. The increase in operating expenses as a percentage of segment net sales for fiscal 2016 was primarily driven by the approximately \$150 million charge for the announced closure of 115 underperforming stores in Brazil and other Latin American markets in January 2016, increased employment claim contingencies and higher utility rates in Brazil and continued investments in digital retail and information technology.

Operating expenses as a percentage of segment net sales decreased 51 basis points for fiscal 2015 when compared to the previous fiscal year due to the nearly \$1.0 billion of aggregated expenses incurred in fiscal 2014, including charges for contingencies in Brazil, store closure costs in China and Brazil, store lease expenses in China and Mexico and expenses for the termination of the joint venture in India, partially offset by fiscal 2015 expenses of \$148 million related to the closure of approximately 30 underperforming stores in Japan.

As a result of the factors discussed above, segment operating income was \$5.3 billion, \$6.2 billion and \$5.2 billion for fiscal 2016, 2015 and 2014, respectively. Fluctuations in currency exchange rates negatively impacted operating income \$765 million, \$225 million and \$26 million in fiscal 2016, 2015 and 2014, respectively.



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

## Sam's Club Segment

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

(Amounts in millions, except unit counts)	Fiscal Years Ended January 31,		
	2016	2015	2014
<i>Including Fuel</i>			
Net sales	\$56,828	\$58,020	\$57,157
Percentage change from comparable period	(2.1)%	1.5%	1.3%
Calendar comparable club sales increase (decrease)	(3.2)%	0.0%	0.3%
Operating income	\$ 1,820	\$ 1,976	\$ 1,843
Operating income as a percentage of net sales	3.2%	3.4%	3.2%
Unit counts at period end	655	647	632
Retail square feet at period end	88	87	84
<i>Excluding Fuel</i>			
Net sales	\$52,330	\$51,630	\$50,574
Percentage change from comparable period	1.4%	2.1%	1.6%
Operating income	\$ 1,746	\$ 1,854	\$ 1,817
Operating income as a percentage of net sales	3.3%	3.6%	3.6%

Net sales for the Sam's Club segment decreased 2.1% for fiscal 2016 and increased 1.5% for fiscal 2015 when compared to the previous fiscal year. The fiscal 2016 decrease in net sales was primarily due to declines in comparable club sales, which were driven by a decrease of \$1.9 billion in fuel sales that resulted primarily from lower selling prices for fuel. The decrease in net sales was partially offset by year-over-year growth in retail square feet of 1.2% and higher e-commerce sales at samsclub.com. The fiscal 2015 increase in net sales was primarily due to year-over-year growth in retail square feet of 2.5%, driven by the addition of 15 new clubs, partially offset by a decrease in fuel sales from lower fuel prices. Comparable club sales were flat for fiscal 2015.

Gross profit rate increased 30 basis points for fiscal 2016 and decreased 12 basis points for fiscal 2015, when compared to the previous fiscal year. For fiscal 2016, the increase was primarily due to the reduction in low margin fuel sales and lower merchandise acquisition costs, partially offset by the segment's continued investment in the Cash Rewards program. For fiscal 2015, the gross profit rate decreased primarily due to the segment's investment in the Cash Rewards program, changes in merchandise mix, and commodity cost inflation, partially offset by an increased gross profit rate on fuel sales.

Membership and other income increased 5.3% and 7.7% for fiscal 2016 and 2015, respectively, when compared to the previous fiscal year. For fiscal 2016, the increase was primarily the result of increased membership upgrades and Plus Member renewals. For fiscal 2015, the increase was primarily the result of increased membership upgrades, Plus Member renewals and an increase in members from the opening of 15 new clubs.

Operating expenses as a percentage of segment net sales increased 67 basis points for fiscal 2016 and decreased 16 basis points for fiscal 2015, when compared to the previous fiscal year. For fiscal 2016, the increase in operating expenses as a percentage of segment net sales was primarily due to lower fuel sales, an increase in wage expense due to the new associate wage structure, our continued investments in new clubs, digital retail and information technology, and the approximately \$60 million charge for club closures announced in January 2016. For fiscal 2015, the decrease in operating expenses as a percentage of segment net sales was primarily due to better expense management in a number of areas, including the optimization of the new in-club staffing structure announced in fiscal 2014, which resulted in decreases in wage expense and payroll taxes.

As a result of the factors discussed above, segment operating income was \$1.8 billion, \$2.0 billion and \$1.8 billion for fiscal 2016, 2015 and 2014, respectively.

## Liquidity and Capital Resources

### Liquidity

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

### Net Cash Provided by Operating Activities

(Amounts in millions)	Fiscal Years Ended January 31,		
	2016	2015	2014
Net cash provided by operating activities	\$27,389	\$28,564	\$23,257

Net cash provided by operating activities was \$27.4 billion, \$28.6 billion and \$23.3 billion for fiscal 2016, 2015 and 2014, respectively. The decrease in net cash provided by operating activities for fiscal 2016, when compared to the previous fiscal year, was primarily due to lower income from continuing operations, partially offset by improved working capital management. The increase in net cash provided by operating activities for fiscal 2015, when compared to the previous fiscal year, was primarily due to the timing of payments for accounts payable and accrued liabilities, as well as the timing of income tax payments.

In fiscal 2017, the Company will move forward with the second year of our new associate wage structure combined with comprehensive associate training and educational programs which was announced in fiscal 2016. We anticipate cash flows provided by operating activities will be sufficient to fund these programs in fiscal 2017 and future years.



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

## Cash Equivalents and Working Capital

Cash and cash equivalents were \$8.7 billion and \$9.1 billion at January 31, 2016 and 2015, respectively. Our working capital deficit was \$4.4 billion and \$2.0 billion at January 31, 2016 and 2015, respectively. The increase in our working capital deficit reflects the Company's efficient leverage achieved through improved working capital management, in addition to the timing of payments. We generally operate with a working capital deficit due to our efficient use of cash in funding operations, consistent access to the capital markets and in providing returns to our shareholders in the form of payments of cash dividends and share repurchases.

We use intercompany financing arrangements in an effort to ensure cash can be made available in the country in which it is needed with the minimum cost possible. We do not believe it will be necessary to repatriate earnings held outside of the U.S. and anticipate our domestic liquidity needs will be met through cash flows provided by operating activities, supplemented with long-term debt and short-term borrowings. Accordingly, we intend, with only certain exceptions, to continue to indefinitely reinvest our earnings held outside of the U.S. in our foreign operations. When the income earned, either from operations or through intercompany financing arrangements, and indefinitely reinvested outside of the U.S. is taxed at local country tax rates, which are generally lower than the U.S. statutory rate, we realize an effective tax rate benefit. If our intentions with respect to reinvestment were to change, most of the amounts held within our foreign operations could be repatriated to the U.S., although any repatriation under current U.S. tax laws would be subject to U.S. federal income taxes, less applicable foreign tax credits. We do not expect local laws, other limitations or potential taxes on anticipated future repatriations of earnings held outside of the U.S. to have a material effect on our overall liquidity, financial condition or results of operations.

As of January 31, 2016 and January 31, 2015, cash and cash equivalents of approximately \$1.1 billion and \$1.7 billion, respectively, may not be freely transferable to the U.S. due to local laws or other restrictions.

## Net Cash Used in Investing Activities

(Amounts in millions)	As of January 31,		
	2016	2015	2014
Net cash used in investing activities	<b>\$(10,675)</b>	\$(11,125)	\$(12,526)

Net cash used in investing activities was \$10.7 billion, \$11.1 billion and \$12.5 billion for fiscal 2016, 2015 and 2014, respectively, and generally consisted of payments to add stores and clubs, remodel existing stores and clubs, expand our digital retail capabilities and invest in other technologies. For fiscal 2016, we opened 423 new stores and clubs. Net cash used in investing activities decreased \$450 million and \$1.4 billion for fiscal 2016 and 2015, respectively, when compared to the previous fiscal year, primarily due to lower capital expenditures. The following table provides additional capital expenditure detail:

(Amounts in millions)	Allocation of Capital Expenditures	
	Fiscal Years Ending January 31,	
Capital Expenditures	2016	2015
New stores and clubs, including expansions and relocations	<b>\$ 3,194</b>	\$ 4,128
Information systems, distribution, digital retail and other	<b>3,963</b>	3,288
Remodels	<b>1,390</b>	822
<b>Total U.S.</b>	<b>8,547</b>	8,238
Walmart International	<b>2,930</b>	3,936
<b>Total capital expenditures</b>	<b>\$11,477</b>	\$12,174

Cash proceeds of \$671 million received from the sale of the Vips restaurant business in Mexico ("Vips") on May 12, 2014, which is further described in Note 13 to our Consolidated Financial Statements, also reduced net cash used in investing activities in fiscal 2015.

We continued to focus on seamlessly integrating the digital and physical shopping experience for our customers and expanding in digital retail in each of our segments during fiscal 2016. Some of our fiscal 2016 accomplishments in this area were to successfully launch "Walmart Pay," grow integrated mobile applications and services including "Online Grocery" and "Pickup Today," continue to roll out our new web platform in the U.S. and open new e-commerce dedicated fulfillment centers.

## Growth Activities

In fiscal 2017, we plan to add between 342 and 405 new stores and clubs, which will include a continued investment in Neighborhood Markets and a moderation of Supercenter growth in the U.S. compared to recent fiscal years. In addition, we plan to continue the growth of our digital retail capabilities by investing approximately \$1.1 billion in e-commerce websites and mobile commerce applications that will include technology, infrastructure and other elements of our e-commerce operations to better serve our customers and support our stores and clubs. We anticipate financing these growth activities through cash flows provided by operating activities and future debt financings.

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

The following table provides our projected fiscal 2017 capital expenditures. Our anticipated digital retail expenditures are included in our projected fiscal 2017 capital expenditures. The amounts in the table do not include capital expenditures or growth in retail square feet from any pending or future acquisitions.

<i>(Amounts in billions)</i>	Approximate Fiscal 2017 Projected Capital Expenditures
Walmart U.S.	\$ 6.2
Walmart International	3.0
Sam's Club	0.8
Corporate and support	1.0
<b>Total</b>	<b>\$11.0</b>

## Net Cash Used in Financing Activities

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,		
	2016	2015	2014
Net cash used in financing activities	<b>\$(16,122)</b>	\$(15,071)	\$(10,789)

Net cash flows used in financing activities generally consist of transactions related to our short-term and long-term debt, financing obligations, dividends paid and the repurchase of Company stock. Transactions with noncontrolling interest shareholders are also classified as cash flows from financing activities. Net cash used in financing activities increased \$1.1 billion and \$4.3 billion for fiscal 2016 and fiscal 2015, respectively, when compared to the same period in the previous fiscal year.

## Short-term Borrowings

Net cash flows provided by short-term borrowings increased \$1.2 billion in fiscal 2016 and decreased \$6.3 billion in fiscal 2015, when compared to the balance at the end of the previous fiscal year. We generally utilize the liquidity provided by short-term borrowings to provide funding for our operations, dividend payments, share repurchases, capital expenditures and other cash requirements. For fiscal 2016, the increase in net cash flows provided by short-term borrowings partially offset a larger \$2.0 billion decrease in long-term debt due within one year. For fiscal 2015, more cash provided from operating activities combined with less cash used for share repurchases and capital expenditures during fiscal 2015 allowed us to minimize our short-term borrowings as of January 31, 2015. In addition to our short-term borrowings, we also have various undrawn committed lines of credit that provide \$15.0 billion of additional liquidity, if needed.

## Long-term Debt

The following table provides the changes in our long-term debt for fiscal 2016:

<i>(Amounts in millions)</i>	Long-term debt due within one year	Long-term debt	Total
Balances as of February 1, 2015	\$ 4,791	\$ 40,889	\$ 45,680
Proceeds from issuance of long-term debt	—	39	39
Payments of long-term debt	(4,432)	—	(4,432)
Reclassifications of long-term debt	2,000	(2,000)	—
Other	386	(714)	(328)
<b>Balances as of January 31, 2016</b>	<b>\$ 2,745</b>	<b>\$38,214</b>	<b>\$40,959</b>

Our total outstanding long-term debt balance decreased \$4.7 billion for the twelve months ended January 31, 2016, primarily due to no significant new long-term debt issuances in the current year offset by maturities of existing long-term debt.

## Dividends

Our total dividend payments were \$6.3 billion, \$6.2 billion and \$6.1 billion for fiscal 2016, 2015 and 2014, respectively. On February 18, 2016, the Board of Directors approved the fiscal 2017 annual dividend of \$2.00 per share, an increase over the fiscal 2016 annual dividend of \$1.96 per share. For fiscal 2017, the annual dividend will be paid in four quarterly installments of \$0.50 per share, according to the following record and payable dates:

Record Date	Payable Date
March 11, 2016	April 4, 2016
May 13, 2016	June 6, 2016
August 12, 2016	September 6, 2016
December 9, 2016	January 3, 2017

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

## Company Share Repurchase Program

From time to time, we repurchase shares of our common stock under share repurchase programs authorized by the Company's Board of Directors. On October 13, 2015, the Board of Directors replaced the previous \$15.0 billion share repurchase program, which had \$8.6 billion of remaining authorization for share repurchases as of that date, with a new \$20.0 billion share repurchase program. As was the case with the replaced share repurchase program, the new share repurchase program has no expiration date or other restrictions limiting the period over which we can make share repurchases. At January 31, 2016, authorization for \$17.5 billion of share repurchases remained under the current share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status. The Company intends to utilize the current share repurchase authorization through the fiscal year ending January 31, 2018.

We regularly review share repurchase activity and consider several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings, our results of operations and the market price of our common stock. We anticipate that a significant majority of the ongoing share repurchase program will be funded through the Company's free cash flows. The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and total amount paid for share repurchases for fiscal 2016, 2015 and 2014:

<i>(Amounts in millions, except per share data)</i>	Fiscal Years Ended January 31,		
	2016	2015	2014
Total number of shares repurchased	62.4	13.4	89.1
Average price paid per share	\$65.90	\$75.82	\$74.99
Total amount paid for share repurchases	\$4,112	\$1,015	\$6,683

Share repurchases increased \$3.1 billion for fiscal 2016 and decreased \$5.7 billion for fiscal 2015, respectively, when compared to the previous fiscal year. For fiscal 2016, the increase in share repurchases resulted from our intention to utilize the current share repurchase authorization over the next two years. For fiscal 2015, the decrease was a result of cash needs, reduced leverage and increased cash used in transactions with noncontrolling interests described further below.

## Significant Transactions with Noncontrolling Interests

As described in Note 13 to our Consolidated Financial Statements, in July 2015, we completed the purchase of all of the remaining noncontrolling interest in Yihaodian, our e-commerce operations in China, for approximately \$760 million, using existing cash to complete this transaction and during fiscal 2015, we completed the purchase of substantially all of the remaining noncontrolling interest in Walmart Chile for approximately \$1.5 billion, using existing cash to complete this transaction.

## Capital Resources

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

We have strong commercial paper and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in capital markets. At January 31, 2016, the ratings assigned to our commercial paper and rated series of our outstanding long-term debt were as follows:

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

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



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

## Contractual Obligations and Other Commercial Commitments

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

(Amounts in millions)	Total	Payments Due During Fiscal Years Ending January 31,			
		2017	2018-2019	2020-2021	Thereafter
<b>Recorded contractual obligations:</b>					
Long-term debt <sup>(1)</sup>	\$ 40,959	\$ 2,745	\$ 5,016	\$ 3,850	\$29,348
Short-term borrowings	2,708	2,708	—	—	—
Capital lease and financing obligations <sup>(2)</sup>	8,655	815	1,468	1,279	5,093
<b>Unrecorded contractual obligations:</b>					
Non-cancelable operating leases	21,505	2,057	3,783	3,227	12,438
Estimated interest on long-term debt	30,391	1,806	3,445	3,129	22,011
Trade letters of credit	2,709	2,709	—	—	—
Stand-by letters of credit	1,813	1,813	—	—	—
Purchase obligations	14,099	6,830	5,527	1,549	193
<b>Total commercial commitments</b>	<b>\$122,839</b>	<b>\$21,483</b>	<b>\$19,239</b>	<b>\$13,034</b>	<b>\$69,083</b>

(1) "Long-term debt" includes the fair value of our derivatives classified as fair value hedges.

