WAL★MART

FINAL TRANSCRIPT

Wal-Mart Stores, Inc.
First Quarter Earnings Call – FY10
May 14, 2009

This call will contain statements that Wal-Mart believes are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. These forward-looking statements generally are identified by the use of the words or phrases “anticipate,” “are sustainable,” “continue to expect,” “estimate,” “expect,” "may impact,” “we’ll continue,” “will also face,” “will always emphasize,” “will appreciate,” “will be,” “will broaden and accelerate,” “will build,” “will continue,” “will deliver,” “will help,” “will remain,” “will see,” “will stay,” or “will use,” or a variation of one of those words or phrases in those statements or by the use of words or phrases of similar import. Similarly, descriptions of our objectives, plans, goals, targets, or expectations are forward-looking statements. These statements discuss, among other things, our anticipated earnings per share for the current fiscal quarter, our anticipated tax rate for fiscal year 2010, the factors that may impact that tax rate, our expected capital expenditures in fiscal 2010, the anticipated comparable store sales for each of our Walmart U.S. and Sam’s Club segments for the 13-week period ending July 31, 2009, as well as our expectations that or as to: we will always emphasize our price leadership and role as an advocate for our customers and members; our customers will appreciate our American Summer program to kick off in May 2009; additional sales events will occur in the quarter ending July 31, 2009; we will continue to build our brand, reduce costs, sharpen our merchandising and remodel stores and clubs; we will continue to employ our global leverage for the benefit of our customers and members; we will broaden and accelerate our efforts on issues important to customers, members and associates; we will continue to contribute constructively to the process on a range of issues; the improvements made in merchandising, marketing and operations are sustainable; we will gain market share; our investment in future capacity in the merchandising, finance and human resources systems will build global capabilities, leverage our scale and optimize our investments in our company; health care costs and labor productivity within our Walmart U.S. segment will grow faster than sales for the remainder of fiscal 2010; Walmart U.S. will see ongoing financial benefits from investments in systems and proprietary technology solutions we have developed; there will be continued moderation in food inflation that will be a challenge for our Walmart U.S. segment in the fiscal quarter ending July 31, 2009; Walmart U.S.'s comparable store sales in that fiscal quarter will face a headwind of cycling last year's stimulus checks; the impact of the stimulus checks on Walmart U.S.'s comparable store sales in that fiscal quarter; our International segment will use our global leverage in responsible sourcing, quality and sustainability; our International segment will continue to build global talent and identify new ways to take advantage of our organizational knowledge and purchasing volume; improvement in results in China as the global economy settles down; the results of the efforts of new officers of our Sam's Club segment; Sam's Club will be a member driven business, driving member trust and loyalty through outstanding quality at an outstanding value; continued pressure on discretionary items offered for sale at Sam's Clubs; certain merchandise categories at our Sam's Clubs that were highly inflationary last year will experience a declining rate of inflation or even deflation over the next several fiscal quarters; Sam's Club will stay focused on driving efficiencies and controlling expenses and maximizing top line sales potential; Sam's Club will continue to be focused on where members are today and meeting their needs; we may have future upside opportunity in growing inventory less than half the rate of sales growth; and improvement in operations and assortments will continue to help us provide value to customers and members; and the anticipation and expectations of Wal-Mart and its management as to future occurrences and trends. These forward-looking statements are subject to risks, uncertainties and other factors, domestically and internationally, including general economic conditions, including the current economic crisis and disruption in the financial markets, unemployment levels, consumer credit availability, levels of consumer disposable income, consumer spending patterns and debt levels, inflation, the cost of the goods we sell, labor costs, transportation costs, the cost of diesel fuel, gasoline, natural gas and electricity, the cost of healthcare benefits, accident costs, our casualty and other insurance costs, information security costs, the cost of construction materials, availability of acceptable building sites for new stores, clubs and other formats, competitive pressures, accident-related costs, weather patterns, catastrophic events, storm and other damage to our stores and distribution centers, weather-related closing of stores, availability and transport of goods from domestic and foreign suppliers, currency exchange fluctuations and volatility, trade restrictions, changes in tariff and freight rates, adoption of or changes in tax and other laws and regulations that affect our business, costs of compliance with laws and regulations, the outcome of legal proceedings to which we are a party, interest rate fluctuations, changes in employment legislation and other capital market, economic and geo-political conditions and events, including civil unrest and terrorist attacks. We discuss certain of these matters more fully in our filings with the SEC, including our most recent Annual Report on Form 10-K, and the information on this call should be read in conjunction with that Annual Report on Form 10-K, and together with all our other filings, including Current Reports on Form 8-K, we have made with the SEC through the date of this call. We urge you to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements we make in this call. As a result of these factors, changes in facts, assumptions not being realized or other circumstances, our actual results may differ materially from anticipated results expressed or implied in these forward-looking statements. The forward-looking statements made in this call are made on and as of the date of this call, and we undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

The comp stores sales for our total U.S. operations and for our Sam's Clubs segment discussed on this call exclude the impact of fuel sales at our Sam's Club segment. That measure, our net sales on a constant currency basis, our return on investment, free cash flow and cash flow from operations to average debt as discussed in this call may be considered non-GAAP financial measures. Reconciliations of those non-GAAP financial measures to the most directly comparable GAAP measures are available for review on the

Investor Relations portion of our corporate website at www.walmartstores.com/investors.

CAROL SCHUMACHER - Introduction

Welcome to the Wal-Mart Stores, Inc. first quarter earnings call for fiscal year 2010. This is Carol Schumacher, vice president of investor relations and thanks for joining us today.

The replay of this call and related materials about the quarter are available on our web site. Here's the line-up for today's call:

- Mike Duke, Wal-Mart Stores, Inc. president and CEO will begin the call with comments on the Company's overall performance
- Charles Holley, executive vice president, finance and treasurer, will cover the consolidated financial details for the quarter
- Eduardo Castro-Wright, vice chairman, Wal-Mart Stores, Inc., will discuss the results for Walmart U.S.
- Doug McMillon, president and CEO of Wal-Mart International, will cover our operations outside the United States, with details on our countries with the largest revenues
- Brian Cornell, new to our company as president and CEO of Sam's Club, will discuss that operating segment; and
- Tom Schoewe, executive vice president and chief financial officer, will close with a report card on our financial metrics, as well as guidance for the second quarter

Before Mike kicks it off, we want to share details about changes to our reporting practices.

