

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended April 30, 1999.

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission file number 1-6991

WAL-MART STORES, INC.

(Exact name of registrant as specified in its charter)

Delaware _____ 71-0415188 _____
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

702 S.W. Eighth Street
Bentonville, Arkansas _____ 72716 _____
(Address of principal executive offices) (Zip Code)

(501) 273-4000
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Applicable Only to Issuers Involved in Bankruptcy
Proceedings During the Preceding Five Years

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court.

Yes No

Applicable Only to Corporate Issuers

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, \$.10 Par Value - 4,450,133,947 shares as of April 30, 1999.

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PART I. FINANCIAL INFORMATION

<TABLE>

Item 1. Financial Statements

WAL-MART STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions)

<CAPTION>

	April 30, 1999 (Unaudited)	January 31, 1999 (*Note)
ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	\$ 1,967	\$ 1,879
Receivables	1,154	1,118
Inventories	18,149	17,076
Prepaid expenses and other	1,076	1,059
Total current assets	22,346	21,132
Property, plant and equipment, at cost	32,217	31,129
Less accumulated depreciation	7,907	7,455
Net property, plant and equipment	24,310	23,674
Property under capital leases	3,504	3,335
Less accumulated amortization	1,064	1,036
Net property under capital leases	2,440	2,299

Other assets and deferred charges	2,927	2,891
Total assets	\$ 52,023	\$ 49,996
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 11,235	\$ 10,257
Accrued liabilities	4,800	4,998
Other current liabilities	1,710	1,507
Total current liabilities	17,745	16,762
Long-term debt	6,933	6,908
Long-term obligations under capital leases	2,846	2,699
Deferred income taxes and other	714	716
Minority Interest	1,768	1,799
Common stock and capital in excess of par value	878	880
Retained earnings	21,620	20,741
Other accumulated comprehensive income	(481)	(509)
Total shareholders' equity	22,017	21,112
Total liabilities and shareholders' equity	\$ 52,023	\$ 49,996

</TABLE>

[FN]

<F1>

See accompanying notes to condensed consolidated financial statements

<F2>

*Note: The balance sheet at January 31, 1999, has been derived from the audited financial statements at that date, and condensed.

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<TABLE>

WAL-MART STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Amounts in millions except per share data)

<CAPTION>

	Three Months Ended April 30,	
	1999	1998
<S>	<C>	<C>
Revenues:		
Net sales	\$34,717	\$29,819
Other income - net	406	338
	35,123	30,157
Costs and expenses:		
Cost of sales	27,241	23,526
Operating, selling and general and administrative expenses	5,888	5,073
Interest costs:		
Debt	127	122
Capital leases	64	72
	33,320	28,793
Income before income taxes and minority interest	1,803	1,364
Provision for income taxes	660	505
Income before minority interest	1,143	859
Minority interest	(33)	(31)
Net income	\$ 1,110	\$ 828
Net income per share - Basic and dilutive	\$.25	\$.18
Dividends per share	\$.0500	\$.0388
Average shareholders' equity	\$21,565	\$18,661
Return for the period on average shareholders' equity	5.15%	4.44%
Average number of common shares:		
Basic	4,449	4,482
Dilutive	4,472	4,510

</TABLE>

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<F1>

See accompanying notes to condensed consolidated financial statements.

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<TABLE>

WAL-MART STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in millions)

<CAPTION>

	Three Months Ended April 30,	
	1999	1998
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 1,110	\$ 828
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	530	441
Increase in inventories	(1,073)	(998)
Increase in accounts payable	1,005	645
Noncash items and other	(26)	(58)
Net cash provided by operating activities	1,546	858
Cash flows from investing activities:		
Payments for property, plant & equipment	(1,110)	(760)
Other investing activities	28	34
Net cash used in investing activities	(1,082)	(726)
Cash flows from financing activities:		
Increase in commercial paper	-	527
Dividends paid	(222)	(174)
Payment of long-term debt	(39)	(765)
Purchase of Company stock	(9)	(372)
Other financing activities	(106)	(24)
Net cash used in financing activities	(376)	(808)
Net increase (decrease) in cash and cash equivalents	88	(676)
Cash and cash equivalents at beginning of year	1,879	1,447
Cash and cash equivalents at end of period	\$ 1,967	\$ 771
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 418	\$ 560
Interest paid	179	195
Capital lease obligations incurred	197	89
Property, plant and equipment acquired with debt	42	-

</TABLE>

[FN]

<F1>

See accompanying notes to condensed consolidated financial statements.