(2) "Capital lease and financing obligations" includes executory costs and imputed interest related to capital lease and financing obligations that are not yet recorded. Refer to Note 11 in the "Notes to the Consolidated Financial Statements" for more information.

Additionally, the Company has \$15.0 billion in undrawn committed lines of credit which, if drawn upon, would be included in the current liabilities section of the Company's Consolidated Balance Sheets.

Estimated interest payments are based on our principal amounts and expected maturities of all debt outstanding at January 31, 2016, and management's forecasted market rates for our variable rate debt.

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

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

In addition to the amounts shown in the table above, \$607 million of unrecognized tax benefits are considered uncertain tax positions and have been recorded as liabilities. The timing of the payment, if any,

associated with these liabilities is uncertain. Refer to Note 9 in the "Notes to Consolidated Financial Statements" for additional discussion of unrecognized tax benefits.

## Off Balance Sheet Arrangements

In addition to the unrecorded contractual obligations presented above, we have entered into certain arrangements, as discussed below, for which the timing of payment, if any, is unknown.

The Company has future lease commitments for land and buildings for approximately 215 future locations. These lease commitments have lease terms ranging from 10 to 30 years and provide for certain minimum rentals. If leases for all of those future locations had been executed as of February 1, 2016, payments under operating leases would increase by \$34 million for fiscal 2017, based on current estimates.

In connection with certain long-term debt issuances, we could be liable for early termination payments if certain unlikely events were to occur. At January 31, 2016, the aggregate termination payment would have been \$44 million. The arrangement pursuant to which this payment could be made will expire in fiscal 2019.

## Market Risk

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

The analysis presented below for each of our market risk sensitive instruments is based on a hypothetical scenario used to calibrate potential risk and does not represent our view of future market changes. The effect of a change in a particular assumption is calculated without adjusting any other assumption. In reality, however, a change in one factor could cause a change in another, which may magnify or negate other sensitivities.

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## Interest Rate Risk

We are exposed to changes in interest rates as a result of our short-term borrowings and long-term debt issuances. We hedge a portion of our interest rate risk by managing the mix of fixed and variable rate debt and by entering into interest rate swaps. For fiscal 2016, the net fair value of our interest rate swaps increased approximately \$162 million primarily due to additional interest rate swaps acquired in fiscal 2016 and fluctuations in market interest rates.

The table below provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table represents the principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table represents the contractual cash flows and weighted-average interest rates by the contractual maturity date, unless otherwise noted. The notional amounts are used to calculate contractual cash flows to be exchanged under the contracts. The weighted-average variable rates are based upon prevailing market rates at January 31, 2016.

(Amounts in millions)	Expected Maturity Date						Total
	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Thereafter	
<b>Liabilities</b>							
<b>Short-term borrowings:</b>							
Variable rate	\$2,708	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,708
Weighted-average interest rate	1.5%	—%	—%	—%	—%	—%	1.5%
<b>Long-term debt<sup>(1)</sup>:</b>							
Fixed rate	\$2,032	\$1,518	\$3,502	\$484	\$3,351	\$29,353	\$40,240
Weighted-average interest rate	1.9%	4.1%	3.1%	4.3%	3.4%	5.0%	4.5%
Variable rate	719	—	—	—	—	—	\$ 719
Weighted-average interest rate	5.2%	—%	—%	—%	—%	—%	5.2%
<b>Interest rate derivatives</b>							
<b>Interest rate swaps:</b>							
Fixed to variable	\$ —	\$ —	\$ —	\$ —	\$1,500	\$ 3,500	\$ 5,000
Weighted-average pay rate	—%	—%	—%	—%	2.0%	1.5%	1.6%
Weighted-average receive rate	—%	—%	—%	—%	3.3%	3.0%	3.1%

(1) The long-term debt amounts in the table exclude the Company's derivatives classified as fair value hedges.

As of January 31, 2016, our variable rate borrowings, including the effect of our commercial paper and interest rate swaps, represented 19% of our total short-term and long-term debt. Based on January 31, 2016 debt levels, a 100 basis point change in prevailing market rates would cause our annual interest costs to change by approximately \$79 million.

## Foreign Currency Risk

We are exposed to fluctuations in foreign currency exchange rates as a result of our net investments and operations in countries other than the U.S. For fiscal 2016, movements in currency exchange rates and the related impact on the translation of the balance sheets of the Company's subsidiaries in Canada, the United Kingdom, Japan, Mexico and Chile were the primary cause of the \$4.7 billion net loss in the currency translation and other category of accumulated other comprehensive income (loss). We hedge a portion of our foreign currency risk by entering into currency swaps and designating certain foreign-currency-denominated long-term debt as net investment hedges.

We hold currency swaps to hedge the currency exchange component of our net investments and also to hedge the currency exchange rate fluctuation exposure associated with the forecasted payments of principal and interest of non-U.S. denominated debt. The aggregate fair value of these swaps was in a liability position of \$290 million at January 31, 2016 and in a liability position of \$110 million at January 31, 2015. The change in the fair value of these swaps was due to fluctuations in currency exchange rates, primarily the strengthening of the U.S. dollar relative to other currencies in fiscal 2016. A hypothetical 10% increase or decrease in the currency exchange rates underlying these swaps from the market rate at January 31, 2016 would have resulted in a loss or gain in the value of the swaps of \$445 million. A hypothetical 10% change in interest rates underlying these swaps from the market rates in effect at January 31, 2016 would have resulted in a loss or gain in value of the swaps of \$14 million.



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

In addition to currency swaps, we have designated foreign-currency-denominated long-term debt as nonderivative hedges of net investments of certain of our foreign operations. At January 31, 2016 and 2015, we had £2.5 billion of outstanding long-term debt designated as a hedge of our net investment in the United Kingdom. At January 31, 2016, a hypothetical 10% increase or decrease in the value of the U.S. dollar relative to the British pound would have resulted in a gain or loss in the value of the debt of \$324 million. In addition, we had outstanding long-term debt of ¥10 billion at January 31, 2016 and ¥100 billion at January 31, 2015, that was designated as a hedge of our net investment in Japan. At January 31, 2016, a hypothetical 10% increase or decrease in value of the U.S. dollar relative to the Japanese yen would have resulted in a gain or loss in the value of the debt of \$8 million.

In certain countries, we also enter into immaterial foreign currency forward contracts to hedge the purchase and payment of purchase commitments denominated in non-functional currencies.

## Other Matters

We discuss our existing FCPA investigation and related matters in the Annual Report on Form 10-K for fiscal 2016, including certain risks arising therefrom, in Part I, Item 1A of the Form 10-K under the caption "Risk Factors" and under the sub-caption "FCPA Investigation and Related Matters" in Note 10 to our Consolidated Financial Statements, which is captioned "Contingencies," and appears elsewhere herein. We also discuss various legal proceedings related to the FCPA investigation in Item 3 of the Form 10-K under the caption "Part I, Item 3. Legal Proceedings," under the sub-caption "II. Certain Other Proceedings." We discuss the "equal value" claims against our United Kingdom subsidiary, ASDA Stores, Ltd., in the Annual Report on Form 10-K for fiscal 2016, including certain risks arising therefrom, in Part I, Item 1A of the Form 10-K under the caption "Risk Factors" and under the sub-caption "Legal Proceedings" in Note 10 to our Consolidated Financial Statements, which is captioned "Contingencies," and appears elsewhere herein.

## Summary of Critical Accounting Estimates

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

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

## Inventories

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

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

When necessary, we record a LIFO provision for the estimated annual effect of inflation, and these estimates are adjusted to actual results determined at year-end. Our LIFO provision is calculated based on inventory levels, markup rates and internally generated retail price indices. At January 31, 2016 and 2015, our inventories valued at LIFO approximated those inventories as if they were valued at FIFO.

We provide for estimated inventory losses, or shrinkage, between physical inventory counts on the basis of a historical percentage of sales. Following annual inventory counts, the provision is adjusted to reflect updated historical results.

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

## *Impairment of Assets*

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

Goodwill and other indefinite-lived acquired intangible assets are not amortized, but are evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of a certain asset may be impaired. Generally, this evaluation begins with a qualitative assessment to determine whether a quantitative impairment test is necessary. If we determine, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative impairment test would be performed. The quantitative test for impairment requires management to make judgments relating to future cash flows, growth rates and economic and market conditions. These evaluations are based on determining the fair value of a reporting unit or asset using a valuation method such as discounted cash flow or a relative, market-based approach. Historically, our reporting units have generated sufficient returns to recover the cost of goodwill and other indefinite-lived acquired intangible assets. Because of the nature of the factors used in these tests, if different conditions occur in future periods, future operating results could be materially impacted.

As of January 31, 2016, the fair value of certain indefinite-lived intangible assets held in our International segment exceeded its carrying value of \$398 million by approximately 5%. Management will continue to monitor the fair value of these assets in future periods.

## *Income Taxes*

Income taxes have a significant effect on our net earnings. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Accordingly, the determination of our provision for income taxes requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. Our effective income tax rate is affected by many factors, including changes in our assessment of certain tax contingencies, increases and decreases in valuation allowances, changes in tax law, outcomes of administrative audits, the impact of discrete items and the mix of earnings among our U.S. and international operations where the statutory rates are generally lower than the U.S. statutory rate, and may fluctuate as a result.

Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions. The benefits of uncertain tax positions are recorded in our financial statements only after determining a more likely than not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. When facts and circumstances change, we reassess these probabilities and record any changes in the financial statements as appropriate. We account for uncertain tax positions by determining the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. This determination requires the use of significant judgment in evaluating our tax positions and assessing the timing and amounts of deductible and taxable items.

Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent that a portion is not more likely than not to be realized. Many factors are considered when assessing whether it is more likely than not that the deferred tax assets will be realized, including recent cumulative earnings, expectations of future taxable income, carryforward periods and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. This evaluation relies heavily on estimates.



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

## Cautionary Statement Regarding Forward-Looking Statements

This Annual Report to Shareholders contains statements that we believe are "forward-looking statements" entitled to the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995, as amended.

The forward-looking statements made in this Annual Report to Shareholders are not statements of historical facts, but instead express our estimates or expectations for our consolidated, or one of our segment's, economic performance or results of operations for future periods or as of future dates or events or developments that may occur in the future or discuss our plans, objectives or goals. These forward-looking statements relate to:

- the growth of our business or change in our competitive position in the future or in or over particular periods;
- the amount, number, growth or increase, in or over certain periods, of or in certain financial items or measures or operating measures, including net sales, comparable store and club sales, liabilities, expenses of certain categories, returns, capital and operating investments or expenditures of particular types, new store openings, or investments in particular formats;
- investments we will make and how certain of those investments are expected to be financed;
- volatility in currency exchange rates and fuel prices affecting our or one of our segments' results of operations;
- the Company continuing to provide returns to shareholders through share repurchases and dividends, the use of share repurchase authorization over a certain period or the source of funding of a certain portion of our share repurchases;
- our sources of liquidity, including our cash, continuing to be adequate or sufficient to fund and finance our operations, expansion activities, dividends and share repurchases, to meet our cash needs and to fund our domestic operations without repatriating earnings we hold outside of the U.S.;
- our intention to reinvest the earnings we hold outside of the U.S. in our foreign operations and certain laws, other limitations and potential taxes on anticipated future repatriations of such earnings not materially affecting our liquidity, financial condition or results of operations;
- the insignificance of ineffective hedges and reclassification of amounts related to our derivatives;
- the realization of certain net deferred tax assets and the effects of resolutions of tax-related matters;
- the effect of adverse decisions in, or settlement of, litigation to which we are subject and the effect of an FCPA-investigation on our business; or
- the effect on the Company's results of operations or financial condition of the Company's adoption of certain new, or amendments to existing, accounting standards.

Statement of our plans, objectives and goals in this Annual Report to Shareholders, including our priority of the growth of the Company being balanced by the long-term health of the Company, including returns, are also forward-looking statements.

The forward-looking statements described above are identified by the use in such statements of words or phrases such as "aim," "anticipate," "could be," "could increase," "estimated," "expansion," "expect," "expected to be," "focus," "goal," "grow," "intend," "invest," "is expected," "may continue," "may fluctuate," "may grow," "may impact," "may result," "objective," "plan," "priority," "project," "strategy," "to be," "to win," "we'll," "we will," "will add," "will allow," "will be," "will benefit," "will continue," "will decrease," "will have," "will impact," "will include," "will increase," "will open," "will result," "will strengthen," "will win," "would be," "would decrease" and "would increase," variations of such words and phrases and other words or phrases of similar import.

## Risks, Factors and Uncertainties Affecting Our Business

Our business operations are subject to numerous risks, factors and uncertainties, domestically and internationally, outside of our control. One, or a combination, of these risks, factors and uncertainties could materially affect any of those matters as to which we have made forward-looking statements in this Annual Report to Shareholders and cause our actual results or an actual event or occurrence to differ materially from those results or an event or occurrence described in any such forward-looking statement. These factors include, but are not limited to:

- economic, geo-political, financial markets and business conditions, trends, changes, and events, economic crises, including sovereign debt crises, and disruptions in the financial markets;
- monetary policies of the various governments, governmental entities, and central banks;
- currency exchange rate fluctuations and volatility and changes in market rates of interest;
- inflation and deflation, generally and in certain product categories, including gasoline and diesel fuel;
- consumer confidence, disposable income, credit availability, spending levels, shopping patterns, debt levels, demand for certain merchandise and receipt of income tax refunds and public assistance payments;
- consumer acceptance of our stores and clubs, e-commerce websites, mobile commerce applications, initiatives, programs and merchandise offerings and customer traffic and average ticket in our stores and clubs and on our retail websites and mobile commerce applications;
- commodity and energy prices and selling prices of commodity items, such as gasoline and diesel fuel;
- our historical results of operations, cash flows, financial condition and liquidity;
- the amounts of sales and earnings from our United States and foreign operations and our cost of goods sold;
- competitive initiatives, and changes in the operations, of other retailers, and warehouse club operators and e-commerce retailers, arrival of new competitors and other competitive pressures;
- the seasonality of business, seasonal buying patterns and the disruption of such patterns;
- unanticipated store or club closures, unanticipated restructurings and the related expenses;
- the size of and turnover in our hourly workforce and our labor costs, including health-care and other benefit costs;



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

- costs of transportation and other essential services, such as medical care;
- casualty- and accident-related costs and our casualty and other insurance costs;
- cyberattacks on and incidents relating to our information systems, related costs and liabilities and information security costs;
- availability and cost of acceptable building sites and necessary utilities for new and relocated units;
- availability and cost of skilled construction labor and materials and other construction costs;
- availability of qualified labor pools for existing, new or expanded units and to meet seasonal hiring needs;
- real estate, zoning, land use and other laws, ordinances, legal restrictions and initiatives affecting our ability to build new units in certain locations or relocate or expand existing units;
- weather conditions, patterns and events, climate change, catastrophic events and disasters, public health emergencies, civil disturbances and terrorist attacks, resulting damage to our units and store and club closings and limitations on our customers' access to our stores and clubs resulting from such events;
- disruptions in the availability of our e-commerce websites and mobile commerce applications;
- trade restrictions, changes in tariff and freight rates and disruptions in our supply chain;
- costs of compliance with laws and regulations and effects of new or changed tax, labor and other laws and regulations, including those changing tax rates and imposing new taxes and surcharges;
- changes in our assessment of certain tax contingencies, changes in valuation allowances, outcome of administrative audits, impact of discrete items on our effective tax rate and resolution of tax matters;
- developments in and the outcome of our legal and regulatory proceedings and our FCPA-related matters, and associated costs and expenses;
- changes in the rating of any of our indebtedness and our access to the capital markets; and
- unanticipated changes in generally accepted accounting principles or their interpretations or applicability and in accounting estimates and judgments.