- As announced last week, we will no longer report sales results on a monthly basis. Our company will now provide comparable store sales guidance and results on a 13-week basis in our quarterly earnings releases, like we're doing today. Instead of total U.S. comp guidance, Walmart U.S. and Sam's Club each will provide separate guidance for the 13-week period. You will hear more about this from Eduardo and Brian. We will continue to provide comp store sales results on a fiscal calendar basis in our Form 10-Q and 10-K filings with the SEC. Our investor communications policy, which is posted on our Web site, has been updated to reflect these changes.

- During today's discussion, please keep in mind that our first quarter last fiscal year – what we call FY 2009 -- included the benefit of one extra day – February 29, due to a leap year. This year's first quarter has 91 days versus 92 days last year – so in essence, one less selling day.

- Effective February 1, 2009, Wal-Mart Stores, Inc. adopted Statement of Financial Accounting Standard number 160, "Noncontrolling Interests in Consolidated Financial Statements." This standard requires some accounting changes and minor modifications to financial statement presentation for minority interests in subsidiaries. These changes are reflected in our first quarter financial statements we're released today. As a result, during this call, all references to income from continuing operations or earnings per share from continuing operations refer to income from continuing operations attributable to Wal-Mart or diluted income per share from continuing operations attributable to Wal-Mart, respectively. Also, diluted net income per share from continuing operations refers to diluted income per share from continuing operations attributable to Wal-Mart.

As a reminder, we consolidate and report our International business as follows:

- Canada and Puerto Rico report on the same calendar as our U.S. operations, which means that our first quarter runs from February 1 through April 30. All other markets in Wal-Mart International report on the regular calendar basis, meaning the first quarter news we are reporting today represents results from January 1 through March 31. Note that sales and other financial metrics are pegged to local currencies when referring to the specific international markets.

Store counts, square footage updates and the information on our financial metrics are available on our web site – www.walmartstores.com/investors under the reconciliation and financial measures section.

A full transcript is posted approximately an hour after our call starts. Thanks for listening to our news about Wal-Mart's first quarter of fiscal 2010. Mike, let's get started.

MIKE DUKE – Company Strategic Overview

Thank you Carol, and welcome everyone. I appreciate you joining us today.

We're pleased to report that fiscal year 2010 is off to a very good start, even though this is the most challenging economy we've faced in decades. Certainly, we feel good about the business. Wal-Mart continues to outperform the market.

We're strengthening customer loyalty and attracting and retaining millions of customers.

Our company is stronger than ever, because we deliver price leadership and value, and help our customers save money so they can live better.

Our success this quarter is due to the dedication and contributions of our over 2 million hard working associates around the world. We appreciate each and every one of them.

I'm also proud of the depth and talent of our leadership team. They continue to make Wal-Mart a better company.

We're also broadening and accelerating our efforts to drive positive change on issues that matter to customers and associates.

But first, let's look at some of the key numbers.

Diluted earnings per share were 77 cents, at the top end of the range of guidance we provided.

Total first-quarter net sales were more than $93 billion, which is down slightly from last year. However, this includes a negative impact from the valuation of many currencies against the U.S. dollar. Without that impact, net sales were over $98 billion.

Last week, we reported a total U.S. comp for Walmart and Sam's Club -- without fuel -- of 3.7 percent for the first 13-week period of this year. I'm pleased that this comp surpassed our own expectations.

Wal-Mart continues to be in great financial position. We have a strong balance sheet and great access to capital markets.

Charles will get into the details but I'm also pleased with our free cash flow performance, which continues to fund returns to shareholders through dividends and share repurchases. In March, we announced a 15-percent increase to our dividend, at a time when many other companies were reducing their dividends.

Like other companies, we are dealing with very complex economic circumstances. We all hear the news about interest rates, currency exchange and unemployment -- and uncertainty about how long the recession might last.

Our business overall is stable, but our customers are still concerned about economic issues. For the Wal-Mart customers, until unemployment eases and confidence really returns, we remain cautiously optimistic about the timetable for economic recovery.

The stability in our business comes from the clear path Sam Walton established with our EDLP philosophy. It's more important than ever. We have unique insight into how our customers and members are weathering the economy. We know better than ever how to meet their needs -- and this is a tremendous competitive advantage.

Consumers are turning to us in greater numbers. They know Wal-Mart is their advocate and that we can save them money so they can live better. They *believe* in our brand. Consumers are changing their thinking and their behavior. It's a virtue to be thrifty and they're proud to save money by shopping at Wal-Mart.

Our regular customers are shopping us more often and for more items -- and we're attracting more *new* customers. We're running better stores and clubs.

The business plans we have in place now are relevant for today and for the future, when the economy recovers. We will *always* emphasize our price leadership and our role as advocates for customers and members. *That's* the core of our competitive advantage.

With all of this in mind, let me cover some reasons why we're reporting such good results today.

Eduardo Castro-Wright has said that the underlying business at Walmart U.S. remains strong. Walmart delivered a 5.9 percent comp for the four weeks in April and a 3.6 percent comp for the first 13 weeks of the year. This is the strongest comp among major retailers and clearly exceeds expectations.

The strength of these results comes from the truly integrated initiatives within Walmart U.S. Never before have merchandising, operations and marketing been so aligned. Our associate engagement scores and productivity are up. Inventory and prices are down. We have many new brands. Customers are delighted when they shop our stores.

Like other retailers, Walmart is cycling the stimulus checks, which resulted in the higher sales comps in the second quarter last year. But, I'm confident with the plans the team put together. Customers will appreciate the American Summer program that kicks off this month; and there will be additional events, such as back-to-school, this quarter.