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WAL-MART STORES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Basis of Presentation

The condensed consolidated balance sheet as of April 30, 1999, and the related condensed consolidated statements of income for the three month periods ended April 30, 1999, and 1998, and the condensed consolidated statements of cash flows for the three month periods ended April 30, 1999, and 1998, are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the financial statements have been included. The adjustments consisted only of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in the Company's annual report. Therefore, the interim statements should be read in conjunction with the Company's annual report for the fiscal year ended January 31, 1999.

NOTE 2. Inventories

The Company uses the retail last-in, first-out (LIFO) method for the

Wal-Mart Stores segment, cost LIFO for the Sam's Club segment, and other cost methods for the International segment. Inventories are not in excess of market value. Quarterly inventory determinations under LIFO are partially based on assumptions as to inventory levels at the end of the fiscal year, sales and the rate of inflation for the year. If the first-in, first-out (FIFO) method of accounting had been used by the Company, inventories at April 30, 1999, would have been \$453 million higher than reported, which is a decrease in the LIFO reserve of \$20 million from January 31, 1999. If the FIFO method had been used at April 30, 1998, inventories would have been \$363 million higher than reported, an increase in the LIFO reserve of \$15 million from January 31, 1998.

NOTE 3. Costs of computer software

In March 1998, the Accounting Standards Executive Committee issued Statement of Position (SOP) 98-1, "Accounting For the Costs of Computer Software Developed For or Obtained For Internal Use." The SOP is effective for the Company as of February 1, 1999. The SOP requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use. The adoption of SOP 98-1 did not have a material impact on the results of operations for the quarter ended April 30, 1999, and the Company does not anticipate that there will be a material impact for the year.

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NOTE 4. Segments

The Company is principally engaged in the operation of mass merchandising stores that serve customers primarily through the operation of three segments. The Company identifies its segments based on management responsibility within the United States and geographically for all international units. The Wal-Mart Stores segment includes the Company's discount stores and Supercenters in the United States. The Sam's Club segment includes the warehouse membership clubs in the United States. The International segment includes all operations in Argentina, Brazil, Canada, China, Germany, Korea, Mexico and Puerto Rico. The revenues in the "Other" category result from sales to third parties by McLane Company, Inc., a wholesale distributor.

Net sales by operating segment were as follows (in millions):

<TABLE>

<CAPTION>

	Three Months Ended April 30,	
	1999	1998
<S>	<C>	<C>
Wal-Mart Stores	\$23,926	\$20,737
Sam's Club	5,580	5,040
International	3,291	2,605
Other	1,920	1,437
Total Net Sales	\$34,717	\$29,819

</TABLE>

Operating profit and reconciliation to income before income taxes and minority interest are as follows (in millions):

<TABLE>

<CAPTION>

	Three Months Ended April 30,	
	1999	1998
<S>	<C>	<C>
Wal-Mart Stores	\$ 1,765	\$ 1,400
Sam's Club	144	126
International	64	82
Other	21	(50)
Operating profit	1,994	1,558
Interest expense	191	194
Income before income taxes and minority interest	\$ 1,803	\$ 1,364

</TABLE>

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NOTE 5. Comprehensive Income

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", establishes standards for reporting and display of comprehensive income and its components. Comprehensive income is net income, plus certain other items that are recorded directly to shareholders' equity, bypassing net income. The only such item currently applicable to the Company is foreign currency translation adjustments.

Comprehensive income was \$1,138 million and \$840 million for the quarters ended April 30, 1999 and 1998, respectively.

NOTE 6. Stock split

On March 4, 1999, the Company announced a two-for-one stock split issued in the form of a 100% stock dividend. The date of record was March 19, 1999, and it was distributed on April 19, 1999. Consequently, the per share data for all periods presented has been restated to reflect the stock split.

NOTE 7. Subsequent event

Subsequent to the Company's first quarter earnings release on May 11, 1999, a \$624 million jury verdict was rendered against the Company in a lawsuit related to distributing groceries in Mexico. On May 16, 1999, the Company agreed to settle the lawsuit for an amount less than the jury verdict. The Company had previously established reserves related to this lawsuit which was not material to its results of operations or financial position. The settlement exceeded the Company's estimated reserves for this lawsuit. As the Company had released its first quarter operating results prior to the settlement on May 16, 1999, a charge will be reflected in the second quarter for an amount by which the settlement exceeded the reserves, or \$0.03 per share net of taxes. Had the Company known of and recorded the charge as of its first quarter earnings release on May 11, 1999, net income for the first quarter would have been \$0.03 per share lower than reported.