We typically earn a disproportionate part of our annual operating income in the fourth quarter as a result of seasonal buying patterns, which patterns are difficult to forecast with certainty and can be affected by many factors.

## *Other Risk Factors; No Duty to Update*

We discuss certain of these factors more fully, as well as certain other risk factors that may affect the results and other matters discussed in the forward-looking statements identified above, in our filings with the Securities and Exchange Commission (the "SEC"), including in our Annual Report on Form 10-K under the heading "Item 1A. Risk Factors." We filed our Annual Report on Form 10-K for the fiscal year ended January 31, 2016, with the SEC on March 30, 2016. The forward-looking statements described above are made based on knowledge of our business and our operating environment and assumptions we believed to be reasonable when such forward-looking statements were made. As a consequence of the risks, factors and uncertainties we discuss above, and in the Annual Report on Form 10-K and other reports we may file with the SEC, other risks not known to us at this time, changes in facts, assumptions not being realized or other circumstances, our actual results may differ materially from those results discussed in or implied or contemplated by such forward-looking statements.

This cautionary statement qualifies all of the forward-looking statements made in this Annual Report to Shareholders. We cannot assure you that the results, events or developments expected or anticipated by us will be realized or, even if substantially realized, that those results, events or developments will result in the expected consequences for us or affect us, our business or our operations in the way or to the extent we expect. You are urged to consider all of these risks, factors and uncertainties carefully in evaluating the forward-looking statements made in this Annual Report to Shareholders and not to place undue reliance on such forward-looking statements. The forward-looking statements included in this Annual Report speak only as of the date of this Annual Report to Shareholders, and we undertake no obligation to update any of these forward-looking statements to reflect subsequent events or circumstances, except to the extent required by applicable law.

## Consolidated Statements of Income

	Fiscal Years Ended January 31,		
	2016	2015	2014
<i>(Amounts in millions, except per share data)</i>			
<b>Revenues:</b>			
Net sales	\$478,614	\$482,229	\$473,076
Membership and other income	3,516	3,422	3,218
<b>Total revenues</b>	<b>482,130</b>	<b>485,651</b>	<b>476,294</b>
<b>Costs and expenses:</b>			
Cost of sales	360,984	365,086	358,069
Operating, selling, general and administrative expenses	97,041	93,418	91,353
<b>Operating income</b>	<b>24,105</b>	<b>27,147</b>	<b>26,872</b>
<b>Interest:</b>			
Debt	2,027	2,161	2,072
Capital lease and financing obligations	521	300	263
Interest income	(81)	(113)	(119)
Interest, net	2,467	2,348	2,216
<b>Income from continuing operations before income taxes</b>	<b>21,638</b>	<b>24,799</b>	<b>24,656</b>
<b>Provision for income taxes:</b>			
Current	7,584	8,504	8,619
Deferred	(1,026)	(519)	(514)
<b>Total provision for income taxes</b>	<b>6,558</b>	<b>7,985</b>	<b>8,105</b>
<b>Income from continuing operations</b>	<b>15,080</b>	<b>16,814</b>	<b>16,551</b>
<b>Income from discontinued operations, net of income taxes</b>	<b>—</b>	<b>285</b>	<b>144</b>
<b>Consolidated net income</b>	<b>15,080</b>	<b>17,099</b>	<b>16,695</b>
<b>Consolidated net income attributable to noncontrolling interest</b>	<b>(386)</b>	<b>(736)</b>	<b>(673)</b>
<b>Consolidated net income attributable to Walmart</b>	<b>\$ 14,694</b>	<b>\$ 16,363</b>	<b>\$ 16,022</b>
<b>Basic net income per common share:</b>			
Basic income per common share from continuing operations attributable to Walmart	\$ 4.58	\$ 5.01	\$ 4.87
Basic income per common share from discontinued operations attributable to Walmart	—	0.06	0.03
<b>Basic net income per common share attributable to Walmart</b>	<b>\$ 4.58</b>	<b>\$ 5.07</b>	<b>\$ 4.90</b>
<b>Diluted net income per common share:</b>			
Diluted income per common share from continuing operations attributable to Walmart	\$ 4.57	\$ 4.99	\$ 4.85
Diluted income per common share from discontinued operations attributable to Walmart	—	0.06	0.03
<b>Diluted net income per common share attributable to Walmart</b>	<b>\$ 4.57</b>	<b>\$ 5.05</b>	<b>\$ 4.88</b>
<b>Weighted-average common shares outstanding:</b>			
Basic	3,207	3,230	3,269
Diluted	3,217	3,243	3,283
<b>Dividends declared per common share</b>	<b>\$ 1.96</b>	<b>\$ 1.92</b>	<b>\$ 1.88</b>

See accompanying notes.

## Consolidated Statements of Comprehensive Income

(Amounts in millions)	Fiscal Years Ended January 31,		
	2016	2015	2014
<b>Consolidated net income</b>	<b>\$15,080</b>	\$17,099	\$16,695
Less consolidated net income attributable to nonredeemable noncontrolling interest	(386)	(736)	(606)
Less consolidated net income attributable to redeemable noncontrolling interest	—	—	(67)
<b>Consolidated net income attributable to Walmart</b>	<b>14,694</b>	16,363	16,022
<b>Other comprehensive income (loss), net of income taxes</b>			
Currency translation and other	(5,220)	(4,558)	(3,221)
Net investment hedges	366	379	75
Cash flow hedges	(202)	(470)	207
Minimum pension liability	86	(69)	153
<b>Other comprehensive income (loss), net of income taxes</b>	<b>(4,970)</b>	(4,718)	(2,786)
Less other comprehensive income (loss) attributable to nonredeemable noncontrolling interest	541	546	311
Less other comprehensive income (loss) attributable to redeemable noncontrolling interest	—	—	66
<b>Other comprehensive income (loss) attributable to Walmart</b>	<b>(4,429)</b>	(4,172)	(2,409)
<b>Comprehensive income, net of income taxes</b>	<b>10,110</b>	12,381	13,909
Less comprehensive income (loss) attributable to nonredeemable noncontrolling interest	155	(190)	(295)
Less comprehensive income (loss) attributable to redeemable noncontrolling interest	—	—	(1)
<b>Comprehensive income attributable to Walmart</b>	<b>\$10,265</b>	\$12,191	\$13,613

See accompanying notes.



## Consolidated Balance Sheets

(Amounts in millions)	Fiscal Years Ended January 31,	
	2016	2015
<b>ASSETS</b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 8,705	\$ 9,135
Receivables, net	5,624	6,778
Inventories	44,469	45,141
Prepaid expenses and other	1,441	2,224
<b>Total current assets</b>	<b>60,239</b>	63,278
<i>Property and equipment:</i>		
Property and equipment	176,958	177,395
Less accumulated depreciation	(66,787)	(63,115)
Property and equipment, net	110,171	114,280
<i>Property under capital lease and financing obligations:</i>		
Property under capital lease and financing obligations	11,096	5,239
Less accumulated amortization	(4,751)	(2,864)
Property under capital lease and financing obligations, net	6,345	2,375
Goodwill	16,695	18,102
Other assets and deferred charges	6,131	5,455
<b>Total assets</b>	<b>\$199,581</b>	\$203,490
<b>LIABILITIES AND EQUITY</b>		
<i>Current liabilities:</i>		
Short-term borrowings	\$ 2,708	\$ 1,592
Accounts payable	38,487	38,410
Accrued liabilities	19,607	19,152
Accrued income taxes	521	1,021
Long-term debt due within one year	2,745	4,791
Capital lease and financing obligations due within one year	551	287
<b>Total current liabilities</b>	<b>64,619</b>	65,253
Long-term debt	38,214	40,889
Long-term capital lease and financing obligations	5,816	2,606
Deferred income taxes and other	7,321	8,805
Commitments and contingencies		
<i>Equity:</i>		
Common stock	317	323
Capital in excess of par value	1,805	2,462
Retained earnings	90,021	85,777
Accumulated other comprehensive income (loss)	(11,597)	(7,168)
<b>Total Walmart shareholders' equity</b>	<b>80,546</b>	81,394
Nonredeemable noncontrolling interest	3,065	4,543
<b>Total equity</b>	<b>83,611</b>	85,937
<b>Total liabilities and equity</b>	<b>\$199,581</b>	\$203,490

See accompanying notes.

# Consolidated Statements of Shareholders' Equity and Redeemable Noncontrolling Interest



(Amounts in millions)	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Walmart Shareholders' Equity	Nonredeemable Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interest
	Shares	Amount							
<b>Balances as of February 1, 2013</b>	3,314	\$332	\$ 3,620	\$ 72,978	\$ (587)	\$ 76,343	\$ 5,395	\$ 81,738	\$ 519
Consolidated net income	—	—	—	16,022	—	16,022	595	16,617	78
Other comprehensive income, net of income taxes	—	—	—	—	(2,409)	(2,409)	(311)	(2,720)	(66)
Cash dividends declared (\$1.88 per share)	—	—	—	(6,139)	—	(6,139)	—	(6,139)	—
Purchase of Company stock	(87)	(9)	(294)	(6,254)	—	(6,557)	—	(6,557)	—
Redemption value adjustment of redeemable noncontrolling interest	—	—	(1,019)	—	—	(1,019)	—	(1,019)	1,019
Other	6	—	55	(41)	—	14	(595)	(581)	(59)
<b>Balances as of January 31, 2014</b>	3,233	323	2,362	76,566	(2,996)	76,255	5,084	81,339	1,491
Consolidated net income	—	—	—	16,363	—	16,363	736	17,099	—
Other comprehensive loss, net of income taxes	—	—	—	—	(4,172)	(4,172)	(546)	(4,718)	—
Cash dividends declared (\$1.92 per share)	—	—	—	(6,185)	—	(6,185)	—	(6,185)	—
Purchase of Company stock	(13)	(1)	(29)	(950)	—	(980)	—	(980)	—
Purchase of redeemable noncontrolling interest	—	—	—	—	—	—	—	—	(1,491)
Other	8	1	129	(17)	—	113	(731)	(618)	—
<b>Balances as of January 31, 2015</b>	3,228	323	2,462	85,777	(7,168)	81,394	4,543	85,937	—
<b>Consolidated net income</b>	—	—	—	14,694	—	14,694	386	15,080	—
<b>Other comprehensive income, net of income taxes</b>	—	—	—	—	(4,429)	(4,429)	(541)	(4,970)	—
<b>Cash dividends declared (\$1.96 per share)</b>	—	—	—	(6,294)	—	(6,294)	—	(6,294)	—
<b>Purchase of Company stock</b>	(65)	(6)	(102)	(4,148)	—	(4,256)	—	(4,256)	—
<b>Cash dividend declared to noncontrolling interest</b>	—	—	—	—	—	—	(691)	(691)	—
<b>Other</b>	(1)	—	(555)	(8)	—	(563)	(632)	(1,195)	—
<b>Balances as of January 31, 2016</b>	3,162	\$317	\$1,805	\$90,021	\$(11,597)	\$80,546	\$3,065	\$83,611	\$ —

See accompanying notes.



# Consolidated Statements of Cash Flows

(Amounts in millions)	Fiscal Years Ended January 31,		
	2016	2015	2014
<b>Cash flows from operating activities:</b>			
Consolidated net income	\$ 15,080	\$ 17,099	\$ 16,695
Income from discontinued operations, net of income taxes	—	(285)	(144)
Income from continuing operations	15,080	16,814	16,551
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	9,454	9,173	8,870
Deferred income taxes	(672)	(503)	(279)
Other operating activities	1,410	785	938
Changes in certain assets and liabilities, net of effects of acquisitions:			
Receivables, net	(19)	(569)	(566)
Inventories	(703)	(1,229)	(1,667)
Accounts payable	2,008	2,678	531
Accrued liabilities	1,303	1,249	103
Accrued income taxes	(472)	166	(1,224)
Net cash provided by operating activities	27,389	28,564	23,257
<b>Cash flows from investing activities:</b>			
Payments for property and equipment	(11,477)	(12,174)	(13,115)
Proceeds from disposal of property and equipment	635	570	727
Proceeds from disposal of certain operations	246	671	—
Other investing activities	(79)	(192)	(138)
Net cash used in investing activities	(10,675)	(11,125)	(12,526)
<b>Cash flows from financing activities:</b>			
Net change in short-term borrowings	1,235	(6,288)	911
Proceeds from issuance of long-term debt	39	5,174	7,072
Payments of long-term debt	(4,432)	(3,904)	(4,968)
Dividends paid	(6,294)	(6,185)	(6,139)
Purchase of Company stock	(4,112)	(1,015)	(6,683)
Dividends paid to noncontrolling interest	(719)	(600)	(426)
Purchase of noncontrolling interest	(1,326)	(1,844)	(296)
Other financing activities	(513)	(409)	(260)
Net cash used in financing activities	(16,122)	(15,071)	(10,789)
Effect of exchange rates on cash and cash equivalents	(1,022)	(514)	(442)
Net increase (decrease) in cash and cash equivalents	(430)	1,854	(500)
Cash and cash equivalents at beginning of year	9,135	7,281	7,781
Cash and cash equivalents at end of period	\$ 8,705	\$ 9,135	\$ 7,281
<b>Supplemental disclosure of cash flow information:</b>			
Income taxes paid	8,111	8,169	8,641
Interest paid	2,540	2,433	2,362

See accompanying notes.



# Notes to Consolidated Financial Statements

## 1. Summary of Significant Accounting Policies

### General

Wal-Mart Stores, Inc. ("Walmart" or the "Company") helps people around the world save money and live better – anytime and anywhere – in retail stores or through the Company's e-commerce and mobile capabilities. Through innovation, the Company is striving to create a customer-centric experience that seamlessly integrates digital and physical shopping. Each week, the Company serves nearly 260 million customers who visit its over 11,500 stores under 63 banners in 28 countries and e-commerce websites in 11 countries. The Company's strategy is to lead on price, invest to differentiate on access, be competitive on assortment and deliver a great experience.

The Company's operations comprise three reportable segments: Walmart U.S., Walmart International and Sam's Club.

### Principles of Consolidation

The Consolidated Financial Statements include the accounts of Walmart and its subsidiaries as of and for the fiscal years ended January 31, 2016 ("fiscal 2016"), January 31, 2015 ("fiscal 2015") and January 31, 2014 ("fiscal 2014"). All material intercompany accounts and transactions have been eliminated in consolidation. Investments in unconsolidated affiliates, which are 50% or less owned and do not otherwise meet consolidation requirements, are accounted for primarily using the equity method. These investments are immaterial to the Company's Consolidated Financial Statements.

The Company's Consolidated Financial Statements are based on a fiscal year ending on January 31, for the United States ("U.S.") and Canadian operations. The Company consolidates all other operations generally using a one-month lag and based on a calendar year. There were no significant intervening events during January 2016 that materially affected the Consolidated Financial Statements.

