



**WAL-MART STORES, INC. (NYSE: WMT)
Second Quarter Fiscal Year 2012 Earnings Call
August 16, 2011
Management Call as Recorded**

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This call will contain statements that Walmart 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,” “assume,” “based on,” “expect,” “goal,” “may be impacted,” “may see,” “plan,” “plans,” “should be,” “we’ll see,” “will also be,” “will be,” “will begin,” “will better equip,” “will continue,” “will cover,” “will create,” “will drive,” “will enable,” “will go,” “will keep,” “will lend,” “will provide,” “will,” “will see,” and “will use” or a variation of one of those words or phrases in those statements or by the use of words and phrases of similar import. Similarly, descriptions of Walmart’s objectives, plans, goals, targets, or expectations are forward-looking statements. The forward-looking statements made in this call discuss, among other matters, management’s forecasts of Walmart’s diluted earnings per share from continuing operations attributable to Walmart for the three months ending October 31, 2011 and the year ending January 31, 2012, and the assumptions underlying the forecasts for such earnings per share,

including the assumption that currency exchange rates will remain at current levels, as well as management's forecast for the comparable store sales of Walmart's Walmart U.S. operating segment and the comparable club sales, without fuel, of Walmart's Sam's Club operating segment for the 13-week period from July 30, 2011 through October 28, 2011. The forward-looking statements also include statements that discuss management's expectations regarding Walmart's effective tax rate for fiscal 2012, quarterly fluctuations in that tax rate and the factors that may impact that tax rate. The forward-looking statements also discuss management's plans and expectations with respect to Walmart leveraging operating expenses for the full year, creating 15,000 jobs in Africa over the next five years, continuing to advocate policies that make sense for Walmart's customers and business and being relentless in widening the price gap to pass savings along to customers, as well as that EDLP will lead to top line growth as customer traffic improves, that the effects of conversion to SAP will continue into fiscal year 2013, for the time of implementation of SAP in Argentina and Central America and for the use of the productivity loop to deliver on Walmart's EDLC-EDLP model, as to the growth in net interest expense in the last six months of fiscal year 2012, Walmart's focus continuing to be investing in companies that can deliver value to Walmart's customers and shareholders, as to continued investment in price and that the financial effects of the implementation of SAP into next year should be minimal. The forward-looking statements include statements that discuss management's goals and expectations for Walmart's Walmart U.S. operating segment to have positive comparable store sales by year end, continuing momentum in the operating segment's comparable stores sales in categories relating to back-to-school and ongoing improvement in that operating segment's apparel sales in the second half of fiscal year 2012, for remodels of stores of that operating segment being completed faster and with significantly less customer disruption, as to that operating segment's benefits from an agreement with the Nielsen Company, as to that operating segment's gross profit in the third quarter and ongoing sales momentum and as to that operating segment continuing to invest in price. In addition, the forward-looking statements include statements regarding Walmart's Walmart International operating segment that discuss management's expectations for sales from new stores in Walmex being seen in the third quarter and the approximate number of new supercentres to be opened by Walmart Canada during fiscal year 2012. Moreover, those forward-looking statements include statements regarding Walmart's Sam's Club operating segment discussing management's expectations for the

strategy in place positioning the operating segment well for the second six months of fiscal year 2012, tobacco being a headwind for comparable club sales for the rest of fiscal year 2012, the future rollout of items in three new product brands by that operating segment, the effect on the operating segment's operating results of a change in how it sells wireless products, continued positive momentum in membership for the operating segment in the third quarter and inflation continuing to be a pressure point for the operating segment for the remainder of fiscal year 2012. The forward-looking statements also discuss the anticipation and expectations of Walmart and its management as to other future occurrences, trends and results. All of these forward-looking statements are subject to risks, uncertainties and other factors, domestically and internationally, including, general economic conditions, geopolitical events and conditions, the cost of goods, competitive pressures, levels of unemployment, levels of consumer disposable income, changes in laws and regulations, consumer credit availability, inflation, deflation, commodities prices, consumer spending patterns and debt levels, currency exchange rate fluctuations, trade restrictions, changes in tariff and freight rates, changes in costs of gasoline, diesel fuel, other energy, transportation, utilities, labor and health care, accident costs, casualty and other insurance costs, interest rate fluctuations, financial and capital market conditions, availability of acceptable sites for the development of new or relocated stores and clubs, regulatory and other legal restrictions on such developments, the availability of qualified personnel in various markets, developments in litigation to which Walmart is a party, weather conditions, the resolution of uncertain tax positions, damage to Walmart's facilities resulting from natural disasters, public health emergencies, civil disturbances, regulatory matters, and other risks. We discuss certain of these matters more fully in Walmart's filings with the SEC, including its most recent Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, and the information on this call should be read in conjunction with that Annual Report on Form 10-K and Quarterly Report on Form 10-Q, and together with all its other filings, including Current Reports on Form 8-K, which 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. Because of these factors, changes in facts, assumptions not being realized or other circumstances, Walmart's 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 store sales for our total U.S. operations and comp club sales for our Sam's Club's segment and certain other financial measures relating to our Sam's Club segment discussed on this call exclude the impact of fuel sales of, and other amounts for, our Sam's Club segment. Those measures, our return on investment, free cash flow and amounts stated on a constant currency basis as discussed in this call may be considered non-GAAP financial measures. Reconciliations of certain 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 and in the information included in our Current Report on Form 8-K that we furnished to the SEC on August 16, 2011.