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

Results of Operations

The Company had a 16% sales increase for the quarter ended April 30, 1999, when compared to the same quarter in fiscal 1999. The sales increase was attributable to the Company's expansion program in the Wal-Mart stores, Sam's Clubs and the International segments and a domestic comparative store sales increase of 9.3%. This comparative store sales increase is comprised of a 9.6% increase for the Wal-Mart stores and a 8.3% increase for the Sam's Clubs.

Domestic expansion activity during the first three months of fiscal 2000 included the addition of nine new Wal-Mart stores, the conversion of 21 Wal-Mart stores to Supercenters, six new Supercenters and two new Sam's Clubs. International expansion during the first three months of

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fiscal 2000 included the addition of one unit in Canada, one unit in China and seven units in Mexico.

At April 30, 1999, the Company had 1,857 Wal-Mart stores, 591 Supercenters, and 453 Sam's Clubs in the United States. Internationally, the Company operated units in Argentina(13), Brazil(14), Canada(154), Germany(95), Mexico(423), and Puerto Rico(15) and under joint venture agreements in China(6) and Korea(4). At April 30, 1998, the Company had 1,908 Wal-Mart stores, 458 Supercenters, and 444 Sam's Clubs in the United States. Internationally, the Company operated units in Argentina(11), Brazil(9), Canada(145), Germany(21), Mexico(404), and Puerto Rico(14), and under joint venture agreements in China(3).

The International segment had a 26% sales increase for the first quarter ended April 30, 1999. This increase was due principally to expansion activities which included the acquisition in July 1998 of four units previously operated by Korea Makro in Korea, and the acquisition in January 1999 of the Interspar hypermarket chain in Germany. As a result of the timing of these acquisitions, sales for the first quarter ended April 30, 1999, are not comparable to the same period last year due to the additional sales generated by these acquisitions in the current year's period.

International sales accounted for 9.5% of total Company sales in the first quarter of fiscal 2000, compared with 8.7% during the same period in fiscal 1999. Sam's Clubs sales as a percentage of total Company sales fell from 16.9% in the quarter ended April 30, 1998, to 16.1% for the quarter ended April 30, 1999, largely as a result of more rapid growth of

sales in other segments.

The Company's gross profit as a percentage of sales increased from 21.10% in the first quarter of fiscal 1999 to 21.53% during the first quarter of fiscal 2000. Gross profit as a percentage of sales improved in all operating segments, primarily through a better mix of merchandise. Additionally, markdowns, on a comparable basis, and shrinkage for the first quarter of fiscal 2000 were down as a percentage of sales when compared to the same period in fiscal 1999. The improvements in gross profit occurred without price increases, despite acceleration of the Company's price rollback program and with significant growth in the lower margin food business. As the Sam's Clubs segment comprises a lower percentage of consolidated Company sales, the gross profit stated as a percentage of sales for the Company as a whole, is positively impacted since its contribution to gross margin is a lower percentage than that of the Wal-Mart and International operating segments.

Operating, selling, general and administrative expenses decreased as a percentage of sales from 17.01% during the first quarter of fiscal 1999 to 16.96% for the first quarter of fiscal 2000. The Wal-Mart stores segment had expense improvements, while the Sam's Clubs segment was largely unchanged, and the International segment's expenses as a percentage of sales increased, for the three-month period ended April 30, 1999 when compared to the same period of the previous year. Excluding investments in new markets, the International segment actually reduced expenses as a percentage of sales. The expense leverage was mitigated in the consolidated results due to the percentage of the total volume

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decreasing in the Sam's Clubs segment, which has lower expenses as a percentage of sales, while the percentage of total volume increased in the International segment, which has higher expenses as a percentage of sales than Sam's Clubs.

The International segment's operating profit decreased from \$82 million in the first quarter of fiscal 1999 to \$64 million for the first quarter of fiscal 2000. Operating profit is below last year's performance, due primarily to the expenditures associated with the acquisitions in Germany. As noted above, the results for the first quarter of fiscal 2000 includes the operating results of Korea Makro and Interspar(Germany).