### Use of Estimates

The Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles. Those principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Management's estimates and assumptions also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### Cash and Cash Equivalents

The Company considers investments with a maturity when purchased of three months or less to be cash equivalents. All credit card, debit card and electronic benefits transfer transactions that process in less than seven days are classified as cash and cash equivalents. The amounts due from banks for these transactions classified as cash and cash equivalents totaled \$3.4 billion and \$2.9 billion at January 31, 2016 and 2015, respectively. In addition, cash and cash equivalents included restricted cash of \$362 million and \$345 million at January 31, 2016 and 2015, respectively, which was primarily related to cash collateral holdings from various counterparties, as required by certain derivative and trust agreements.

The Company's cash balances are held in various locations around the world. Of the Company's \$8.7 billion and \$9.1 billion of cash and cash equivalents at January 31, 2016 and 2015, respectively, \$4.5 billion and

\$6.3 billion, respectively, were held outside of the U.S. and were generally utilized to support liquidity needs in the Company's non-U.S. operations.

The Company uses intercompany financing arrangements in an effort to ensure cash can be made available in the country in which it is needed with the minimum cost possible. Management does not believe it will be necessary to repatriate earnings held outside of the U.S. and anticipates the Company's domestic liquidity needs will be met through cash flows provided by operating activities, supplemented with long-term debt and short-term borrowings. Accordingly, the Company intends, with only certain exceptions, to continue to indefinitely reinvest the Company's earnings held outside of the U.S. in our foreign operations. When the income earned, either from operations or through intercompany financing arrangements, and indefinitely reinvested outside of the U.S. is taxed at local country tax rates, which are generally lower than the U.S. statutory rate, the Company realizes an effective tax rate benefit. If the Company's intentions with respect to reinvestment were to change, most of the amounts held within the Company's foreign operations could be repatriated to the U.S., although any repatriation under current U.S. tax laws would be subject to U.S. federal income taxes, less applicable foreign tax credits. The Company does not expect local laws, other limitations or potential taxes on anticipated future repatriations of earnings held outside of the U.S. to have a material effect on the Company's overall liquidity, financial condition or results of operations.

As of January 31, 2016 and 2015, cash and cash equivalents of approximately \$1.1 billion and \$1.7 billion, respectively, may not be freely transferable to the U.S. due to local laws or other restrictions.

### Receivables

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

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

The Walmart International segment offers a limited number of consumer credit products, primarily through its financial institutions in select countries. The receivable balance from consumer credit products was \$1.0 billion, net of a reserve for doubtful accounts of \$70 million at January 31, 2016, compared to a receivable balance of \$1.2 billion, net of a reserve for doubtful accounts of \$114 million at January 31, 2015. These balances are included in receivables, net, in the Company's Consolidated Balance Sheets.

### Inventories

The Company values inventories at the lower of cost or market as determined primarily by the retail inventory method of accounting, using the last-in, first-out ("LIFO") method for substantially all of the Walmart U.S. segment's inventories. The inventory at the Walmart International segment is valued primarily by the retail inventory method of accounting, using the first-in, first-out ("FIFO") method. The retail inventory method of accounting results in inventory being valued at the lower of cost or market since permanent markdowns are immediately recorded as a reduction of the retail value of inventory. The inventory

# Notes to Consolidated Financial Statements

at the Sam's Club segment is valued based on the weighted-average cost using the LIFO method. At January 31, 2016 and January 31, 2015, the Company's inventories valued at LIFO approximated those inventories as if they were valued at FIFO.

## Property and Equipment

Property and equipment are stated at cost. Gains or losses on disposition are recognized as earned or incurred. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. The following table summarizes the Company's property and equipment balances and includes the estimated useful lives that are generally used to depreciate the assets on a straight-line basis:

(Amounts in millions)	Estimated Useful Lives	Fiscal Years Ended January 31,	
		2016	2015
Land	N/A	\$ 25,624	\$ 26,261
Buildings and improvements	3-40 years	96,845	97,496
Fixtures and equipment	1-30 years	47,033	45,044
Transportation equipment	3-15 years	2,917	2,807
Construction in progress	N/A	4,539	5,787
<b>Property and equipment</b>		<b>\$176,958</b>	\$177,395
Accumulated depreciation		(66,787)	(63,115)
<b>Property and equipment, net</b>		<b>\$110,171</b>	\$114,280

Leasehold improvements are depreciated or amortized over the shorter of the estimated useful life of the asset or the remaining expected lease term. Total depreciation and amortization expense for property and equipment, property under financing obligations and property under capital leases for fiscal 2016, 2015 and 2014 was \$9.4 billion, \$9.1 billion and \$8.8 billion, respectively. Interest costs capitalized on construction projects were \$39 million, \$59 million and \$78 million in fiscal 2016, 2015 and 2014, respectively.

## Leases

The Company estimates the expected term of a lease by assuming the exercise of renewal options where an economic penalty exists that would preclude the abandonment of the lease at the end of the initial non-cancelable term and the exercise of such renewal is at the sole discretion of the Company. The expected term is used in the determination of whether a store or club lease is a capital or operating lease and in the calculation of straight-line rent expense. Additionally, the useful life of leasehold improvements is limited by the expected lease term or the economic life of the asset, whichever is shorter. If significant expenditures are made for leasehold improvements late in the expected term of a lease and renewal is reasonably assured, the useful life of the leasehold improvement is limited to the end of the renewal period or economic life of the asset, whichever is shorter. Rent abatements and escalations are considered in the calculation of minimum lease payments in the Company's capital lease tests and in determining straight-line rent expense for operating leases.

The Company is often involved in the construction of its leased stores. In certain cases, payments made for certain structural components included in the lessor's construction of the leased assets result in the Company being deemed the owner of the leased assets for accounting purposes. As a result, regardless of the significance of the payments,

Accounting Standards Codification 840, Leases, ("ASC 840") defines those payments as automatic indicators of ownership and requires the Company to capitalize the lessor's total project cost with a corresponding financing obligation. Upon completion of the lessor's project, the Company performs a sale-leaseback analysis pursuant to ASC 840 to determine if these assets and the related financing obligation can be derecognized from the Company's Consolidated Balance Sheets. If the Company is deemed to have "continuing involvement," the leased assets and the related financing obligation remain on the Company's Consolidated Balance Sheets and are generally amortized over the lease term.

## Long-Lived Assets

Long-lived assets are stated at cost. Management reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows, which is at the individual store or club level or, in certain circumstances, a market group of stores. Undiscounted cash flows expected to be generated by the related assets are estimated over the assets' useful lives based on updated projections. If the evaluation indicates that the carrying amount of the assets may not be recoverable, any potential impairment is measured based upon the fair value of the related asset or asset group as determined by an appropriate market appraisal or other valuation technique. Impairment charges of long-lived assets for fiscal 2016, 2015 and 2014 were not material.

## Goodwill and Other Acquired Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is allocated to the appropriate reporting unit when acquired. Other acquired intangible assets are stated at the fair value acquired as determined by a valuation technique commensurate with the intended use of the related asset. Goodwill and indefinite-lived intangible assets are not amortized; rather, they are evaluated for impairment annually and whenever events or changes in circumstances indicate that the value of the asset may be impaired. Definite-lived intangible assets are considered long-lived assets and are amortized on a straight-line basis over the periods that expected economic benefits will be provided.

Goodwill is evaluated for impairment using either a qualitative or quantitative approach for each of the Company's reporting units. Generally, a qualitative assessment is first performed to determine whether a quantitative goodwill impairment test is necessary. If management determines, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative goodwill impairment test would be required. The quantitative test for goodwill impairment is performed by determining the fair value of the related reporting units. Fair value is measured based on the discounted cash flow method and relative market-based approaches.

The Company's reporting units were evaluated using a quantitative impairment test. Management determined the fair value of each reporting unit is greater than the carrying amount and, accordingly, the Company has not recorded any impairment charges related to goodwill.

# Notes to Consolidated Financial Statements

The following table reflects goodwill activity, by reportable segment, for fiscal 2016 and 2015:

(Amounts in millions)	Walmart		Sam's Club	Total
	Walmart U.S.	International		
<b>Balances as of</b>				
<b>February 1, 2014</b>	\$451	\$18,746	\$313	\$19,510
Changes in currency translation and other	—	(1,418)	—	(1,418)
Acquisitions <sup>(1)</sup>	10	—	—	10
<b>Balances as of</b>				
<b>January 31, 2015</b>	461	17,328	313	18,102
Changes in currency translation and other	—	(1,412)	—	(1,412)
Acquisitions <sup>(1)</sup>	—	5	—	5
<b>Balances as of</b>				
<b>January 31, 2016</b>	<b>\$461</b>	<b>\$15,921</b>	<b>\$313</b>	<b>\$16,695</b>

(1) Goodwill recorded for fiscal 2016 and 2015 acquisitions relates to acquisitions that are not significant, individually or in the aggregate, to the Company's Consolidated Financial Statements.

Indefinite-lived intangible assets are included in other assets and deferred charges in the Company's Consolidated Balance Sheets. These assets are evaluated for impairment based on their fair values using valuation techniques which are updated annually based on the most recent variables and assumptions. There were no impairment charges related to indefinite-lived intangible assets recorded for fiscal 2016, 2015 and 2014.

## Self Insurance Reserves

The Company self-insures a number of risks, including, but not limited to, workers' compensation, general liability, auto liability, product liability and certain employee-related healthcare benefits. Standard actuarial procedures and data analysis are used to estimate the liabilities associated with these risks as of the balance sheet date on an undiscounted basis. The recorded liabilities reflect the ultimate cost for claims incurred but not paid and any estimable administrative run-out expenses related to the processing of these outstanding claim payments. On a regular basis, claims reserve valuations are provided by independent third-party actuaries to ensure liability estimates are appropriate. To limit exposure to some risks, the Company maintains insurance coverage with varying limits and retentions, including stop-loss insurance coverage for workers' compensation, general liability and auto liability.

## Income Taxes

Income taxes are accounted for under the balance sheet method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences"). Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent that a portion is not more likely than not to be realized. Many factors are considered when assessing whether it is more likely than not that the deferred tax assets will be realized, including recent cumulative earnings, expectations of future taxable

income, carryforward periods, and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates.

In determining the provision for income taxes, an annual effective income tax rate is used based on annual income, permanent differences between book and tax income, and statutory income tax rates. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company records interest and penalties related to unrecognized tax benefits in interest expense and operating, selling, general and administrative expenses, respectively, in the Company's Consolidated Statements of Income. Refer to Note 9 for additional income tax disclosures.

## Revenue Recognition

### Sales

The Company recognizes sales revenue, net of sales taxes and estimated sales returns, at the time it sells merchandise to the customer. Digital retail sales include shipping revenue and are recorded upon delivery to the customer.

### Membership Fee Revenue

The Company recognizes membership fee revenue both in the U.S. and internationally over the term of the membership, which is typically 12 months. The following table summarizes membership fee activity for fiscal 2016, 2015 and 2014:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2016	2015	2014
<b>Deferred membership fee revenue, beginning of year</b>	<b>\$ 759</b>	\$ 641	\$ 575
Cash received from members	<b>1,333</b>	1,410	1,249
Membership fee revenue recognized	<b>(1,348)</b>	(1,292)	(1,183)
<b>Deferred membership fee revenue, end of year</b>	<b>\$ 744</b>	\$ 759	\$ 641

Membership fee revenue is included in membership and other income in the Company's Consolidated Statements of Income. The deferred membership fee is included in accrued liabilities in the Company's Consolidated Balance Sheets.

### Shopping Cards

Customer purchases of shopping cards are not recognized as revenue until the card is redeemed and the customer purchases merchandise using the shopping card. Shopping cards in the U.S. do not carry an expiration date; therefore, customers and members can redeem their shopping cards for merchandise indefinitely. Shopping cards in certain foreign countries where the Company does business may have expiration dates. A certain number of shopping cards, both with and without expiration dates, will not be fully redeemed. Management estimates unredeemed shopping cards and recognizes revenue for these amounts over shopping card historical usage periods based on historical redemption rates. Management periodically reviews and updates its estimates of usage periods and redemption rates.



## Notes to Consolidated Financial Statements

### **Financial and Other Services**

The Company recognizes revenue from service transactions at the time the service is performed. Generally, revenue from services is classified as a component of net sales in the Company's Consolidated Statements of Income.

### **Cost of Sales**

Cost of sales includes actual product cost, the cost of transportation to the Company's distribution facilities, stores and clubs from suppliers, the cost of transportation from the Company's distribution facilities to the stores, clubs and customers and the cost of warehousing for the Sam's Club segment and import distribution centers. Cost of sales is reduced by supplier payments that are not a reimbursement of specific, incremental and identifiable costs.

### **Payments from Suppliers**

The Company receives consideration from suppliers for various programs, primarily volume incentives, warehouse allowances and reimbursements for specific programs such as markdowns, margin protection, advertising and supplier-specific fixtures. Payments from suppliers are accounted for as a reduction of cost of sales and are recognized in the Company's Consolidated Statements of Income when the related inventory is sold, except when the payment is a reimbursement of specific, incremental and identifiable costs.

### **Operating, Selling, General and Administrative Expenses**

Operating, selling, general and administrative expenses include all operating costs of the Company, except cost of sales, as described above. As a result, the majority of the cost of warehousing and occupancy for the Walmart U.S. and Walmart International segments' distribution facilities is included in operating, selling, general and administrative expenses. Because the Company does not include most of the cost of its Walmart U.S. and Walmart International segments' distribution facilities in cost of sales, its gross profit and gross profit as a percentage of net sales may not be comparable to those of other retailers that may include all costs related to their distribution facilities in cost of sales and in the calculation of gross profit.

### **Advertising Costs**

Advertising costs are expensed as incurred, consist primarily of print, television and digital advertisements and are recorded in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. Reimbursements from suppliers that are for specific, incremental and identifiable advertising costs are recognized as a reduction of advertising costs in operating, selling, general and administrative expenses. Advertising costs were \$2.5 billion for fiscal 2016 and \$2.4 billion for both fiscal 2015 and fiscal 2014.

### **Pre-Opening Costs**

The cost of start-up activities, including organization costs, related to new store openings, store remodels, relocations, expansions and conversions are expensed as incurred and included in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. Pre-opening costs totaled \$271 million, \$317 million and \$338 million for fiscal 2016, 2015 and 2014, respectively.

### **Currency Translation**

The assets and liabilities of all international subsidiaries are translated from the respective local currency to the U.S. dollar using exchange rates at the balance sheet date. Related translation adjustments are recorded as a component of accumulated other comprehensive income (loss). The income statements of all international subsidiaries are translated

from the respective local currencies to the U.S. dollar using average exchange rates for the period covered by the income statements.

### **Reclassifications**

Certain reclassifications have been made to previous fiscal year amounts and balances to conform to the presentation in the current fiscal year. These reclassifications did not impact consolidated operating income or net income.

### **Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 to reporting periods beginning after December 15, 2017. Early adoption is permitted for reporting periods beginning after December 15, 2016. The Company will adopt this ASU on February 1, 2018. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU. Management is currently evaluating this standard, including which transition approach to use, and does not expect this ASU to materially impact the Company's consolidated net income, financial position or cash flows.

In April 2015, FASB issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost*. FASB issued ASU 2015-03 to simplify the presentation of debt issuance costs related to a recognized debt liability to present the debt issuance costs as a direct deduction from the carrying value of the debt liability rather than showing the debt issuance costs as a deferred charge on the balance sheet. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2015, with early adoption permitted. Management elected to early adopt this new guidance effective for the first quarter of fiscal year 2016, and has applied the changes retrospectively to all periods presented. Adoption of this ASU did not materially impact the Company's consolidated net income, financial position or cash flows.