Doug McMillon has hit the ground running with a smooth and speedy transition as the head of Wal-Mart International. Frankly, I'm glad to be sleeping in my own bed a little more now. I'm pleased that in almost every country, we grew the top line faster than the market -- despite the strong dollar and a recession that is even deeper in some countries than it is in the United States.

ASDA had a standout quarter, leading on price and gaining market share. I can't tell you how proud I am of our ASDA colleagues. And, in Mexico, the economy is a real challenge, but Walmex continues to outperform its competition. In fact, in just about *every* market where we operate, we're outperforming our competition.

We've assembled a great team at Sam's Club, and we're happy to have Brian Cornell as our new CEO of that business. The team there is renewing its focus on building and communicating the value of membership, and further improving product quality and freshness.

We're investing capital prudently for efficient growth and world-class information systems. Across the company, we will continue to build our brand, reduce costs, sharpen our merchandising and remodel our stores and clubs. And we'll continue to employ our global leverage for the benefit of our customers and members.

I've also indicated that we will broaden and accelerate our efforts on issues that are important to our customers, members and associates.

In my first quarter as CEO, I've made a few trips to Washington, D.C. I've had collaborative meetings with the administration and lawmakers on a range of issues, including the economy, health care and sustainability. People see that we are contributing constructively to the process -- and that we will continue to do so.

Just one more thing before I turn it over to Charles. Many of you have asked if the success we've had recently is just a result of the economic downturn and will it last once the economy recovers.

As I said earlier, customers have changed their behavior and their mindset. They're proud to tell people that they shop at Wal-Mart. We believe the improvements we've made in merchandising, marketing and operations – in the U.S. and around the world – are sustainable. This is *not* a short-term phenomenon.

Customers will *always* be interested in saving money, and they will *always* appreciate the value of getting better value. Our brand stands for better value, no matter the country or the language.

We have enduring brand strength, because the *trust* we've earned from our customers has never been stronger. And as a result, we believe we'll continue to gain market share.

We are optimistic about the long term, and *realistic* about the short term. Certainly, I feel good about what I'm seeing at our retail operations all around the world.

Now, I'd ask Charles to provide you with a detailed review of our results. Charles…

CHARLES HOLLEY – Consolidated financial details

Thanks, Mike. Before I get into the details, let me remind everyone of a few things that affect our consolidated results:

- The D&S results are now included in our consolidated reporting.
- Carol mentioned the impact of the comparison to last year being a leap year, so we have one less day this fiscal year. You'll hear more about this from the operating segments. And, the Easter calendar shift also impacted the first quarter results within the International segment.
- Mike mentioned the impact of currency exchange rates and I'll talk more about this shortly.

Fiscal year 2010 is off to a good start. Total net sales for the company *decreased slightly*, by 0.6 percent, to $93.5 billion. However, without the $4.8 billion effect of currency exchange rates, net sales would have increased by 4.5 percent to approximately $98.3 billion. The total U.S. comp – without fuel -- reported on a 13-week basis was 3.7 percent.

Operating income was down $100 million, or approximately 1.9 percent, with income from continuing operations before income taxes down 1.5 percent. Currency exchange translation had a negative impact of approximately $252 million to operating income. Also, there was one less day for the quarter versus last year due to the leap year.

Income from continuing operations for the first quarter was flat with last fiscal year at approximately $3 billion.

Diluted net income per share from continuing operations was 77 cents. This is at the high end of the guidance range we provided you for the first quarter of the fiscal year. And as a reminder, this included the negative impact from the currency translation of approximately four cents per share.

Consolidated gross profit for the first quarter was up 59 basis points compared with the prior year, due primarily to improvements by Walmart U.S. and Sam's Club. In addition to better mix, Walmart U.S. continues to deliver strong inventory management and you'll hear more details on this from Eduardo.

Speaking of inventory, on a consolidated basis, this was another excellent story, primarily due to the Walmart U.S. segment. Our consolidated inventory was **down** 3.2 percent, when compared to the same period last year. And, that's against a sales decrease of 0.6 percent.

Payables as a percentage of inventories for the company was 83 percent at the end of the first quarter, which is up 1.3 percentage points from last year.

As we mentioned with our February sales release, in connection with our finance transformation project, the company adjusted its classification of certain revenue and expense items for financial reporting purposes beginning February 1, 2009. These changes do not affect operating income or net income. Further, any changes in the classification of any revenue or expense items in our financial statements have been reflected in all prior periods presented.

These changes primarily consisted of reclassifying certain other income items, such as financial services income, from "other income" to net sales, and reporting discount fees paid on a customer's use of a consumer credit card as operating expenses. Previously, these credit card discount fees were netted against sales. With these changes, we have improved the consistency of our reporting with others in the industry.

Going forward, membership and other income primarily includes membership revenue, tenant lease income and some other miscellaneous income categories. Where we have one-time items, such as the gain from the sale of real estate properties, they will be included in other income as well.

Membership and other income decreased 14 percent compared to the same period last year. Membership income was down slightly year over year, as were several other miscellaneous income categories.

Let's move on to review expenses. Consolidated operating expenses as a percentage of sales were up 53 basis points over this period last year. Contributing to this increase were higher group health care costs across the U.S. businesses.

The corporate segment, which we commonly refer to as "corporate expenses" was up almost 17 percent, primarily due to increased spending on transformation projects and other technology enhanced initiatives.

During the fourth quarter call, we explained that the investments we're making for future capacity in the merchandising, finance, and human resources systems would continue to be up versus last year for all of this fiscal year. We are committed to these programs as they will build global capabilities, leverage our scale, and optimize our investments for the company. Transformation costs this quarter were up significantly -- approximately 150 percent-- over the same period last year.

Without investments in transformation projects, expenses for the corporate segment were up 9.3 percent, almost entirely driven by expenses in our technology area, as we continue to drive technology-enhanced initiatives. Non-technology home office expenses this quarter were flat to the same quarter last year.

Net interest expense was down 5.8 percent versus the comparable quarter last year. Despite additional debt related to the acquisition of D&S in Chile, our total debt balances were down versus last year and contributed to lower interest expense.

