

Non-GAAP measures - free cash flow

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. Free cash flow was \$10.3 billion for the six months ended July 31, 2016.

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 net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity. Additionally, 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.

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.

	Six Months Ended July 31, 2016	
<i>(Dollars in millions)</i>		
Net cash provided by operating activities	\$	14,931
Payments for property and equipment (capital expenditures)		(4,619)
Free cash flow	\$	10,312
Net cash used in investing activities ¹	\$	(4,416)
Net cash used in financing activities	\$	(11,214)

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

Non-GAAP measures - constant currency

The term "currency exchange rates" refers 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. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the current period's currency exchange rates, and the comparable prior year period's currency exchange rates. We refer to the results of the calculation as the impact of currency exchange rate fluctuations. When we report constant currency operating results, we are reporting operating results without the impact of currency exchange rate fluctuations and without the impact of acquisitions, if any, until the acquisitions are included in both comparable periods. The disclosure of constant currency amounts or results permits investors to understand better Walmart's underlying performance without the effects of currency exchange rate fluctuations or acquisitions. The table below reflects the calculation of constant currency for net sales six months ended July 31, 2016.

<i>(Dollars in millions)</i>	Six Months Ended July 31,							
	Walmart International				Consolidated			
	2016	2015	\$ Change	Percent Change	2016	2015	\$ Change	Percent Change
Net sales:								
As reported	\$ 56,704	\$ 60,915	\$ (4,211)	(6.9)%	\$ 234,391	\$ 233,332	\$ 1,059	0.5%
Currency exchange rate fluctuations ¹	6,186	N/A	N/A	N/A	6,186	N/A	N/A	N/A
Constant currency net sales	\$ 62,890	\$ 60,915	\$ 1,975	3.2%	\$ 240,577	\$ 233,332	\$ 7,245	3.1%

¹ Excludes currency exchange rate fluctuations related to acquisitions until the acquisitions are included in both comparable periods.

Non-GAAP measures - fuel impact

Sam's Club net sales for the six months ended July 31, 2016 and the percentage change in that financial measure from the prior year comparable period, in each case calculated by excluding Sam's Club's fuel sales for such periods, are non-GAAP financial measures. We believe the Sam's Club net sales and the percentage changes in that financial measure from the prior year comparable period, are, respectively, the financial measures computed in accordance with GAAP most directly comparable to the non-GAAP financial measures described above.

We believe that the presentation of the non-GAAP financial measures with respect to Sam's Club described above provides useful information to investors regarding Walmart's financial condition and results of operations because that information permits investors to understand the effect of the fuel sales of Sam's Club, which are affected by the volatility of fuel prices, on Sam's Club's net sales for the periods presented.

The table below reflects the calculation of the percentage change in net sales with and without fuel for the six months ended July 31, 2016.

<i>(Dollars in millions)</i>	Six Months Ended July 31,		
	<u>2016</u>	<u>2015</u>	<u>Percent Change</u>
Sam's Club			
Net Sales:			
Excluding Fuel	\$ 26,176	\$ 25,758	1.6%
Fuel Impact	1,975	2,455	N/A
As Reported	<u>\$ 28,151</u>	<u>\$ 28,213</u>	<u>-0.2%</u>

Non-GAAP measures - adjusted EPS

Adjusted EPS is considered a non-GAAP financial measure. Management believes that Adjusted EPS guidance for Fiscal 2017 is a meaningful metric to share with investors because that metric, which adjusts GAAP EPS guidance for a specific item recorded or expected to be recorded in the period, is the metric that best allows comparison of the expected performance for Fiscal 2017 to the performance for the comparable period. In addition, the metric affords investors a view of what management is forecasting for Walmart's core earnings performance for Fiscal 2017 and also affords investors the ability to make a more informed assessment of the core earnings performance for the comparable period.

The calculation of Adjusted EPS guidance for Fiscal 2017 set forth below adjusts GAAP EPS for the gain from the sale of Yihaodian in China.

Adjusted EPS Guidance - Fiscal 2017	
	Fiscal 2017
Diluted net income per share:	
Adjusted EPS	\$4.15 - \$4.35
Adjustment - Gain from the sale of Yihaodian in China, net of tax	\$0.14
GAAP EPS	\$4.29 - \$4.49