In November 2015, FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. This ASU requires the presentation of all deferred tax assets and liabilities as non-current in the consolidated balance sheet. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2016, with early adoption permitted. Management elected to early adopt this new guidance effective for the fourth quarter of fiscal year 2016 in order to simplify the global close processes. The Company will apply the changes prospectively. Prior periods were not retrospectively adjusted to reflect the adoption of this ASU. Adoption of this ASU did not materially impact the Company's consolidated financial position, and had no impact on the Company's net income or cash flows.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. FASB issued ASU 2016-02 to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Certain qualitative and quantitative disclosures are required, as well as a retrospective recognition and measurement of impacted leases. The new



# Notes to Consolidated Financial Statements

guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating this standard.

In March 2016, FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The effective date for this ASU is the same as the effective date for ASU 2014-09. Management is currently evaluating this standard.

## 2. Net Income Per Common Share

Basic income per common share from continuing operations attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period. Diluted income per common share from continuing operations attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period adjusted for the dilutive effect of share-based awards. The Company did not have significant share-based awards outstanding that were antidilutive and not included in the calculation of diluted income per common share from continuing operations attributable to Walmart for fiscal 2016, 2015 and 2014.

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

	Fiscal Years Ended January 31,		
	2016	2015	2014
<i>(Amounts in millions, except per share data)</i>			
<b>Numerator</b>			
Income from continuing operations	\$15,080	\$16,814	\$16,551
Income from continuing operations attributable to noncontrolling interest	(386)	(632)	(633)
Income from continuing operations attributable to Walmart	\$14,694	\$16,182	\$15,918
<b>Denominator</b>			
Weighted-average common shares outstanding, basic	3,207	3,230	3,269
Dilutive impact of stock options and other share-based awards	10	13	14
Weighted-average common shares outstanding, diluted	3,217	3,243	3,283
<b>Income per common share from continuing operations attributable to Walmart</b>			
Basic	\$ 4.58	\$ 5.01	\$ 4.87
Diluted	4.57	4.99	4.85

## 3. Shareholders' Equity

### Share-Based Compensation

The Company has awarded share-based compensation to associates and nonemployee directors of the Company. The compensation expense recognized for all plans was \$448 million, \$462 million and \$388 million for fiscal 2016, 2015 and 2014, respectively. Share-based compensation

expense is included in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. The total income tax benefit recognized for share-based compensation was \$151 million, \$173 million and \$145 million for fiscal 2016, 2015 and 2014, respectively. The following table summarizes the Company's share-based compensation expense by award type:

	Fiscal Years Ended January 31,		
	2016	2015	2014
<i>(Amounts in millions)</i>			
Restricted stock and performance share units	\$134	\$157	\$141
Restricted stock units	292	277	224
Other	22	28	23
<b>Share-based compensation expense</b>	<b>\$448</b>	<b>\$462</b>	<b>\$388</b>

The Company's shareholder-approved Stock Incentive Plan of 2015 (the "Plan") became effective June 5, 2015 and amended and restated the Company's Stock Incentive Plan of 2010. The Plan was established to grant stock options, restricted (non-vested) stock, performance shares units and other equity compensation awards for which 210 million shares of common stock issued or to be issued under the Plan have been registered under the Securities Act of 1933, as amended. The Company believes that such awards serve to align the interests of its associates with those of its shareholders.

The Plan's award types are summarized as follows:

- *Restricted Stock and Performance Share Units.* Restricted stock awards are for shares that vest based on the passage of time and include restrictions related to employment. Performance share units vest based on the passage of time and achievement of performance criteria and may range from 0% to 150% of the original award amount. Vesting periods for these awards are generally between one and three years. Restricted stock and performance share units may be settled or deferred in stock and are accounted for as equity in the Company's Consolidated Balance Sheets. The fair value of restricted stock awards is determined on the date of grant and is expensed ratably over the vesting period. The fair value of performance share units is determined on the date of grant using the Company's stock price discounted for the expected dividend yield through the vesting period and is recognized over the vesting period. The weighted-average discount for the dividend yield used to determine the fair value of performance share units in fiscal 2016, 2015 and 2014 was 7.4%, 7.1% and 6.7%, respectively.
- *Restricted Stock Units.* Restricted stock units provide rights to Company stock after a specified service period; generally 50% vest three years from the grant date and the remaining 50% vest five years from the grant date. The fair value of each restricted stock unit is determined on the date of grant using the stock price discounted for the expected dividend yield through the vesting period and is recognized ratably over the vesting period. The expected dividend yield is based on the anticipated dividends over the vesting period. The weighted-average discount for the dividend yield used to determine the fair value of restricted stock units granted in fiscal 2016, 2015 and 2014 was 8.7%, 9.5% and 10.3%, respectively.

In addition to the Plan, the Company's subsidiary in the United Kingdom has stock option plans for certain colleagues which generally vest over three years. The stock option share-based compensation expense is included in the other line in the table above.

## Notes to Consolidated Financial Statements

The following table shows the activity for restricted stock and performance share units and restricted stock units during fiscal 2016:

	Restricted Stock and Performance Share Units <sup>(1)</sup>		Restricted Stock Units	
	Shares	Weighted-Average Grant-Date Fair Value Per Share	Shares	Weighted-Average Grant-Date Fair Value Per Share
<i>(Shares in thousands)</i>				
<b>Outstanding at February 1, 2015</b>	8,723	\$68.89	17,568	\$61.00
Granted	3,295	71.64	6,392	71.38
Vested/exercised	(2,313)	61.37	(4,444)	53.71
Forfeited or expired	(1,446)	67.90	(1,925)	66.37
<b>Outstanding at January 31, 2016</b>	<b>8,259</b>	<b>\$72.23</b>	<b>17,591</b>	<b>\$65.67</b>

(1) Assumes payout rate at 100% for Performance Share Units.

The following table includes additional information related to restricted stock and performance share units and restricted stock units:

	Fiscal Years Ended January 31,		
	2016	2015	2014
<i>(Amounts in millions)</i>			
Fair value of restricted stock and performance share units vested	<b>\$142</b>	\$156	\$116
Fair value of restricted stock units vested	<b>237</b>	218	189
Unrecognized compensation cost for restricted stock and performance share units	<b>133</b>	154	200
Unrecognized compensation cost for restricted stock units	<b>628</b>	570	497
Weighted average remaining period to expense for restricted stock and performance share units (years)	<b>1.3</b>	1.3	2.0
Weighted average remaining period to expense for restricted stock units (years)	<b>1.7</b>	1.7	2.1

### Share Repurchase Program

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Board of Directors. On October 13, 2015, the Board of Directors replaced the previous \$15.0 billion share repurchase program, which had approximately \$8.6 billion of remaining authorization for share repurchases as of that date, with a new \$20.0 billion share repurchase program. As was the case with the replaced share repurchase program, the new share repurchase program has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. The share repurchases the Company made during fiscal 2016 were made under both the old and new authorizations. At January 31, 2016, authorization for \$17.5 billion of share repurchases remained under the current share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

The Company considers several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings, its results of operations and the market price of its common stock. The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and total cash paid for share repurchases for fiscal 2016, 2015 and 2014:

	Fiscal Years Ended January 31,		
	2016	2015	2014
<i>(Amounts in millions, except per share data)</i>			
Total number of shares repurchased	<b>62.4</b>	13.4	89.1
Average price paid per share	<b>\$65.90</b>	\$75.82	\$74.99
Total cash paid for share repurchases	<b>\$4,112</b>	\$1,015	\$6,683

# Notes to Consolidated Financial Statements

## 4. Accumulated Other Comprehensive Income (Loss)

The following table provides changes in the composition of total accumulated other comprehensive income (loss) for fiscal 2016, 2015 and 2014:

<i>(Amounts in millions and net of income taxes)</i>	Currency Translation and Other	Net Investment Hedges	Cash Flow Hedges	Minimum Pension Liability	Total
<b>Balances as of January 31, 2013</b>	\$ (155)	\$ 202	\$ 129	\$ (763)	\$ (587)
Other comprehensive income (loss) before reclassifications	(2,844)	75	194	149	(2,426)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	13	4	17
<b>Balances as of January 31, 2014</b>	(2,999)	277	336	(610)	(2,996)
Other comprehensive income (loss) before reclassifications	(4,012)	379	(496)	(58)	(4,187)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	26	(11)	15
<b>Balances as of January 31, 2015</b>	(7,011)	656	(134)	(679)	(7,168)
Other comprehensive income (loss) before reclassifications	(4,679)	366	(217)	96	(4,434)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	15	(10)	5
<b>Balances as of January 31, 2016</b>	<b>\$(11,690)</b>	<b>\$1,022</b>	<b>\$(336)</b>	<b>\$(593)</b>	<b>\$(11,597)</b>

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

## 5. Accrued Liabilities

The Company's accrued liabilities consist of the following:

<i>(Amounts in millions)</i>	As of January 31,	
	2016	2015
Accrued wages and benefits <sup>(1)</sup>	<b>\$ 5,814</b>	\$ 4,954
Self-insurance <sup>(2)</sup>	<b>3,414</b>	3,306
Accrued non-income taxes <sup>(3)</sup>	<b>2,544</b>	2,592
Other <sup>(4)</sup>	<b>7,835</b>	8,300
<b>Total accrued liabilities</b>	<b>\$19,607</b>	\$19,152

(1) Accrued wages and benefits include accrued wages, salaries, vacation, bonuses and other incentive plans.

(2) Self-insurance consists of all insurance-related liabilities, such as workers' compensation, general liability, auto liability, product liability and certain employee-related healthcare benefits.

(3) Accrued non-income taxes include accrued payroll, value added, sales and miscellaneous other taxes.

(4) Other accrued liabilities consist of various items such as maintenance, utilities, advertising and interest.





## Notes to Consolidated Financial Statements

### 6. Short-term Borrowings and Long-term Debt

Short-term borrowings consist of commercial paper and lines of credit. Short-term borrowings outstanding at January 31, 2016 and 2015 were \$2.7 billion and \$1.6 billion, respectively. The following table includes additional information related to the Company's short-term borrowings for fiscal 2016, 2015 and 2014:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2016	2015	2014
Maximum amount outstanding at any month-end	<b>\$10,551</b>	\$11,581	\$13,318
Average daily short-term borrowings	<b>4,536</b>	7,009	8,971
Weighted-average interest rate	<b>1.5%</b>	0.5%	0.1%

The Company has various committed lines of credit, committed with 23 financial institutions, totaling \$15.0 billion as of January 31, 2016 and 2015. The committed lines of credit are summarized in the following table:

(Amounts in millions)	Fiscal Years Ended January 31,					
	2016			2015		
	Available	Drawn	Undrawn	Available	Drawn	Undrawn
Five-year credit facility <sup>(1)</sup>	\$ 6,000	\$ —	\$ 6,000	\$ 6,000	\$ —	\$ 6,000
364-day revolving credit facility <sup>(1)</sup>	9,000	—	9,000	9,000	—	9,000
<b>Total</b>	<b>\$15,000</b>	<b>\$ —</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>\$ —</b>	<b>\$15,000</b>

(1) In June 2015, the Company renewed and extended its existing five-year credit facility and its existing 364-day revolving credit facility, both of which are used to support its commercial paper program.

The committed lines of credit mature at various times between June 2016 and June 2020, carry interest rates generally ranging between LIBOR plus 10 basis points and LIBOR plus 75 basis points, and incur commitment fees ranging between 1.5 and 4.0 basis points. In conjunction with the lines of credit listed in the table above, the Company has agreed to observe certain covenants, the most restrictive of which relates to the maximum amount of secured debt.

Apart from the committed lines of credit, the Company has trade and stand-by letters of credit totaling \$4.5 billion and \$4.6 billion at January 31, 2016 and 2015, respectively. These letters of credit are utilized in normal business activities.



## Notes to Consolidated Financial Statements

The Company's long-term debt, which includes the fair value instruments further discussed in Note 8, consists of the following:

(Amounts in millions)	Maturity Dates By Fiscal Year	January 31, 2016		January 31, 2015	
		Amount	Average Rate <sup>(1)</sup>	Amount	Average Rate <sup>(1)</sup>
<b>Unsecured debt</b>					
Fixed	2017-2045	<b>\$32,500</b>	<b>4.5%</b>	\$36,000	4.3%
Variable	2019	<b>500</b>	<b>5.3%</b>	500	5.4%
<b>Total U.S. dollar denominated</b>		<b>33,000</b>		36,500	
Fixed	2023-2030	<b>2,708</b>	<b>3.3%</b>	2,821	3.3%
Variable		—		—	
<b>Total Euro denominated</b>		<b>2,708</b>		2,821	
Fixed	2031-2039	<b>4,985</b>	<b>5.3%</b>	5,271	5.3%
Variable		—		—	
<b>Total Sterling denominated</b>		<b>4,985</b>		5,271	
Fixed	2021	<b>83</b>	<b>1.6%</b>	596	1.0%
Variable		—		255	0.6%
<b>Total Yen denominated</b>		<b>83</b>		851	
<b>Total unsecured debt</b>		<b>40,776</b>		45,443	
<b>Total other debt (in USD)<sup>(2)</sup></b>		<b>183</b>		237	
<b>Total debt</b>		<b>40,959</b>		45,680	
Less amounts due within one year		<b>(2,745)</b>		(4,791)	
<b>Long-term debt</b>		<b>\$38,214</b>		\$40,889	

(1) The average rate represents the weighted-average stated rate for each corresponding debt category, based on year-end balances and year-end interest rates. Interest costs are also impacted by certain derivative financial instruments described in Note 8.

(2) A portion of other debt at January 31, 2016 and 2015 includes secured debt in the amount of \$131 million and \$139 million, respectively, which was collateralized by property that had an aggregate carrying amount of approximately \$13 million and \$19 million, respectively.

At January 31, 2016 and 2015, the Company had \$500 million in debt with embedded put options. The issuance of money market puttable reset securities in the amount of \$500 million is structured to be remarketed in connection with the annual reset of the interest rate. If, for any reason, the remarketing of the notes does not occur at the time of any interest rate reset, the holders of the notes must sell and the Company must repurchase the notes at par. Accordingly, this issuance has been classified as long-term debt due within one year in the Company's Consolidated Balance Sheets.

Annual maturities of long-term debt during the next five years and thereafter are as follows:

(Amounts in millions) Fiscal Year	Annual Maturities
2017	\$ 2,745
2018	1,519
2019	3,497
2020	498
2021	3,352
Thereafter	29,348
<b>Total</b>	<b>\$40,959</b>

# Notes to Consolidated Financial Statements

## Debt Issuances

The Company did not have any material long-term debt issuances during fiscal 2016, but received proceeds from a number of small, immaterial long-term debt issuances by several of its non-U.S. operations.

Information on significant long-term debt issued during fiscal 2015 is as follows:

<i>(Amounts in millions)</i>					
Issue Date	Principal Amount	Maturity Date	Fixed vs. Floating	Interest Rate	Proceeds
April 8, 2014	850 Euro	April 8, 2022	Fixed	1.900%	\$ 1,161
April 8, 2014	650 Euro	April 8, 2026	Fixed	2.550%	885
April 22, 2014	500 USD	April 21, 2017	Fixed	1.000%	499
April 22, 2014	1,000 USD	April 22, 2024	Fixed	3.300%	992
April 22, 2014	1,000 USD	April 22, 2044	Fixed	4.300%	985
October 22, 2014	500 USD	April 22, 2024	Fixed	3.300%	508
<b>Total</b>					<b>\$5,030</b>

During fiscal 2015, the Company also received additional proceeds from other, smaller long-term debt issuances by several of its non-U.S. operations. The proceeds in fiscal 2015 were used to pay down and refinance existing debt and for other general corporate purposes.