Our effective tax rate for the quarter was 33.7 percent. We expect the tax rate for fiscal 2010 to be between 34 and 35 percent, although we will see some quarterly fluctuations. Factors which may impact our rate include changes in our assessment of certain tax matters and the mix of earnings among our U.S. and international operations.

During these challenging economic times, our balance sheet remains strong and we continue to have good access to the credit markets.

Our debt to total capitalization was 41.0 percent, below the 43.2 percent we reported at the same time last year. It's important to note that according to Financial Accounting Standards number 160, minority interest – now referred to as noncontrolling interest -- in our subsidiaries is now reported in the equity section of the company's balance sheet. Our methodology and management of debt to total capitalization has not changed. We continue to define total capitalization as debt, plus total shareholders' equity, which does not include the noncontrolling interest.

Mike highlighted one of our ongoing success stories earlier – continuing strong free cash flow generation. We are pleased to report that in the first quarter we generated free cash flow of $964 million. Now, on face value, this is lower than the $1.3 billion we had at this time last year. However, when you consider the timing of payments of our U.S. associate payroll on the last day of the quarter, and with one less day of operations versus leap year last year, our free cash flow is trending at or actually a little more than last year. This total also includes an increase in capital spending for the first quarter versus last year.

Let's review how we're using the cash we generated:

- During this year's first quarter, our capital expenditures were in line with our plans. We continue to expect our capex for the full year to be between $12.5 and $13.5 billion.

- Second, as we mentioned in the fourth quarter earnings call in February, we decided it was time to restart our share repurchase program. I am pleased to report we committed more than $960 million to repurchase approximately 19.2 million shares during the first quarter. We have slightly more than $4 billion remaining from the $15 billion share repurchase plan authorized by the board in May of 2007.

- And, third, during the quarter, we paid a little more than $1 billion in dividends, which reflects the 15 percent dividend increase our board approved in March.

As Mike noted, we are proud of our financial position and the attention of our operating and corporate teams to strong financial management.

Now, let's move to the discussion of our operating segments. We'll start with Walmart U.S. Eduardo …

EDUARDO CASTRO-WRIGHT – Walmart U.S.

Thank you Charles.

With the first quarter now behind us, I'm happy to report that Walmart U.S. is building on the momentum of last year's solid performance. We exceeded our expectations for top-line growth. In spite of the leap year comparison, total net sales increased 3.8 percent to $61.2 billion.

We feel very good about the way Walmart is positioned today in the U.S. market place. Consumers trust our brand and our Save Money. Live Better promise is more relevant today than ever before.

Comparable store sales for the 13-week period of February through April grew 3.6 percent, ahead of market expectations. There were three main drivers of our comp performance.

First, traffic to our comp stores accelerated to levels we have not seen in several years. Clearly, declining gas prices compared to last year have had a role in driving traffic to our stores. But more important is the growing consumer need for value today. We find a large part of our growth is coming from new customers. In February, approximately 17 percent of our measurable growth in traffic came from new customers. Their average basket size is 40 percent higher than our average. We are committed to retaining these new customers through our new assortments and the way they experience the brand in our stores.

Second, our focus on winning key seasonal events contributed to both increased transactions and conversion. For example, comp sales of Easter-related merchandise grew 7.6 percent during the season and drove part of our 5.9 percent comp sales increase during the April four-week period. Seasonal events will continue to be an important part of our growth strategy.

Last, we believe each of our merchandising units is outperforming their respective competitors. The investments we have made in merchandising systems are starting to pay off. These enhancements, combined with our price leadership and the implementation of our win - play - show strategy are driving clarity of offering, leading to sustainable growth across multiple categories.

Walmart.com is also contributing to our growth and our Site to Store platform enables our customers to have seamless access to our brand through different channels. Our cumulative customer base for Site to Store has grown more than 9 times over the last 12 months. I'm happy to report our online business is growing faster than the leading competitor based on that competitor's latest quarterly release.

Solid Walmart U.S. sales performance was complemented by a 52 basis point improvement in gross margin. The increase in gross margin was driven largely by a higher margin product mix, the result of improved sales performance in our more discretionary categories.

Also benefitting gross margin was our ongoing progress in reducing inventory by flowing the right merchandise to the right stores at the right time. Inventory was reduced by 4.3 percent or slightly more than $1 billion on sales growth of 3.8 percent. The benefit of lower inventories touches many aspects of our operations -- including fewer markdowns, less shrink, lower store labor and logistics costs, and fewer accidents. Lower inventories also improve our customers' shopping experience and provide a better working environment for our associates because of cleaner stores.

Operating income for the quarter was $4.5 billion and increased 3.3 percent over the first quarter last year. As a percent to sales, operating income was relatively flat with the same quarter last year, reflecting unplanned expenses, which I will cover shortly.

Operating expenses increased 5.8 percent or 37 basis points as a percentage of sales year over year -- due primarily to higher group health insurance expenses. Improvements to our health benefit plans resulted in different health care purchasing and usage habits by our associates. Partly because of our better health care programs, we have seen lower turnover, which has led to increased store labor productivity. We expect health care costs, as well as labor productivity, to grow faster than sales for the remainder of the year.

We continue to find ways to leverage our growth in the current economic environment and manage expenses effectively. Let me highlight one such example – advertising. Media costs have come down rapidly during the last year because of the more difficult economic environment. As a result, our marketing team reduced advertising costs by more than 20 percent through efficient media buying and by a precise focus on our message. The result is greater efficiency in delivering our message and increased exposure of our brand and our save money – live better value proposition. Our share of voice increased 67 percent in the first quarter compared to last year.

Lower gas prices and lower inventories have led to lower logistics costs, and we have passed these savings along to customers through lower prices. Excluding the benefit of declining fuel costs, our cost per case shipped was reduced by 5.5 percent. We continue to sweat the assets of our distribution network to drive improvements in return on investment. In fact, we have not built a distribution center in more than two years and have no plans to do so in the foreseeable future.