Introduction

Carol Schumacher

Hello, this is Carol Schumacher, vice president of investor relations for Wal-Mart Stores, Inc. Thanks for joining us today for our earnings call to review the second quarter of fiscal year 2012.

All information for this quarter, including our unit counts, square feet, and financial metrics, is available on our website at walmartstores.com/investors. A full transcript of this call will be available on the website after 7 a.m. Central Time today on August 16, 2011.

- Mike Duke, president and CEO of Wal-Mart Stores, Inc., will open the call with his thoughts and key highlights of the quarter.
- Jeff Davis, SVP of Finance and treasurer, will cover the consolidated financial details, including information on certain items affecting our EPS.

Then we'll go to the operating segments.

- Bill Simon, president and CEO of Walmart U.S., will begin our segment discussions.
- Doug McMillon, president and CEO of Walmart International, will follow Bill. Please note in his call the clarifications on the impact of our acquisitions.
- We'll close the segment discussion with Brian Cornell, president and CEO of Sam's Club.
- And, our CFO, Charles Holley, will wrap up with our financial report card and guidance.

Before we discuss our second quarter performance, we do have a couple of reminders. You'll note in our press release that we have certain items affecting EPS this quarter, and Jeff will cover these shortly.

As you know, we closed on the acquisitions of the 147 Netto stores in the U.K. and our majority interest in Massmart during this quarter. The Netto stores are fully consolidated into our financials, but do not include any results for Massmart. The balance sheet for Massmart is consolidated using their fiscal year-end balance. Massmart continues to operate as a public company and closed their fiscal year on June 26. Massmart will report its year-end results on Thursday, August 25.

Many of you often ask about what's included in the noncontrolling, or as we used to call "minority interest" line. This line primarily relates to noncontrolling ownership interests in Mexico, which includes Central America, as well as Chile, Trustmart in China, India and now, Massmart. Beginning in the third quarter, we will consolidate Massmart's operations in our consolidated financials on a one-month lag, consistent with most of our international operations.

Finally, let me remind you that our fiscal calendars for international differ from that of our corporate timeline. All of our international countries, with the exception of Canada, end their fiscal year on December 31st, while our U.S. and Canada operations end on January 31st.

Now, Mike, let's get started with our Q2 results. Mike...

Mike Duke

Thanks Carol. Good morning, everyone.

Today, Walmart is reporting second quarter earnings per share of \$1.09 from continuing operations, which is a 12.4 percent increase over last year, and near the top of our guidance. Let's get right to the key results.

- Net sales increased 5.5 percent to \$108.6 billion.
- Total U.S. comp sales, without fuel, were flat for the 13-week period.
- Sam's Club comps, without fuel, were up 5.0 percent, right at the top of the guidance for the period.
- And, Walmart U.S. delivered comp sales within guidance, at -0.9 percent.
- International reported net sales of \$30 billion, a strong 16.2 percent increase. We also grew internationally through two significant acquisitions.
- Consolidated operating income increased 3.1 percent.
- Walmart ended the quarter with free cash flow of \$4 billion. For the quarter, the company returned \$2.7 billion to shareholders through dividends and share repurchases.

Operating expenses in the second quarter grew at the same rate as sales. We remain committed to the productivity loop and to strong expense management throughout the Walmart organization. We have the right initiatives in place to leverage for the full year.

Let's move to the highlights of the individual segments.

I'm encouraged by the sales improvements in our Walmart U.S. stores. Comps have improved sequentially month to month within the quarter. In fact, this was the best quarterly performance since the third quarter of fiscal 2010. The goal of the Walmart U.S. team remains positive comps by year end.