## Maturities

During fiscal 2016, the following long-term debt matured and was repaid:

<i>(Amounts in millions)</i>					
Maturity Date	Principal Amount	Fixed vs. Floating	Interest Rate	Repayment	
April 1, 2015	750 USD	Fixed	2.875%	\$ 750	
July 1, 2015	750 USD	Fixed	4.500%	750	
July 8, 2015	750 USD	Fixed	2.250%	750	
July 28, 2015	30,000 JPY	Floating	Floating	243	
July 28, 2015	60,000 JPY	Fixed	0.940%	487	
October 25, 2015	1,250 USD	Fixed	1.500%	1,250	
					<b>\$4,230</b>

During fiscal 2015, the following long-term debt matured and was repaid:

<i>(Amounts in millions)</i>					
Maturity Date	Principal Amount	Fixed vs. Floating	Interest Rate	Repayment	
February 3, 2014	500 USD	Fixed	3.000%	\$ 500	
April 15, 2014	1,000 USD	Fixed	1.625%	1,000	
May 15, 2014	1,000 USD	Fixed	3.200%	1,000	
August 6, 2014	83,100 JPY	Fixed	1.490%	810	
August 6, 2014	16,900 JPY	Floating	Floating	165	
					<b>\$3,475</b>

During fiscal 2016 and 2015, the Company also repaid other, smaller long-term debt as it matured in several of its non-U.S. operations.

## 7. Fair Value Measurements

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

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

# Notes to Consolidated Financial Statements

## Recurring Fair Value Measurements

The Company holds derivative instruments that are required to be measured at fair value on a recurring basis. The fair values are the estimated amounts the Company would receive or pay upon termination of the related derivative agreements as of the reporting dates. The fair values have been measured using the income approach and Level 2 inputs, which include the relevant interest rate and foreign currency forward curves. As of January 31, 2016 and 2015, the notional amounts and fair values of these derivatives were as follows:

(Amounts in millions)	January 31, 2016		January 31, 2015	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Receive fixed-rate, pay variable-rate interest rate swaps designated as fair value hedges	\$ 5,000	\$ 173	\$ 500	\$ 12
Receive fixed-rate, pay fixed-rate cross-currency swaps designated as net investment hedges	1,250	319	1,250	207
Receive fixed-rate, pay fixed-rate cross-currency swaps designated as cash flow hedges	4,132	(609)	4,329	(317)
Receive variable-rate, pay fixed-rate interest rate swaps designated as cash flow hedges	—	—	255	(1)
<b>Total</b>	<b>\$10,382</b>	<b>\$(117)</b>	<b>\$6,334</b>	<b>\$ (99)</b>

## Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company's assets and liabilities are also subject to nonrecurring fair value measurements. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. The Company did not record any significant impairment charges to assets measured at fair value on a nonrecurring basis during the fiscal years ended January 31, 2016 or 2015.

## Other Fair Value Disclosures

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

The Company's long-term debt is also recorded at cost. The fair value is estimated using Level 2 inputs based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying value and fair value of the Company's long-term debt as of January 31, 2016 and 2015, are as follows:

(Amounts in millions)	January 31, 2016		January 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including amounts due within one year	\$40,959	\$46,965	\$45,896	\$56,237

## 8. Derivative Financial Instruments

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

The Company only enters into derivative transactions with counterparties rated "A-" or better by nationally recognized credit rating agencies. Subsequent to entering into derivative transactions, the Company regularly monitors the credit ratings of its counterparties. In connection with various derivative agreements, including master netting arrangements, the Company held cash collateral from counterparties of \$345 million and \$323 million at January 31, 2016 and January 31, 2015, respectively. The Company records cash collateral received as amounts due to the counterparties exclusive of any derivative asset. Furthermore, as part of the master netting arrangements with each of these counterparties, the Company is also required to post collateral with a counterparty if the Company's net derivative liability position exceeds \$150 million with such counterparties. The Company had an insignificant amount of cash collateral posted with counterparties at January 31, 2016 and did not have any cash collateral posted with counterparties at January 31, 2015. The Company records cash collateral it posts with counterparties as amounts receivable from those counterparties exclusive of any derivative liability.



## Notes to Consolidated Financial Statements

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

### **Fair Value Instruments**

The Company is a party to receive fixed-rate, pay variable-rate interest rate swaps that the Company uses to hedge the fair value of fixed-rate debt. The notional amounts are used to measure interest to be paid or received and do not represent the Company's exposure due to credit loss. The Company's interest rate swaps that receive fixed-interest rate payments and pay variable-interest rate payments are designated as fair value hedges. As the specific terms and notional amounts of the derivative instruments match those of the fixed-rate debt being hedged, the derivative instruments are assumed to be perfectly effective hedges. Changes in the fair values of these derivative instruments are recorded in earnings, but are offset by corresponding changes in the fair values of the hedged items, also recorded in earnings, and, accordingly, do not impact the Company's Consolidated Statements of Income. These fair value instruments will mature on dates ranging from October 2020 to April 2024.

### **Net Investment Instruments**

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

The Company has issued foreign-currency-denominated long-term debt as hedges of net investments of certain of its foreign operations. These foreign-currency-denominated long-term debt issuances are designated and qualify as nonderivative hedging instruments. Accordingly, the foreign currency translation of these debt instruments is recorded in accumulated other comprehensive income (loss), offsetting the foreign currency translation adjustment of the related net investments that is also recorded in accumulated other comprehensive income (loss). At January 31, 2016 and January 31, 2015, the Company had ¥10 billion and ¥100 billion, respectively, of outstanding long-term debt designated as a hedge of its net investment in Japan, as well as outstanding long-term debt of £2.5 billion at January 31, 2016 and January 31, 2015 that was designated as a hedge of its net investment in the United Kingdom. These nonderivative net investment hedges will mature on dates ranging from July 2020 to January 2039.

### **Cash Flow Instruments**

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

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



# Notes to Consolidated Financial Statements

## Financial Statement Presentation

Although subject to master netting arrangements, the Company does not offset derivative assets and derivative liabilities in its Consolidated Balance Sheets. Derivative instruments with an unrealized gain are recorded in the Company's Consolidated Balance Sheets as either current or non-current assets, based on maturity date, and those hedging instruments with an unrealized loss are recorded as either current or non-current liabilities, based on maturity date. Refer to Note 7 for the net presentation of the Company's derivative instruments.

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

(Amounts in millions)	January 31, 2016			January 31, 2015		
	Fair Value Instruments	Net Investment Instruments	Cash Flow Instruments	Fair Value Instruments	Net Investment Instruments	Cash Flow Instruments
<b>Derivative instruments</b>						
Prepaid expenses and other	\$ —	\$ —	\$ —	\$—	\$ —	\$ —
Other assets and deferred charges	173	319	129	12	207	293
<b>Derivative asset subtotals</b>	<b>\$173</b>	<b>\$ 319</b>	<b>\$129</b>	<b>\$12</b>	<b>\$ 207</b>	<b>\$293</b>
Accrued liabilities	\$ —	\$ —	\$ —	\$—	\$ —	\$ 1
Deferred income taxes and other	—	—	738	—	—	610
<b>Derivative liability subtotals</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$738</b>	<b>\$—</b>	<b>\$ —</b>	<b>\$611</b>
<b>Nonderivative hedging instruments</b>						
Long-term debt due within one year	\$ —	\$ —	\$ —	\$—	\$ 766	\$ —
Long-term debt	—	3,644	—	—	3,850	—
<b>Nonderivative hedge liability subtotals</b>	<b>\$ —</b>	<b>\$3,644</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$4,616</b>	<b>\$ —</b>

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

## 9. Taxes

### Income from Continuing Operations

The components of income from continuing operations before income taxes are as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2016	2015	2014
U.S.	\$16,685	\$18,610	\$19,412
Non-U.S.	4,953	6,189	5,244
<b>Total income from continuing operations before income taxes</b>	<b>\$21,638</b>	<b>\$24,799</b>	<b>\$24,656</b>

A summary of the provision for income taxes is as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2016	2015	2014
<b>Current:</b>			
U.S. federal	\$ 5,562	\$6,165	\$6,377
U.S. state and local	622	810	719
International	1,400	1,529	1,523
<b>Total current tax provision</b>	<b>7,584</b>	<b>8,504</b>	<b>8,619</b>
<b>Deferred:</b>			
U.S. federal	(704)	(387)	(72)
U.S. state and local	(106)	(55)	37
International	(216)	(77)	(479)
<b>Total deferred tax expense (benefit)</b>	<b>(1,026)</b>	<b>(519)</b>	<b>(514)</b>
<b>Total provision for income taxes</b>	<b>\$ 6,558</b>	<b>\$7,985</b>	<b>\$8,105</b>

# Notes to Consolidated Financial Statements

## Effective Income Tax Rate Reconciliation

The Company's effective income tax rate is typically lower than the U.S. statutory tax rate primarily because of benefits from lower-taxed global operations, including the use of global funding structures and certain U.S. tax credits as further discussed in the "Cash and Cash Equivalents" section of the Company's significant accounting policies in Note 1. The Company's non-U.S. income is generally subject to local country tax rates that are below the 35% U.S. statutory tax rate. Certain non-U.S. earnings have been indefinitely reinvested outside the U.S. and are not subject to current U.S. income tax. A reconciliation of the significant differences between the U.S. statutory tax rate and the effective income tax rate on pretax income from continuing operations is as follows:

	Fiscal Years Ended January 31,		
	2016	2015	2014
U.S. statutory tax rate	35.0%	35.0%	35.0%
U.S. state income taxes, net of federal income tax benefit	1.8%	1.8%	2.0%
Income taxed outside the U.S.	(4.0)%	(2.7)%	(2.8)%
Net impact of repatriated international earnings	0.1%	(1.5)%	(1.4)%
Other, net	(2.6)%	(0.4)%	0.1%
<b>Effective income tax rate</b>	<b>30.3%</b>	<b>32.2%</b>	<b>32.9%</b>

## Deferred Taxes

The significant components of the Company's deferred tax account balances are as follows:

	January 31,	
	2016	2015
<i>(Amounts in millions)</i>		
<b>Deferred tax assets:</b>		
Loss and tax credit carryforwards	\$ 3,313	\$ 3,255
Accrued liabilities	3,763	3,395
Share-based compensation	192	184
Other	1,390	1,119
<b>Total deferred tax assets</b>	<b>8,658</b>	<b>7,953</b>
Valuation allowances	(1,456)	(1,504)
<b>Deferred tax assets, net of valuation allowance</b>	<b>7,202</b>	<b>6,449</b>
<b>Deferred tax liabilities:</b>		
Property and equipment	5,813	5,972
Inventories	1,790	1,825
Other	1,452	1,618
<b>Total deferred tax liabilities</b>	<b>9,055</b>	<b>9,415</b>
<b>Net deferred tax liabilities</b>	<b>\$ 1,853</b>	<b>\$ 2,966</b>

The deferred taxes are classified as follows in the Company's Consolidated Balance Sheets:

	January 31,	
	2016	2015
<i>(Amounts in millions)</i>		
<b>Balance Sheet classification:</b>		
<b>Assets:</b>		
Prepaid expenses and other	\$ —	\$ 728
Other assets and deferred charges	1,504	1,033
<b>Asset subtotals</b>	<b>1,504</b>	<b>1,761</b>
<b>Liabilities:</b>		
Accrued liabilities	—	56
Deferred income taxes and other	3,357	4,671
<b>Liability subtotals</b>	<b>3,357</b>	<b>4,727</b>
<b>Net deferred tax liabilities</b>	<b>\$1,853</b>	<b>\$2,966</b>

## Unremitted Earnings

U.S. income taxes have not been provided on accumulated but undistributed earnings of the Company's international subsidiaries of approximately \$26.1 billion and \$23.3 billion as of January 31, 2016 and 2015, respectively, as the Company intends to permanently reinvest these amounts outside of the U.S. However, if any portion were to be distributed, the related U.S. tax liability may be reduced by foreign income taxes paid on those earnings. Determination of the unrecognized deferred tax liability related to these undistributed earnings is not practicable because of the complexities with its hypothetical calculation. The Company provides deferred or current income taxes on earnings of international subsidiaries in the period that the Company determines it will remit those earnings.

## Net Operating Losses, Tax Credit Carryforwards and Valuation Allowances

At January 31, 2016, the Company had net operating loss and capital loss carryforwards totaling approximately \$5.3 billion. Of these carryforwards, approximately \$3.0 billion will expire, if not utilized, in various years through 2036. The remaining carryforwards have no expiration. At January 31, 2016, the Company had foreign tax credit carryforwards of \$1.8 billion, which will expire in various years through 2026, if not utilized.

The recoverability of these future tax deductions and credits is evaluated by assessing the adequacy of future expected taxable income from all sources, including taxable income in prior carryback years, reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. To the extent management does not consider it more likely than not that a deferred tax asset will be realized, a valuation allowance is established. If a valuation allowance has been established and management subsequently determines that it is more likely than not that the deferred tax assets will be realized, the valuation allowance is released.

# Notes to Consolidated Financial Statements

The Company had valuation allowances recorded of approximately \$1.5 billion as of January 31, 2016 and 2015, respectively, on deferred tax assets associated primarily with net operating loss carryforwards for which management has determined it is more likely than not that the deferred tax asset will not be realized. The net activity in the valuation allowance during fiscal 2016 related to releases arising from the use of deferred tax assets, changes in judgment regarding the future realization of deferred tax assets, increases from certain net operating losses and deductible temporary differences arising in fiscal 2016, decreases due to operating loss expirations and fluctuations in currency exchange rates. Management believes that it is more likely than not that the remaining net deferred tax assets will be fully realized.

## Uncertain Tax Positions

The benefits of uncertain tax positions are recorded in the Company's Consolidated Financial Statements only after determining a more likely than not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities.

As of January 31, 2016 and 2015, the amount of unrecognized tax benefits related to continuing operations was \$607 million and \$838 million, respectively. The amount of unrecognized tax benefits that would affect the Company's effective income tax rate was \$522 million and \$763 million for January 31, 2016 and 2015, respectively.

A reconciliation of unrecognized tax benefits from continuing operations was as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2016	2015	2014
Unrecognized tax benefits, beginning of year	\$ 838	\$763	\$ 818
Increases related to prior year tax positions	164	7	41
Decreases related to prior year tax positions	(446)	(17)	(112)
Increases related to current year tax positions	119	174	133
Settlements during the period	(25)	(89)	(117)
Lapse in statutes of limitations	(43)	—	—
<b>Unrecognized tax benefits, end of year</b>	<b>\$ 607</b>	<b>\$838</b>	<b>\$ 763</b>

The Company classifies interest and penalties related to uncertain tax benefits as interest expense and as operating, selling, general and administrative expenses, respectively. During fiscal 2016, 2015 and 2014, the Company recognized interest and penalty expense (benefit) related to uncertain tax positions of \$5 million, \$18 million and \$(7) million, respectively. As of January 31, 2016 and 2015, accrued interest related to uncertain tax positions of \$60 million and \$57 million, respectively, was recorded in the Company's Consolidated Balance Sheets. The Company did not have any accrued penalties recorded for income taxes as of January 31, 2016 or 2015.

During the next twelve months, it is reasonably possible that tax audit resolutions could reduce unrecognized tax benefits by between \$50 million and \$150 million, either because the tax positions are sustained on audit or because the Company agrees to their disallowance. The Company is focused on resolving tax audits as expeditiously as possible. As a result of these efforts, unrecognized tax benefits could potentially be reduced beyond the provided range during the next twelve months. The Company does not expect any change to have a significant impact to its Consolidated Financial Statements.

The Company remains subject to income tax examinations for its U.S. federal income taxes generally for fiscal 2013 through 2016. The Company also remains subject to income tax examinations for international income taxes for fiscal 2000 through 2016, and for U.S. state and local income taxes generally for the fiscal years ended 2008 through 2016.

## 10. Contingencies

### Legal Proceedings

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

Unless stated otherwise, the matters, or groups of related matters, discussed below, if decided adversely to or settled by the Company, individually or in the aggregate, may result in a liability material to the Company's financial condition or results of operations.