We continue to make improvements with respect to associate productivity. Wages grew **only** 2.9 percent for the quarter, compared to last year, well below the rate of sales growth. You've been hearing about our investments in systems, and this is where we're getting a payout now. We continue to roll out our staffing initiatives to additional areas of the store supported by our proprietary technology solutions developed over the last couple of years. We expect to see ongoing financial benefits from these initiatives into the future.

In addition to this scheduling system, other customer-oriented initiatives are improving overall customer experience in our stores. This was the sixth consecutive quarter our overall customer experience scores posted quarter-over-quarter improvements. Each of our fast, friendly, and clean scores improved compared to the previous quarter. Another metric we track monthly is our customers' perception about the value that Walmart provides. Our price - value score with the half million plus customers surveyed each month was the highest in April since we started these surveys. We find that each of these customer experience metrics correlates to future sales performance, so I'm excited by the high marks our customers continue to give us.

From our early read of the Project Impact remodels and new stores, we are pleased with what we see. Sales are exceeding our expectations and outperforming the respective control groups. Customer experience scores in the converted stores are growing at twice the rate of those at control stores. And inventory improvements are five to six times higher in Project Impact stores.

As part of our capital efficiency model, investment decisions are based on driving sales productivity and return on investment. That is why we continue to prioritize the allocation of capital for expansions, remodels and other high return projects.

Our "Save money. Live better" strategic framework continues to galvanize the organization by singularly defining what it is that we stand for, how we go to market, and our expectations for how our customers experience the brand. Indeed, our associates are aligned around our business framework now more than ever. We recently received the annual results of our field associate engagement surveys. Let me share with you some of these exciting results.

Our field associate engagement scores for the current year improved to 69 percent, a 700-basis point improvement from last year's survey. In just two years alone, our field engagement scores have improved by 28 percent, which is just remarkable and speaks largely to the character and talent of the leadership we have in place in the field. Most importantly, I want to thank all associates who remain focused on providing a fast, friendly, and clean shopping experience for our customers each day.

So, what should you expect moving forward?

Short-term, we are focused on the challenges in the second quarter. One such challenge will be continued moderations to the rate of food inflation. While we believe our grocery business continues to outperform leading competitors and is benefitting from increased distribution of government assistance programs, grocery comp sales are being modestly impacted by a slowdown in inflation. As consumers have more disposable income as a result of moderating food inflation, we have seen that customers are spending these savings in Walmart on more discretionary categories.

In addition to inflation, comp sales in the second quarter will also face the headwind of cycling last year's stimulus checks, which contributed to our higher sales comp for that quarter. We estimate the impact to this year's second quarter comp sales to be between 100 and 200 basis points.

Despite these second quarter difficult comparisons, we expect comp sales for the 13-week period ending July 31 to be between flat and 3 percent.

Customer experience is at the center of everything our leadership team is focused on. We are making every effort to ensure that customers continue to believe that when the economy recovers, Walmart continues to be the best alternative for them to shop across multiple categories.

Longer-term, our team is focused on three key areas:

1. First, the rollout of the Project Impact program, which provides the framework and alignment for delivering better customer experience.
2. Second, development of a more efficient store, and …
3. Thirdly, multi-channel integration, which will allow our customers to shop their trusted Walmart brand across a variety of channels.

You will hear more about these strategies later in the year.

Thank you, and now I will turn it over to Doug who will discuss our results in International.

DOUG McMILLON – Wal-Mart International

Thanks, Eduardo. What a great time to be leading Wal-Mart International. In my first quarter as President and CEO, I've visited almost every market where we operate. And, I've been pleased to see our team's commitment to our customers, especially in these trying economic times. I want to take this opportunity to thank our country teams and our management for their focus and dedication.

My most recent trip was to Shenzhen, China where we held our annual President's Roundtable, an assembly of the Regional CEOs and Country Presidents. During that Roundtable, we had the opportunity to discuss both the short and long-term aspects of our business. The consensus of our Presidents is that this global economy is pressuring our customers, no matter where they are.

Given this environment, it's clear that our immediate focus is to concentrate on three key areas:

(1) Increase productivity across the business to help us deliver on price
(2) Create value for our customers, and
(3) Communicate this value effectively.

In times like these, our EDLP message resonates even more with customers around the world. We are focused on these three areas so that we can, now more than ever, save our customers money so they can live better.

We will use our global leverage in areas of responsible sourcing, quality and sustainability. We will continue to build our global talent and identify new ways to take advantage of our organizational knowledge and our purchasing volume.

I would like to mention our recent acquisition in Chile. D&S has been part of Wal-Mart for one full quarter now. I am pleased that we took our ownership to almost 75 percent in the first quarter. Integration of D&S is coming along well, including alignment of merchandising and suppliers. I'm also encouraged by the engagement of the newest additions to the Wal-Mart family, the associates at D&S.

Before I move on to our first quarter results, let me first mention the currency impact and the effect of the calendar on our business.

Currency fluctuations continued to impact reported results significantly during the first quarter. You heard Charles discuss this. As has been the case, we plan and hold country management accountable for their results on a local currency basis, without the impact of potential swings in exchange rates. With the exception of our total segment results, this discussion of Wal-Mart International **excludes** the impact of currency.

Because all but Canada and Puerto Rico report on a calendar year basis, the majority of the International countries' results do not include April. This is consistent with previous reporting. I'm highlighting this because of the Easter calendar shift this year. Easter was in the first quarter last year, but in the second quarter this year for those markets on calendar year reporting. Additionally, as noted, we had one extra day with a leap year in 2008.

Let's get to the first quarter results.

International net sales for the first quarter were approximately $21.3 billion. This includes the negative $4.8 billion impact of currency valuation, which led to an 11.1 percent decline in the first quarter U.S. dollar sales. On a constant currency basis -- before the impact of exchange rate fluctuations -- sales were up 9.1 percent over the first quarter of fiscal 2009, which was very similar to what we reported in our last quarter.

Our strongest underlying first quarter sales performances came from the U.K., Brazil, and Mexico. Store growth in China contributed to a good total sales increase there as well.

Segment operating income for the first quarter was approximately $880 million, down 16.2 percent from the comparative period last year. On a constant currency basis, before the $252 million negative impact of currency valuation, operating income was up 7.8 percent from the first quarter of fiscal 2009.