In the second quarter, Bill Simon and the Walmart U.S. team completed the assortment add-back in grocery for food and consumables, resulting in better customer traffic on this side of the store. We're making progress in expanding our general merchandise assortment and seeing positive comps in some categories, such as sporting goods. But we still have work to do, and the team is focused on implementing the plan.

I've recently observed several consumer focus groups, and it's clear that many consumers are still struggling. They're trading down to stretch their budgets, buying a lower priced brand of detergent, moving from branded canned goods to private label and purchasing half gallons of milk instead of gallons. That's why we are laser-focused on investing in price to help our customers. There certainly are many reports on Walmart pricing, and the fact is that the gap has narrowed in some cases. We're committed to widening the gap on price, and we have a specific plan and timetable to deliver EDLP to every customer.

Walmart U.S. also managed the business well in the second quarter, growing operating profit faster than sales to nearly \$5 billion.

Walmart International has strong growth again through a combination of comps and new stores. Second quarter sales grew 16.2 percent, with sales growth in all markets except Japan, which is still recovering from the natural disasters. The International segment is an increasingly important part of our growth story, and operating income improved nearly 9 percent in the second quarter.

I'm pleased that we closed on the acquisitions of Netto and Massmart, and integration is well under way in the U.K. and Africa. I'm excited about helping underserved customers in sub-Saharan Africa, and I'm also excited about the 15,000 jobs that we expect to create on the continent over the next five years.

You'll hear more from Doug McMillon about the significant new store growth in Latin America this quarter, led by Mexico. Every day low price remains one of our strongest competitive advantages, and we continue to use this strategy in more of our international markets. We're transitioning to EDLP in Brazil and Central America. We recognize that it takes time to implement EDLP fully in a market, but we believe this is right for our customers over the long-term.

Sam's Club continued its strong momentum in the second quarter, delivering a 5.0 percent comp, without fuel. This is the sixth straight quarter of comp improvement for Sam's, a testament to the team's execution to drive quality, value and savings for members. I'm also pleased with the momentum in membership income, as Sam's improves its renewals and upgrades. Sam's also delivered strong operating income, driven in part by very good fuel sales, and Sam's leveraged operating expenses.

The strategy to "win the weekend" that Brian Cornell and his team have in place will position Sam's Club well for the back half of the year.

In the second quarter, our Global eCommerce team stepped up its work on delivering a continuous shopping experience to customers -- from the store to the web to their mobile devices. In mature markets, we're investing in multi-channel initiatives by integrating our stores with online services. We completed the rollout of pick up today in all Walmart U.S. stores. And within the last month, we announced that VUDU, our movie streaming technology, is now available on Walmart.com, as well as through any iPad browser.

Walmart's brand and scale, coupled with consumers' need for value, also gives us opportunities in some of the fastest-growing markets in the world today. In June, we established Walmart's China eCommerce headquarters in Shanghai, and we've put in place the leadership team to quickly build this business. We are investing in the right talent and technology to pursue the growth in eCommerce.

I believe that Walmart is the best positioned retailer to serve the needs of the next generation customers who are striving to join the emerging global middle class. They're connected to the world through smart phones and social media. They have higher expectations of value, quality and a better life.

We'll continue to advocate for policies that make sense for our customers and our business. In the U.S., we're pleased by the momentum around "e-fairness" legislation to eliminate the unfair advantage that online-only retailers currently have. Recently, we've seen the passage of laws in key states like California, Illinois and Texas, strong efforts from the small business community, and a clear call for reform from our nation's editorial pages. We're encouraged by the growing interest in a federal response to this issue as well, and we will remain engaged in the debate in Washington.

We've also called for modernizing our nation's corporate tax code. Last month, I testified before the U.S. Senate Finance Committee on reforming the tax code to drive job growth here at home and encourage America's competitiveness abroad. To achieve comprehensive reform, we've called for putting everything on the table, including the existing incentives that benefit us. There are three key points that I emphasized to the Committee:

1. Lower the corporate tax rate
2. Get rid of existing incentives that benefit some industries over others; and
3. Level the international playing field with a territorial system.

Now, I'll turn it over to Jeff for the detailed financial report. Jeff ...

Jeff Davis
Consolidated Financials

Thank you Mike.

For the second quarter of fiscal 2012, Walmart reported diluted earnings per share from continuing operations of \$1.09, which was within our guidance of \$1.05 to \$1.10. The \$1.09 compares to \$0.97 for the second quarter of last year.