Mexico was considered to operate in a highly-inflationary economy and using United States Dollars reported its operations for fiscal year 1999. In fiscal 2000, Mexico is no longer considered a highly-inflationary economy and is reporting its operations in its local currency. There was not a material impact on the Company's consolidated or International segment's results of operations or financial position as a result of the change.

Liquidity and Capital Resources

Cash flows provided by operating activities were \$1,546 million for the first quarter of fiscal 2000, compared with \$858 million for the comparable period in fiscal 1999. Operating cash flow was up for the three months ended April 30, 1999, primarily due to a larger increase of \$1,005 million in accounts payable compared with an increase in accounts payable of \$645 million in fiscal 1999, and slightly mitigated by the addition of \$1,073 million in inventory compared with an increase in inventory of \$998 million in the comparable period in fiscal 1999. Inventories for the Company were up only 6% on a sales increase of 16%. Cash and cash equivalents at the end of the quarter were up 155% or \$1.2 billion, when compared with the end of the same period in fiscal 1999. During the first three months of fiscal 2000, the Company repurchased \$9 million of its common stock, paid dividends of \$222 million and invested \$1,110 million in capital expenditures.

At April 30, 1999, the Company had total assets of \$52,023 million compared with total assets of \$49,996 million at January 31, 1999. Working capital at April 30, 1999, was \$4,601 million, up \$231 million from January 31, 1999. The ratio of current assets to current liabilities was 1.3 to 1.0 at April 30, 1999, April 30, 1998, and January 31, 1999.

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

The Company anticipates generating sufficient operating cash flow to

pay the increased dividend, to fund all capital expenditures, and

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continue the share repurchase program. The Company plans to refinance existing long-term debt as it matures and may desire to obtain additional long-term financing for other purposes or for strategic reasons. The Company anticipates no difficulty in obtaining long-term financing in view of an excellent credit rating and favorable experiences in the debt market in the recent past. The Company has the ability to sell up to \$501 million of debt in the public markets under a shelf registration statement previously filed with the United States Securities and Exchange Commission.

Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." As proposed the Statement will be effective for the Company beginning February 1, 2001. The new Statement requires all derivatives to be recorded on the balance sheet at fair value and establishes accounting treatment for three types of hedges: hedges of changes in the fair value of assets, liabilities, or firm commitments; hedges of the variable cash flows of forecasted transactions; and hedges of foreign currency exposures of net investments in foreign operations. The Company is analyzing the implementation requirements and currently does not anticipate there will be a material impact on the results of operations or financial position after the adoption of Statement No. 133.

Year 2000 Issue State of Readiness

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

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

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The total incremental estimated cost directly related to the Year 2000 remedy is \$27 million. Approximately \$17.5 million of the cost is related to reprogramming, replacement, extensive testing and validation of software, which is being expensed as incurred, while approximately \$9.5 million is related to acquisition of hardware, which is being capitalized. Approximately \$19 million of the \$27 million cost of conversion had been incurred by the end of the first quarter of fiscal 2000. The majority of the remaining costs include future testing of the systems and the purchase of additional equipment. All of these costs are being funded through operating cash flows. These costs are not a significant component of the Company's overall information technology budget. The Company's Information Systems Division did not defer any information technology projects last year to address the Year 2000 issue. During fiscal 2000 the Company still plans to complete and implement over half of the normal project load in priority sequence.

In addition to internal Year 2000 implementation activities, the Company is communicating with other companies with which our systems interface or on which it relies to determine the extent to which those companies are addressing their Year 2000 compliance. Testing began during the third quarter of fiscal year 1999 and will be substantially

complete by October 31, 1999. Thus far, no significant issues have been detected in the testing process. There can be no assurance that there will not be an adverse effect on the Company if third parties, such as utility companies or merchandise suppliers, do not convert their systems in a timely manner and in a way that is compatible with the Company's systems. However, management believes that ongoing communication with and assessment of these third parties should minimize these risks.

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

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

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

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PART II. OTHER INFORMATION

Item 5. Other Information

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

Item 6. Exhibits and Reports on Form 8-K

- (a) The following document is filed as an exhibit to this Form 10-Q:

Exhibit 27 - Financial Data Schedule

- (b) There were no reports on Form 8-K for the quarter ended April 30, 1999.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WAL-MART STORES, INC.

Date: June 3, 1999

/s/David D. Glass
David D. Glass
President and
Chief Executive Officer

Date: June 3, 1999

/s/John B. Menzer
John B. Menzer
Executive Vice President
and Chief Financial Officer

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