Operating income growing slower than sales was largely driven by a decline in gross margin, expenses from the closure of Sam's

Clubs in Canada and the dilutive impact of the D&S acquisition, partially offset by the underlying expense improvements in the U.K., Japan and China. Excluding the impact of currency, membership and other income as a percentage of sales was virtually flat compared to last year.

Gross margin for our segment was down versus the first quarter last year, largely due to the closure of the six Sam's Clubs in Canada, mix shifts towards food and consumables across many of the markets, and pricing actions taken in several markets, particularly in Japan and Brazil.

We recognize that the inventory story for Wal-Mart International is not as strong a story as the other operating segments. We are committed to making improvements in this area. We plan to leverage some of the initiatives from the United States to improve inventory productivity within all of our markets.

Now let's get into the results for several of our markets.

In the United Kingdom, ASDA's strong performance in fiscal 2009 continued through the first quarter of this year. According to TNS, ASDA increased its market share by 30 basis points, and grew at twice the rate of the market in the 12 weeks ending April 19th.

Underlying comparable store sales growth was 8.4 percent, excluding fuel, the timing of Easter and the impact of leap day in fiscal 2009. Unadjusted comp growth was 6.4 percent. Sales growth continues to be driven by increased customer traffic and higher ticket. Our value-conscious customers are attracted by ASDA's strong pricing and product assortment. Data from TNS suggests ASDA is winning **new** customers from all main competitors.

The strongest performance was seen in food, where ASDA's commitment to save customers money every day has never been more important. Core basket drivers relating to items customers use to cook at home delivered the highest levels of growth in the quarter.

In apparel, George continues to demonstrate broad customer appeal. In fact, according to TNS Worldpanel, George apparel gained 40 basis points of market share, with children's wear performing particularly well. As another testament to our product offering, all of the sales growth can be attributed to increased sales of full-priced merchandise as spring and summer apparel sold well.

In general merchandise, ASDA performed better than the market. The strongest growth came in homewares, pet care, kitchen, cleaning and baby products – all driven by effective in-store activity.

In the first quarter, ASDA's operating income grew ahead of sales, with strong control of expenses achieved through a fundamental commitment to EDLC through the ASDA "we operate for less" cost reduction program. Gross margin was in line with the first quarter of last year.

While the outlook for both the U.K. economy and retail market remains very challenging, ASDA's management team believes that a positive pricing agenda backed by their extensive "we operate for less" cost-reduction program leaves the company very well-positioned to continue to gain market share and grow ROI throughout this fiscal year.

In Mexico, disposable income and customer confidence have been significantly dampened by the current economy. Customers appreciate low prices and Walmex is delivering them more than ever. This drove an increase in traffic and ticket for the first quarter. First quarter total sales growth at Walmex was 7.8 percent. Despite the impact of leap year in fiscal 2009 and the Easter calendar shift, comparable stores sales growth for the quarter was 1.0 percent and 1.9 percent for self-service formats. In terms of comparable weeks, Walmex same store sales grew 3.3 percent, even though Easter was in the second quarter this year versus the first quarter last year.

The focus on prices at Walmex is also reflected in growth compared to the market. In each of the last two months of the period, Walmex outperformed the industry, excluding Walmex, on comparable store sales by more than 200 basis points, as reported by the retail industry group ANTAD. If only self-service formats are considered, the outperformance was more than 300 basis points both months.

This was another quarter with improvement in gross margin, despite investment in prices and the continued mix shift away from more discretionary formats like Suburbia and Vips. Additional pressure on margin came from sales mix within self-service, as customers are decreasing spending on non-food areas. The margin improvement was driven by efficiencies with suppliers, inventory management, and distribution.

Operating income for Walmex grew slower than sales due to expenses for Banco Wal-Mart.

Before we move on, let me discuss the April outbreak of the H1N1 virus. As we mentioned in the sales call last week, we have seen it have the biggest impact in Mexico because it's the epicenter of the outbreak. This is really a second quarter event, because Walmex reports on a calendar year. The sales release detailed steps Walmex took – including working with government health authorities – to ensure the health and safety of associates and customers at all stores. Our thoughts are with the people of Mexico and the other areas impacted by this outbreak.

Moving North to Canada . . .

Wal-Mart Canada's total sales growth was 4.7 percent for the first quarter, driven by the supercentre expansion program, offset by the impact of last year's leap day and the closure of the six Sam's Clubs. Excluding the negative 1.0 percentage point impact of last year's leap day, comparable store sales for supercentres and discount stores were essentially flat. Customer traffic was lower, but offset by increased average ticket.

Food and consumables drove much of the sales growth in Canada, combined with a strong Easter season. These were partially offset by a continued shift in spending away from discretionary categories. On a regional level, Eastern Canada is performing well, while the West is showing signs of recovery. Ontario continues to be a challenging market, where the major industries are manufacturing and automobile-related.

Operating income declined – mainly due to the closure costs for the Sam's Clubs. Gross margin experienced pressure due to the weaker Canadian dollar impacting the cost of imported merchandise, as well as the shift of consumer spending toward food and consumables. Ongoing cost efficiencies in logistics and store operations resulted in expenses growing slower than sales.

In Brazil, first quarter sales growth was 12.6 percent in nominal terms, with highlights again in the soft discount and cash and carry formats, both of which delivered double-digit sales growth. Sales growth was also driven by the net increase of 31 stores since the end of the first quarter last year. Comparable store sales were slightly negative in real terms, negatively impacted by the Easter shift.

As we continue to invest in new stores in Brazil, expenses are increasing as a percentage of sales compared to last year due to the inclusion of the new stores. This led to an operating income decrease when compared to last year.

And now to Asia . . .

In Japan, customer traffic at Seiyu continued to increase. Overall sales growth was positive in the quarter, even considering the negative impact of one less calendar day than last year. Food sales were up, driven by the expansion of EDLP items and more effective customer communication of our lower prices. General merchandise and apparel sales were down, both impacted by the softening economy.