*Wage-and-Hour Class Action:* The Company is a defendant in Braun/Hummel v. Wal-Mart Stores, Inc., a class-action lawsuit commenced in March 2002 in the Court of Common Pleas in Philadelphia, Pennsylvania. The plaintiffs allege that the Company failed to pay class members for all hours worked and prevented class members from taking their full meal and rest breaks. On October 13, 2006, a jury awarded back-pay damages to the plaintiffs of approximately \$78 million on their claims for off-the-clock work and missed rest breaks. The jury found in favor of the Company on the plaintiffs' meal-period claims. On November 14, 2007, the trial judge entered a final judgment in the approximate amount of \$188 million, which included the jury's back-pay award plus statutory penalties, prejudgment interest and attorneys' fees. By operation of law, post-judgment interest accrues on the judgment amount at the rate of six percent per annum from the date of entry of the judgment, which was November 14, 2007, until the judgment is paid, unless the judgment is set aside on appeal. On December 7, 2007, the Company filed its Notice of Appeal. On June 10, 2011, the Pennsylvania Superior Court of Appeals issued an opinion upholding the trial court's certification of the class, the jury's back pay award, and the awards of statutory penalties and prejudgment interest, but reversing the award of attorneys' fees. On September 9, 2011, the Company filed a Petition for Allowance of Appeal with the Pennsylvania Supreme Court. On July 2, 2012, the Pennsylvania Supreme Court granted the Company's Petition. On December 15, 2014, the Pennsylvania Supreme Court issued its opinion affirming the Superior Court of Appeals' decision.





## Notes to Consolidated Financial Statements

At that time, the Company recorded expenses of \$249 million for the judgment amount and post-judgment interest incurred to date. The Company will continue to accrue for the post-judgment interest until final resolution. However, the Company continues to believe it has substantial factual and legal defenses to the claims at issue, and, on March 13, 2015, the Company filed a petition for writ of certiorari with the U.S. Supreme Court. On April 20, 2015, the plaintiffs filed their response in opposition and on May 4, 2015, the Company filed its reply brief.

**ASDA Equal Value Claims:** ASDA Stores, Ltd. ("ASDA"), a wholly-owned subsidiary of the Company, is a defendant in over 7,000 "equal value" claims that are proceeding before an Employment Tribunal in Manchester (the "Employment Tribunal") in the United Kingdom ("UK") on behalf of current and former ASDA store employees, who allege that the work performed by female employees in ASDA's retail stores is of equal value in terms of, among other things, the demands of their jobs to that of male employees working in ASDA's warehouse and distribution facilities, and that the disparity in pay between these different job positions is not objectively justified. Claimants are requesting differential back pay based on higher wage rates in the warehouse and distribution facilities and those higher wage rates on a prospective basis as part of these equal value proceedings. ASDA believes that further claims may be asserted in the near future. On March 23, 2015, ASDA asked the Employment Tribunal to stay all proceedings, contending that the High Court, which is the superior first instance civil court in the UK that is headquartered in the Royal Courts of Justice in the City of London, is the more convenient and appropriate forum to hear these claims. On March 23, 2015, ASDA also asked the Employment Tribunal to "strike out" substantially all of the claims for failing to comply with Employment Tribunal rules. On July 23, 2015, the Employment Tribunal denied ASDA's requests to stay all proceedings and to "strike out" substantially all of the claims. On September 2, 2015, ASDA filed a Notice of Appeal with the Employment Appeal Tribunal seeking to appeal both rulings. On October 14, 2015, the Employment Appeal Tribunal denied ASDA's requests for an appeal. Following additional argument and proceedings, the issue of "strike out" and the scope of Employment Tribunal Rules are subject of further appellate review by the Employment Appeal Tribunal but the request to appeal the stay issue was denied by the Employment Appeal Tribunal. On March 8, 2016, ASDA filed a notice of appeal with the Court of Appeals seeking to appeal the Employment Appeal Tribunal's decision to disallow an appeal of the stay issue. At present, the Company cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from these proceedings. The Company believes it has substantial factual and legal defenses to these claims, and intends to defend the claims vigorously.

### FCPA Investigation and Related Matters

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

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

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

The Company could be exposed to a variety of negative consequences as a result of the matters noted above. There could be one or more enforcement actions in respect of the matters that are the subject of some or all of the on-going government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desist orders, debarment or other relief, criminal convictions and/or penalties. The shareholder lawsuits may result in judgments against the Company and its current and former directors and officers named in those proceedings. The Company cannot predict at this time the outcome or impact of the government investigations, the shareholder lawsuits, or its own internal investigations and review. In addition, the Company has incurred and expects to continue to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the government investigations, in defending the shareholder lawsuits, and in conducting the review and investigations. These costs will be expensed as incurred. For the fiscal years ended January 31, 2016, 2015 and 2014, the Company incurred the following third-party expenses in connection with the FCPA investigation and related matters:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2016	2015	2014
Ongoing inquiries and investigations	\$ 95	\$121	\$173
Global compliance program and organizational enhancements	31	52	109
<b>Total</b>	<b>\$126</b>	\$173	\$282



# Notes to Consolidated Financial Statements

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

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

## 11. Commitments

The Company has long-term leases for stores and equipment. Rentals (including amounts applicable to taxes, insurance, maintenance, other operating expenses and contingent rentals) under operating leases and other short-term rental arrangements were \$2.5 billion in fiscal 2016 and \$2.8 billion in both fiscal 2015 and 2014.

Aggregate minimum annual rentals at January 31, 2016, under non-cancelable leases are as follows:

<i>(Amounts in millions)</i> Fiscal Year	Operating Leases	Capital Lease and Financial Obligations
2017	\$ 2,057	\$ 815
2018	1,989	758
2019	1,794	710
2020	1,697	655
2021	1,530	624
Thereafter	12,438	5,093
<b>Total minimum rentals</b>	<b>\$21,505</b>	<b>\$ 8,655</b>
Less estimated executory costs		39
Net minimum lease payments		8,616
Noncash gain on future termination of financing obligation		1,070
Less imputed interest		(3,319)
<b>Present value of minimum lease payments</b>		<b>\$ 6,367</b>

Certain of the Company's leases provide for the payment of contingent rentals based on a percentage of sales. Such contingent rentals were not material for fiscal 2016, 2015 and 2014. Substantially all of the Company's store leases have renewal options, some of which may trigger an escalation in rentals.

The Company has future lease commitments for land and buildings for approximately 215 future locations. These lease commitments have lease terms ranging from 10 to 30 years and provide for certain minimum rentals. If executed, payments under operating leases would increase by \$34 million for fiscal 2017, based on current cost estimates.

In connection with certain long-term debt issuances, the Company could be liable for early termination payments if certain unlikely events were to occur. At January 31, 2016, the aggregate termination payment would have been \$44 million. The arrangement pursuant to which this payment could be made will expire in fiscal 2019.

## 12. Retirement-Related Benefits

The Company offers a 401(k) plan for associates in the U.S. under which eligible associates can begin contributing to the plan immediately upon hire. The Company also offers a 401(k) type plan for associates in Puerto Rico under which associates can begin to contribute generally after one year of employment. Under these plans, after one year of employment, the Company matches 100% of participant contributions up to 6% of annual eligible earnings. The matching contributions immediately vest at 100% for each associate. Participants can contribute up to 50% of their pretax earnings, but not more than the statutory limits. Participants age 50 or older may defer additional earnings in catch-up contributions up to the maximum statutory limits.

Associates in international countries who are not U.S. citizens are covered by various defined contribution post-employment benefit arrangements. These plans are administered based upon the legislative and tax requirements in the countries in which they are established.

Additionally, the Company's subsidiaries in the United Kingdom and Japan have sponsored defined benefit pension plans. The plan in the United Kingdom was overfunded by \$106 million and underfunded by \$85 million at January 31, 2016 and 2015, respectively. The plan in Japan was underfunded by \$205 million and \$223 million at January 31, 2016 and 2015, respectively. Overfunded amounts are recorded as assets in the Company's Consolidated Balance Sheets in other assets and deferred charges. Underfunded amounts are recorded as liabilities in the Company's Consolidated Balance Sheets in deferred income taxes and other. Certain other international operations also have defined benefit arrangements that are not significant.

The following table summarizes the contribution expense related to the Company's retirement-related benefits for fiscal 2016, 2015 and 2014:

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,		
	2016	2015	2014
<b>Defined contribution plans:</b>			
U.S.	<b>\$ 967</b>	\$ 898	\$ 877
International	<b>179</b>	167	165
<b>Defined benefit plans:</b>			
International	<b>6</b>	5	20
<b>Total contribution expense for retirement-related benefits</b>	<b>\$1,152</b>	\$1,070	\$1,062

## 13. Acquisitions, Disposals and Related Items

In fiscal 2016, the Company completed the following transaction that impacts the operations of Walmart International:

### *Yihaodian*

In July 2015, the Company completed the purchase of all of the remaining noncontrolling interest in Yihaodian, our e-commerce operations in China, for approximately \$760 million, using existing cash to complete this transaction.

In fiscal 2015, the Company completed the following transactions that impact the operations of Walmart International:

### *Walmart Chile*

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

### *Vips Restaurant Business in Mexico*

In fiscal 2014, Walmex, a majority-owned subsidiary of the Company, entered into a definitive agreement with Alsea S.A.B. de C.V. to sell the Vips restaurant business ("Vips") in Mexico. The sale of Vips was completed on May 12, 2014. The Company received \$671 million of cash and recognized a net gain of \$262 million in discontinued operations at the time of the sale.

## 14. Segments

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

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

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

# Notes to Consolidated Financial Statements

Information for the Company's segments, as well as for Corporate and support, including the reconciliation to income from continuing operations before income taxes, is provided in the following table:

<i>(Amounts in millions)</i>	Walmart U.S.	Walmart International	Sam's Club	Corporate and support	Consolidated
<b>Fiscal Year Ended January 31, 2016</b>					
Net sales	\$298,378	\$123,408	\$56,828	\$ —	\$478,614
Operating income (loss)	19,087	5,346	1,820	(2,148)	24,105
Interest expense, net					(2,467)
<b>Income from continuing operations before income taxes</b>					<b>\$ 21,638</b>
<b>Total assets</b>	<b>\$103,109</b>	<b>\$ 73,720</b>	<b>\$13,998</b>	<b>\$ 8,754</b>	<b>\$199,581</b>
Depreciation and amortization	2,800	2,549	472	3,633	9,454
Capital expenditures	6,728	2,930	695	1,124	11,477
<b>Fiscal Year Ended January 31, 2015</b>					
Net sales	\$ 288,049	\$ 136,160	\$ 58,020	\$ —	\$ 482,229
Operating income (loss)	21,336	6,171	1,976	(2,336)	27,147
Interest expense, net					(2,348)
<b>Income from continuing operations before income taxes</b>					<b>\$ 24,799</b>
<b>Total assets</b>	<b>\$ 101,381</b>	<b>\$ 80,505</b>	<b>\$ 13,995</b>	<b>\$ 7,609</b>	<b>\$ 203,490</b>
Depreciation and amortization	2,665	2,665	473	3,370	9,173
Capital expenditures	6,286	3,936	753	1,199	12,174
<b>Fiscal Year Ended January 31, 2014</b>					
Net sales	\$ 279,406	\$ 136,513	\$ 57,157	\$ —	\$ 473,076
Operating income (loss)	21,787	5,153	1,843	(1,911)	26,872
Interest expense, net					(2,216)
<b>Income from continuing operations before income taxes</b>					<b>\$ 24,656</b>
<b>Total assets</b>	<b>\$ 98,745</b>	<b>\$ 85,370</b>	<b>\$ 14,053</b>	<b>\$ 6,373</b>	<b>\$ 204,541</b>
Depreciation and amortization	2,640	2,658	437	3,135	8,870
Capital expenditures	6,378	4,463	1,071	1,203	13,115

Total revenues, consisting of net sales and membership and other income, and long-lived assets, consisting primarily of property and equipment, net, aggregated by the Company's U.S. and non-U.S. operations for fiscal 2016, 2015 and 2014, are as follows:

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,		
	2016	2015	2014
<b>Total revenues</b>			
U.S. operations	\$357,559	\$348,227	\$338,681
Non-U.S. operations	124,571	137,424	137,613
<b>Total revenues</b>	<b>\$482,130</b>	<b>\$485,651</b>	<b>\$476,294</b>
<b>Long-lived assets</b>			
U.S. operations	\$ 82,475	\$ 80,879	\$ 79,644
Non-U.S. operations	34,041	35,776	38,263
<b>Total long-lived assets</b>	<b>\$116,516</b>	<b>\$116,655</b>	<b>\$117,907</b>

No individual country outside of the U.S. had total revenues or long-lived assets that were material to the consolidated totals. Additionally, the Company did not generate material total revenues from any single customer.

## 15. Subsequent Event

### Dividends Declared

On February 18, 2016, the Board of Directors approved the fiscal 2017 annual dividend at \$2.00 per share, an increase over the fiscal 2016 dividend of \$1.96 per share. For fiscal 2017, the annual dividend will be paid in four quarterly installments of \$0.50 per share, according to the following record and payable dates:

Record Date	Payable Date
March 11, 2016	April 4, 2016
May 13, 2016	June 6, 2016
August 12, 2016	September 6, 2016
December 9, 2016	January 3, 2017



## Notes to Consolidated Financial Statements

### 16. Quarterly Financial Data (Unaudited)

	Fiscal Year Ended January 31, 2016				
	Q1	Q2	Q3	Q4	Total
<i>(Amounts in millions, except per share data)</i>					
<b>Total revenues</b>	<b>\$114,826</b>	<b>\$120,229</b>	<b>\$117,408</b>	<b>\$129,667</b>	<b>\$482,130</b>
<b>Net sales</b>	<b>114,002</b>	<b>119,330</b>	<b>116,598</b>	<b>128,684</b>	<b>478,614</b>
<b>Cost of sales</b>	<b>86,483</b>	<b>90,056</b>	<b>87,446</b>	<b>96,999</b>	<b>360,984</b>
<b>Income from continuing operations</b>	<b>3,283</b>	<b>3,635</b>	<b>3,414</b>	<b>4,748</b>	<b>15,080</b>
<b>Consolidated net income</b>	<b>3,283</b>	<b>3,635</b>	<b>3,414</b>	<b>4,748</b>	<b>15,080</b>
<b>Consolidated net income attributable to Walmart</b>	<b>3,341</b>	<b>3,475</b>	<b>3,304</b>	<b>4,574</b>	<b>14,694</b>
<b>Basic net income per common share attributable to Walmart</b>	<b>1.03</b>	<b>1.08</b>	<b>1.03</b>	<b>1.44</b>	<b>4.58</b>
<b>Diluted net income per common share attributable to Walmart</b>	<b>1.03</b>	<b>1.08</b>	<b>1.03</b>	<b>1.43</b>	<b>4.57</b>
	Fiscal Year Ended January 31, 2015				
	Q1	Q2	Q3	Q4	Total
Total revenues	\$114,960	\$120,125	\$119,001	\$131,565	\$485,651
Net sales	114,167	119,336	118,076	130,650	482,229
Cost of sales	86,714	90,010	89,247	99,115	365,086
Income from continuing operations	3,711	4,089	3,826	5,188	16,814
Consolidated net income	3,726	4,359	3,826	5,188	17,099
Consolidated net income attributable to Walmart	3,593	4,093	3,711	4,966	16,363
Basic net income per common share:					
Basic income per common share from continuing operations attributable to Walmart	1.10	1.22	1.15	1.54	5.01
Basic income (loss) per common share from discontinued operations attributable to Walmart	0.01	0.05	—	—	0.06
Basic net income per common share attributable to Walmart	1.11	1.27	1.15	1.54	5.07
Diluted net income per common share:					
Diluted income per common share from continuing operations attributable to Walmart	1.10	1.21	1.15	1.53	4.99
Diluted income (loss) per common share from discontinued operations attributable to Walmart	0.01	0.05	—	—	0.06
Diluted net income per common share attributable to Walmart	1.11	1.26	1.15	1.53	5.05

# Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Wal-Mart Stores, Inc. as of January 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity and redeemable noncontrolling interest, and cash flows for each of the three years in the period ended January 31, 2016. 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 the standards of the Public Company Accounting Oversight Board (United States). 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. at January 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Wal-Mart Stores, Inc.'s internal control over financial reporting as of January 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 30, 2016 expressed an unqualified opinion thereon.