We did see bright spots at Seiyu in general merchandise categories where price leadership has been established. As a result, comparable store sales were up by 0.7 percent. We were pleased with this result, considering we had one less day in the quarter and the overall retail market generally experienced declining comp sales during the quarter.

Gross margins were down due to the continued shift to EDLP. Every day low cost initiatives to support this price investment are being accelerated. Expenses were below last year in Yen, and as a percentage of sales. Seiyu is driving improvements in store labor productivity, logistics efficiency, and home office costs. Even with this reduction in expenses, Seiyu did not fully offset the margin shortfall and the first quarter operating income was down slightly compared to last year.

In China, comparable store sales were down 1.8 percent in the Wal-Mart China business and down 5.8 percent at Trust-Mart. Average ticket was down in both businesses. This was mainly due to deflation in food and consumables, and declining customer confidence in the overall market. Customer count decreased in both businesses.

During the calendar quarter, Wal-Mart opened 20 new stores and Trust-Mart opened one, bringing total store count to 246 during the period. Gross margin was essentially flat across the total business in China and we continue to see strong cost control at both businesses. Operating income was up at Wal-Mart China, but down at Trust-Mart. We believe that as the global economy settles down, we will see improvement in our results in China.

Overall at Wal-Mart International, we remain committed to ensuring that we deliver price and value for our customers. They continue to trust our various brands because of our tradition and commitment to EDLC and EDLP.

Now, I'll turn it over to Brian for the update on Sam's Club. Brian…

BRIAN CORNELL – Sam's Club

Thank you, Doug. I've been here for a month now and I'm very excited to be leading the Sam's Club business. The warehouse club channel is a great channel to be in and, we will continue to build on our strengths.

During the past month, I've spent time in the clubs talking with our associates. I'm eager to work with the Sam's team. I'm also excited to introduce some new members of the senior management team.

In March, Ignacio Perez, or Nacho as he is called, joined the team as Sam's Club EVP of Operations. Nacho is the former president and CEO of Wal-Mart Central America. Nacho has worked for Wal-Mart for the past 21 years and is a seasoned executive and operator. He has held senior leadership roles in Wal-Mart Mexico, Argentina and Puerto Rico. And, he was also responsible for the start up of the highly successful Sam's Club business in Mexico. His passion for associates, coupled with high performance expectations, has created strong results wherever he has served.

You know Linda Hefner as the EVP and general manager of the home business at Walmart U.S. Starting on May 15, Linda will lead merchandising for Sam's as EVP of Merchandising. I'm very excited to have Linda on the team. She has made significant changes and improvements to the Walmart home business, as seen whenever you walk into one of our Walmart stores today. Under her leadership, the home team redefined the merchandise assortment by focusing on brands, quality, and by enhancing the in-store presentation.

Prior to joining Walmart, Linda was executive vice president of global strategy and business development at Kraft Foods. She has also held senior roles in Sara Lee's apparel division. Linda's experience and success in a wide variety of merchandise categories will help us take Sam's Club's focus on quality and value to the next level.

Moving forward, Sam's will continue to be a member-driven business, promoting member trust and loyalty through outstanding quality at an outstanding value. It's a message I've heard from our associates and members in each club I visit.

I've also heard that our Business members are under pressure from the economy. We are seeing more "just in time" shopping versus making advance purchasing. We are seeing more frequent trips and business owners shopping themselves versus sending an employee in order to save money. We know that our members need Sam's value and quality more than ever before and our entire team is working hard to constantly deliver value and quality to our members.

With Nacho's focus on club operations and with Linda's focus on quality and value, we will meet the needs of both our Business and Advantage members. We will deliver on our value and quality commitment for every member, every month, every day, every time they shop. I look forward to personally leading this effort.

Now, let's turn to the results for the first quarter.

Sam's Club's sales for Q1 of FY 2010 were $11.0 billion; that's a decrease of 1.4 percent when compared to the same period last year. The decline in sales was due to lower fuel sales associated primarily with declining fuel prices. In addition, Sam's had one less selling day in the quarter versus last year's leap year. Excluding fuel for the quarter, Sam's would have had sales increases of 3.1 percent.

Comp club sales, excluding all fuel sales for the 13-week period, increased by 4.2 percent. Including fuel, the comp club sales number was down 50 basis points. The average retail price per gallon of fuel at Sam's Club decreased 40 percent for the first quarter compared to last year.

Traffic was positive every month in the quarter, with Advantage traffic growing faster than Business. Business member average ticket increased, while Advantage member ticket declined slightly. Both ticket and traffic measurements exclude fuel.

Strong categories during Q1 were primarily in the fresh food, dry grocery and consumable areas. We continue to see member spending focused on food and consumable categories.

In fresh food, members continue to recognize the extreme value Sam's offers. Our meat, produce, bread and bakery categories have consistently shown strong comp sales increases. Additionally, we have improved our management of production planning at the club level. This allows us to drive sales, increase turns, and decrease shrink on our fresh items.

Discretionary categories continue to experience sales pressures. Big-ticket items continue to be challenged, with categories such as furniture, jewelry, and electronics remaining areas where members are spending less. Office electronics, which includes laptops, was a notable exception, with strong comp sales for the quarter.

Price increases on tobacco products, related to the federal excise tax increase on April 1, drove strong sales for the tobacco category.

Gross margin as a percent of total sales, both including and excluding the impact of fuel, increased for the first quarter versus the same period last year. The increase is attributable to a change in our merchandise mix, as compared to prior periods.

Sam's expenses on a percentage to sales basis for first quarter were up versus the same period in the prior year. This increase was due largely to the impact of declining fuel prices on total sales. Other factors included higher group health care costs -- similar to those experienced by Walmart -- and utilities. The clubs did a great job with labor productivity for the quarter, with costs increasing below the rate of sales growth, excluding fuel. Our continuing efforts related to effective scheduling have produced labor productivity improvements in our core business.

Membership income was slightly down versus the prior year, mainly as a result of previous sign-ups and renewal challenges that occurred in the period following our 2006 fee increases, with the residual impact being felt longer because we defer membership income recognition over a 12-month period. Additionally, we are seeing some pressure in our business add-on memberships, which are additional paid memberships associated with a business membership. This is due to many small businesses facing cost cutting pressures and employee cutbacks.

In other membership areas, both Advantage and Business memberships showed positive trends during the quarter. Our invoice comparison program for small business continues to show positive results, increasing sign-ups and renewals.

On the Advantage side, our value proposition and marketing efforts continue to drive sign-ups and renewals. During the first weekend in April, we hosted our first Taste of Spring, in which "member savings" stations showed prospective members the potential savings of shopping with Sam's. The events drove both incremental traffic and sign-ups.

Our membership and marketing teams will continue to drive new member offerings, as well as new ways of showing the value of being a Sam's Club member. We'll be kicking off a new membership campaign at the end of May, building on the success of our October program.

Other income decreased this quarter, compared to the prior year period.

For the first quarter of FY 2010, operating income increased as a percentage of sales to 3.58 percent versus the 3.53 percent last year. On a dollar basis, operating income for the quarter was even with the prior year at $393 million.

Ending inventory for the quarter was up one percent, when compared to the prior year. Considering the company's goal of growing inventory at or less than half of the rate of sales growth, we met that metric, when fuel is excluded from the calculation.

On May 6, we announced the closure of two clubs, one in Plymouth, Mass. and one located in Willoughby Hills, Ohio. We are actively assisting as many of our impacted associates as possible to locate positions at neighboring clubs or Walmart facilities. We are also working with members to transfer as many of them as possible to other Sam's Club locations. The impact of the closures on the quarter's financial results was not material.

We are approaching the second quarter sales environment with caution, as we are coming up against last year's economic stimulus checks. Last year, we saw members use their stimulus payments to purchase discretionary items, but with lower discretionary spending this year, there will be continued pressure on these categories. Additionally, we anticipate certain categories that were highly inflationary last year to experience declining rates of inflation or, even deflation over the next several quarters.

Given these considerations, we expect comp club sales for the 13-week period ending July 31 to be between flat and three percent.

We plan to stay focused on driving efficiencies and controlling club expenses, while maximizing our top-line sales potential through the quality and value of our merchandise. We will continue to focus on meeting our members' needs in today's challenging environment.

To conclude, let me say that I am encouraged by what I see in our clubs, by the opportunities to continue to grow this business, and by the enthusiasm of our associates. I'm excited to be leading the Sam's Club team!

Now, I'll turn it over to Tom.

TOM SCHOEWE – Financial Metrics & Guidance

Thanks, Brian. Let me kick off my discussion with a quarterly "report card" on our five financial metrics.

Our first couple of metrics suggest that we like **operating income to grow** faster than sales and property, plant and equipment. For the reasons that Eduardo, Doug, and Brian discussed earlier, we don't have a plus in either of these columns.

Next, we want to grow **payables** faster than inventories. We do have a good story here. Simply put – payables are down 1.7 percent, and inventories are down 3.2 percent – when compared to the same period last year.

That leads me to our next objective – increasing **inventory** at less than half the rate of our sales growth. We have strong performance in inventory management thanks mainly to continued progress that Walmart U.S. is making. You also heard Doug's commitment to improve International's inventory performance … given the process improvements currently under way in our operations, we anticipate continued good news on this front. The real takeaway here … operating management is doing a marvelous job of managing **working capital**.

Now let's look at **corporate expenses**. We want them to grow at a slower rate than sales, so we need to look at these expenses three ways:

- First, is our home office spend, which, in my opinion, we managed extremely well
- Second, is transformation**.** We've talked about our three transformation initiatives – merchandising, finance and human resources.

- And, third, the additional investments in technology we've made that Charles discussed earlier.

    These investments, coupled with our organization's emphasis to improve technology throughout the company, are the reasons corporate expenses are growing faster than sales. Throughout the organization, we remain committed to expense control and strong fiscal management.

Although we didn't meet or exceed all five operating metrics, your takeaway should be that we're doing all the right things to position ourselves well financially, improve our business and generate free cash flow.

As both Mike and Charles mentioned up front, our free cash flow performance remains best in class and is a testament to the strong underlying operating results. We are proud of our continued strength, delivering $964 million, that's right – just under $1 billion, of free cash flow here in our first quarter.

Let's shift gears and chat about ROI. Return on investment from continuing operations for the 12 months ended April 30, 2009 was down 40 basis points to 18.7 percent, and that compares to the 19.1 percent we reported the same time last year. Now, let's get behind the numbers:

- First, is our acquisition of D&S in Chile – keep in mind the numerator only includes one quarter of earnings, while the denominator has our full investment in D&S

- Second, you know that this year contains one less selling day than last year … because of leap year – again, affecting the numerator

- Finally, the Easter calendar shift, which affected International sales and profits

Most important, let's not lose sight of the fact that an 18.7 percent pre-tax return remains very attractive.

Now, on to guidance. Carol covered our policy changes earlier. Since you've heard from Eduardo and Brian on the separate guidance for Walmart U.S. and Sam's Club respectively, I'll just remind you that we will no longer forecast a **total** U.S. comp store sales figure for the next 13-week period.

We expect diluted income per share from continuing operations attributable to Wal-Mart for the second quarter of fiscal 2010 to be between 83 and 88 cents. Our guidance takes into account the company's strong underlying performance and the current economic environment. As mentioned several times during this call, the comparison of Q2 to the prior year is made more difficult because of the economic stimulus checks our customers received last year. Finally, recall, that as we told you at year-end, we expect currency exchange rates to continue to be a headwind through the third quarter.

Before we end the call today, I'd like to leave you with a couple of really important takeaways:

We had a strong first quarter with good performance relative to our competition.

I'm proud of the strength of our balance sheet and the free cash flow generated by our operations.

The current economy may be challenging, but we're doing a great job of taking care of our customers. And we will continue to do so long after the economy recovers.

It's obvious that the Wal-Mart "save money, live better" mission is effective today and will be tomorrow.

Thank you for listening and have a great day.

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