*Ernst + Young LLP*

Rogers, Arkansas  
March 30, 2016

# Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

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

We have audited Wal-Mart Stores, Inc.'s internal control over financial reporting as of January 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Wal-Mart Stores, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report to Our Shareholders." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to

permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Wal-Mart Stores, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Wal-Mart Stores, Inc. as of January 31, 2016 and 2015, and related consolidated statements of income, comprehensive income, shareholders' equity and redeemable noncontrolling interest, and cash flows for each of the three years in the period ended January 31, 2016 and our report dated March 30, 2016 expressed an unqualified opinion thereon.

*Ernst + Young LLP*

Rogers, Arkansas  
March 30, 2016

# Management's Report to Our Shareholders

## Wal-Mart Stores, Inc.

Management of Wal-Mart Stores, Inc. ("Walmart," the "company" or "we") is responsible for the preparation, integrity and objectivity of Walmart's Consolidated Financial Statements and other financial information contained in this Annual Report to Shareholders. Those Consolidated Financial Statements were prepared in conformity with accounting principles generally accepted in the United States. In preparing those Consolidated Financial Statements, management is required to make certain estimates and judgments, which are based upon currently available information and management's view of current conditions and circumstances.

The Audit Committee of the Board of Directors, which consists solely of independent directors, oversees our process of reporting financial information and the audit of our Consolidated Financial Statements. The Audit Committee stays informed of the financial condition of Walmart and regularly reviews management's financial policies and procedures, the independence of our independent auditors, our internal control over financial reporting and the objectivity of our financial reporting. Both the independent auditors and the internal auditors have free access to the Audit Committee and meet with the Audit Committee regularly, both with and without management present.

Acting through our Audit Committee, we have retained Ernst & Young LLP, an independent registered public accounting firm, to audit our Consolidated Financial Statements found in this Annual Report to Shareholders. We have made available to Ernst & Young LLP all of our financial records and related data in connection with their audit of our Consolidated Financial Statements. We have filed with the Securities and Exchange Commission ("SEC") the required certifications related to our Consolidated Financial Statements as of and for the year ended January 31, 2016. These certifications are attached as exhibits to our Annual Report on Form 10-K for the year ended January 31, 2016. Additionally, we have also provided to the New York Stock Exchange the required annual certification of our Chief Executive Officer regarding our compliance with the New York Stock Exchange's corporate governance listing standards.

## Report on Internal Control Over Financial Reporting

Management has responsibility for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2016. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control-Integrated Framework (2013). Management concluded that based on its assessment, Walmart's internal control over financial reporting was effective as of January 31, 2016. The Company's internal control over financial reporting as of January 31, 2016, has been audited by Ernst & Young LLP as stated in their report which appears in this Annual Report to Shareholders.

## Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be timely disclosed is accumulated and communicated to management in a timely fashion. Management has assessed the effectiveness of these disclosure controls and procedures as of January 31, 2016, and determined they were effective as of that date to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, was accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosure and were effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

## Report on Ethical Standards

Our Company was founded on the belief that open communications and the highest standards of ethics are necessary to be successful. Our long-standing "Open Door" communication policy helps management be aware of and address issues in a timely and effective manner. Through the open door policy all associates are encouraged to inform management at the appropriate level when they are concerned about any matter pertaining to Walmart.

Walmart has adopted a Statement of Ethics to guide our associates in the continued observance of high ethical standards such as honesty, integrity and compliance with the law in the conduct of Walmart's business. Familiarity and compliance with the Statement of Ethics is required of all associates who are part of management. The Company also maintains a separate Code of Ethics for our senior financial officers. Walmart also has in place a Related-Party Transaction Policy. This policy applies to Walmart's senior officers and directors and requires material related-party transactions to be reviewed by the Audit Committee. The senior officers and directors are required to report material related-party transactions to Walmart. We maintain a global ethics and compliance office which oversees and administers several reporting mechanisms, including an ethics helpline. The ethics helpline provides a channel for associates to make confidential and anonymous complaints regarding potential violations of our statements of ethics, including violations related to financial or accounting matters.

/s/ C. Douglas McMillon

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C. Douglas McMillon  
President and Chief Executive Officer

/s/ M. Brett Biggs

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M. Brett Biggs  
Executive Vice President and Chief Financial Officer





## Unit Counts as of January 31, 2016

Wal-Mart Stores, Inc.

### United States

The Walmart U.S. and Sam's Club segments comprise the Company's operations in the U.S. As of January 31, 2016, unit counts for Walmart U.S. and Sam's Club are summarized by format for each state and territory as follows:

State or Territory	Walmart U.S.		Sam's Club		Grand Total	State or Territory	Walmart U.S.		Sam's Club		Grand Total
	Supercenters	Discount Stores	Neighborhood Markets and other small formats	Clubs			Supercenters	Discount Stores	Neighborhood Markets and other small formats	Clubs	
Alabama	100	1	25	14	140	Utah	41	—	10	8	59
Alaska	8	2	—	3	13	Vermont	1	4	—	—	5
Arizona	80	3	28	16	127	Virginia	105	6	20	17	148
Arkansas	76	7	33	7	123	Washington	52	10	5	3	70
California	127	83	67	33	310	Washington D.C.	3	—	—	—	3
Colorado	69	5	18	15	107	West Virginia	38	—	1	5	44
Connecticut	12	22	1	3	38	Wisconsin	81	6	2	12	101
Delaware	6	3	—	1	10	Wyoming	12	—	—	2	14
Florida	221	12	75	47	355	Puerto Rico	13	5	19	11	48
Georgia	151	3	36	24	214	<b>U.S. total</b>	<b>3,465</b>	<b>442</b>	<b>667</b>	<b>655</b>	<b>5,229</b>
Hawaii	—	10	—	2	12						
Idaho	23	—	2	1	26						
Illinois	134	22	7	33	196						
Indiana	95	8	11	16	130						
Iowa	57	3	—	9	69						
Kansas	57	3	15	9	84						
Kentucky	77	8	9	9	103						
Louisiana	88	2	29	15	134						
Maine	19	3	—	3	25						
Maryland	28	19	—	12	59						
Massachusetts	27	22	—	3	52						
Michigan	89	4	—	26	119						
Minnesota	65	5	—	14	84						
Mississippi	64	4	5	7	80						
Missouri	111	11	16	19	157						
Montana	13	—	—	2	15						
Nebraska	35	—	7	5	47						
Nevada	29	2	11	7	49						
New Hampshire	18	9	—	4	31						
New Jersey	26	34	—	10	70						
New Mexico	35	2	7	7	51						
New York	78	20	2	16	116						
North Carolina	140	6	43	23	212						
North Dakota	14	—	—	3	17						
Ohio	138	7	—	29	174						
Oklahoma	79	9	31	12	131						
Oregon	28	7	9	—	44						
Pennsylvania	115	22	—	24	161						
Rhode Island	5	4	—	1	10						
South Carolina	81	—	18	12	111						
South Dakota	14	—	—	2	16						
Tennessee	115	2	17	16	150						
Texas	372	22	88	83	565						

### International

The Walmart International segment comprises the Company's operations outside of the U.S. and is represented in three major brand categories. Unit counts<sup>(1)</sup> as of January 31, 2016 for Walmart International are summarized by brand category for each geographic market as follows:

Geographic Market	Retail	Wholesale	Other <sup>(2)</sup>	Total
Africa <sup>(3)</sup>	318	90	—	408
Argentina	108	—	—	108
Brazil	414	71	14	499
Canada	400	—	—	400
Central America <sup>(4)</sup>	709	—	—	709
Chile	392	3	—	395
China	420	12	—	432
India	—	21	—	21
Japan	346	—	—	346
Mexico	2,189	161	10	2,360
United Kingdom	603	—	18	621
<b>International total</b>	<b>5,899</b>	<b>358</b>	<b>42</b>	<b>6,299</b>

(1) Walmart International unit counts, with the exception of Canada, are stated as of December 31, 2015, to correspond with the balance sheet date of the related geographic market. Canada unit counts are stated as of January 31, 2016.

(2) "Other" includes drug stores and convenience stores operating under varying banners.

(3) Africa unit counts by country are Botswana (11), Ghana (1), Kenya (1), Lesotho (3), Malawi (2), Mozambique (6), Namibia (4), Nigeria (8), South Africa (366), Swaziland (1), Tanzania (1), Uganda (1) and Zambia (3).

(4) Central America unit counts by country are Costa Rica (225), El Salvador (91), Guatemala (223), Honduras (82) and Nicaragua (88).



# Corporate and Stock Information

## Listing

New York Stock Exchange  
Stock Symbol: WMT

## Corporate information

Stock Registrar and Transfer Agent:  
Computershare Trust Company, N.A.  
P.O. Box 43069  
Providence, Rhode Island 02940-3069  
1-800-438-6278  
TDD for hearing-impaired inside the U.S. 1-800-952-9245  
Internet: <http://www.computershare.com>

## Annual meeting

Our Annual Meeting of Shareholders will be held on Friday, June 3, 2016, at 8:00 a.m. (Central Time) in the Bud Walton Arena on the University of Arkansas campus, Fayetteville, Arkansas.

## Communication with shareholders

Wal-Mart Stores, Inc. periodically communicates with its shareholders and other members of the investment community about our operations. For further information regarding our policy on shareholder and investor communications refer to our website, [www.stock.walmart.com](http://www.stock.walmart.com).

The following reports are available without charge upon request by writing the Company c/o Investor Relations or by calling (479) 273-8446. These reports are also available via the corporate website.

- Annual Report on Form 10-K
- Quarterly Reports on Form 10-Q
- Earnings Releases
- Current Reports on Form 8-K
- Annual Shareholders' Meeting Proxy Statement
- Global Responsibility Report
- Diversity and Inclusion Report (Includes the content previously reported in the "Workforce Diversity Report")

## Independent registered public accounting firm

Ernst & Young LLP  
5417 Pinnacle Point Dr., Suite 501  
Rogers, AR 72758

## Market price of common stock

The high and low market price per share for the Company's common stock in fiscal 2016 and 2015 were as follows:

	2016		2015	
	High	Low	High	Low
1st Quarter	\$88.00	\$77.55	\$79.99	\$72.27
2nd Quarter	79.94	70.36	79.76	73.54
3rd Quarter	73.69	57.16	79.37	72.61
4th Quarter	66.53	56.30	90.97	75.59

The high and low market price per share for the Company's common stock for the first quarter of fiscal 2017, were as follows:

	2017	
	High	Low
1st Quarter <sup>(1)</sup>	\$68.92	\$62.35

(1) Through March 29, 2016.

## Dividends payable per share

For fiscal 2017, dividends will be paid based on the following schedule:

April 4, 2016	\$0.50
June 6, 2016	\$0.50
September 6, 2016	\$0.50
January 3, 2017	\$0.50

## Dividends paid per share

For fiscal 2016, dividends were paid based on the following schedule:

April 6, 2015	\$0.49
June 1, 2015	\$0.49
September 8, 2015	\$0.49
January 4, 2016	\$0.49

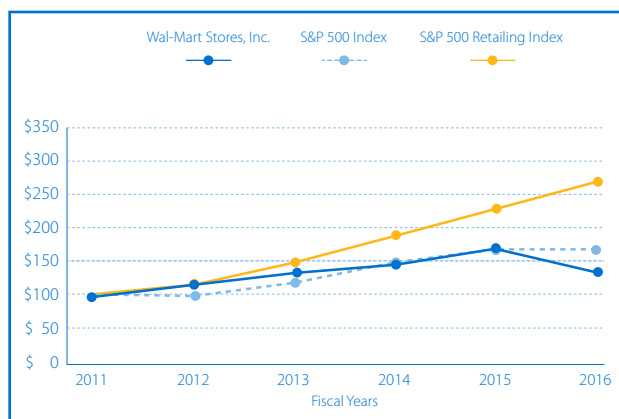
For fiscal 2015, dividends were paid based on the following schedule:

April 1, 2014	\$0.48
June 2, 2014	\$0.48
September 3, 2014	\$0.48
January 5, 2015	\$0.48

## Stock Performance Chart

This graph compares the cumulative total shareholder return on Walmart's common stock during the five fiscal years ending with fiscal 2016 to the cumulative total returns on the S&P 500 Retailing Index and the S&P 500 Index. The comparison assumes \$100 was invested on February 1, 2011, in shares of our common stock and in each of the indices shown and assumes that all of the dividends were reinvested.

**Comparison of 5-Year Cumulative Total Return\***  
Among Wal-Mart Stores, Inc., the S&P 500 Index, and S&P 500 Retailing Index



\*Assumes \$100 Invested on February 1, 2011  
Assumes Dividends Reinvested  
Fiscal Year Ending January 31, 2016

	Fiscal Years Ended January 31,					
	2011	2012	2013	2014	2015	2016
Wal-Mart Stores Inc.	\$100.00	\$112.46	\$131.34	\$143.67	\$167.56	\$134.48
S&P 500 Index	100.00	104.22	121.71	147.89	168.93	167.81
S&P 500 Retailing Index	100.00	115.66	149.35	189.57	227.53	266.59

## Shareholders

As of March 28, 2016, there were 243,327 holders of record of Walmart's common stock.



## Visit our digital annual report for expanded content about our strategy and progress

Our enhanced digital annual report offers more insight about our performance and strategy. Visit [www.stock.walmart.com](http://www.stock.walmart.com) to access video perspectives from our leaders, and gain additional insight on how we're changing to deliver a seamless shopping experience at scale. On the site, you can also enroll to receive future materials digitally for our Annual Shareholders' Meetings.



## Walmart's investor relations app: anytime, anywhere access to financial and company news

Our IR app offers shareholders an array of investor resources in a user-friendly format. With the app, you can access quarterly results, stock price, financial presentations and company news at any time from your mobile device. It's available for the iPad, iPhone, Android or Microsoft device. Download the free app from iTunes or Google Play.



## Global Responsibility

The work we do to help people live better extends far beyond the walls of our stores. We're committed to making a real difference by working to create economic opportunity, enhance the sustainability of our operations as well as the systems we operate in, and strengthen local communities. From supporting the development of our associates, suppliers and women entrepreneurs to pursuing a more affordable, secure food supply chain to building resiliency in the face of disasters, Walmart is using its strengths to promote the well-being of people and our planet. To learn more about these initiatives and others, read our GRR by visiting [corporate.walmart.com/2016GRR](http://corporate.walmart.com/2016GRR).

The minimized environmental footprint of this report is the result of an extensive, collaborative effort of Walmart and our supply chain partners. The environmental and social impact continues to be an important consideration. The report is printed on paper from well-managed forests containing recycled PCW fiber that is Elementally Chlorine Free (ECF). It is printed using 100 percent renewable wind power (RECs), along with environmental manufacturing principles that were utilized in the printing process. These practices include environmentally responsible procurement, lean manufacturing, green chemistry principles, the recycling of residual materials and reduced volatile organic compound inks and coatings.





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