Income from continuing operations included certain pre-tax items as follows:

- We recorded an approximate \$49 million mark-to-market loss on certain foreign currency derivative positions related to the Massmart acquisition.
- We realized costs of approximately \$36 million related to the acquisitions of Netto and Massmart.
- We recognized expenses of approximately \$30 million related to the damages from tornados and floods in our United States operations.

These items totaled \$115 million and are included in our operating expenses. In addition, Walmart Mexico recorded an approximate \$17 million revaluation charge from the implementation of the SAP financial system, which Doug will provide additional details later.

The combination of these expense and gross margin items on EPS from continuing operations was approximately \$0.03.

Now let's move to the rest of the P&L.

Consolidated net sales increased 5.5 percent, or \$5.6 billion, to \$108.6 billion for the quarter. The increase was driven primarily by Walmart International and Sam's Club and included a currency exchange benefit of \$2.3 billion. Sales from Massmart will be reported in our operating results starting in the third quarter.

Total U.S. comp sales, without fuel, for the 13-week period ended July 29, were flat, and negative 20 basis points for the 26-week period. You will hear more details on the Walmart U.S. and Sam's Club comp sales from Bill and Brian.

For the quarter, gross margin on sales was 24.7 percent, a 10 basis point reduction compared to last year. Sam's Club fuel sales were the primary contributor to the margin decline.

Unallocated corporate overhead and other, which includes our ongoing investment in Global eCommerce, increased approximately 21.8 percent to \$509 million for the second quarter. Excluding the \$49 million loss on mark-to-market foreign currency derivative positions I mentioned earlier, and our Global eCommerce initiatives, our core corporate overhead expenses increased 2.9 percent.

Consolidated operating expenses as a percentage of sales were flat to last year at 19.5 percent. Operating expenses grew at the same rate as sales, or 5.5 percent. Excluding the items affecting operating expenses that I previously mentioned, the company leveraged operating expenses for the second quarter. To reiterate what Mike said, the company is committed to leveraging operating expenses for the full year, and we have focused expense management initiatives in place throughout the company.

Consolidated operating income, which included a \$110 million currency benefit, was \$6.4 billion, a 3.1 percent increase versus last year.

Net interest expense for the quarter increased 19.2 percent to \$578 million. The increase in interest expense was a result of higher debt levels, as we opportunistically issued new debt over the last 12 months at historically low rates. The higher debt levels were partially offset by lower rates on outstanding debt. Going forward, we expect the percentage growth in net interest expense to moderate, but remain in the low- to mid-teens through the balance of the year.

The additional debt raised our debt to total capitalization ratio to 45.7 percent at the end of the second quarter, compared to 43.2 percent last year.

The effective tax rate for the second quarter was 32.2 percent. We expect the effective tax rate for fiscal 2012 to be at the lower end of our range of 33.5 to 34.5 percent, although we may see quarterly fluctuations. Our effective tax rate may be impacted by a number of factors, including changes in our assessment of certain tax contingencies, the impact of discrete items and the mix of earnings among our U.S. and international operations.

Income from continuing operations attributable to Walmart was \$3.8 billion, an increase of 5.7 percent over last year.

During the second quarter, the company repurchased \$1.4 billion of shares, representing approximately 26.1 million shares, which brings the year to date repurchase to \$3.5 billion or 65.4 million shares. In June, the board approved a new \$15 billion repurchase authorization, which has \$14.1 billion remaining.

In addition to the share repurchases, Walmart returned to shareholders \$1.3 billion in dividends during the quarter and \$2.5 billion year to date.

So in summary, Walmart returned \$2.7 billion to shareholders through dividends and share repurchase during the second quarter, with \$6.1 billion year to date.

Consolidated inventory grew 11.1 percent, compared to last year. Walmart International was the main contributor to the increase, primarily driven by currency valuation, acquisitions and significant international growth.

Payables as a percentage of inventories were 90 percent, versus 98 percent in the prior year. Last year's percentage received a benefit from the timing of payment cycles, which resulted in a higher than normal payables balance.

Capital expenditures were approximately \$3.3 billion for the second quarter compared to \$3.0 billion in the prior year. We added growth in virtually every country, with 176 net new units, of which 113 units were opened in Mexico.

Free cash flow remains strong. We ended the quarter with a positive free cash flow of \$4.0 billion, compared to \$4.5 billion last year. As I mentioned earlier, the increase in accounts payables from the timing of payment cycles enhanced free cash flow last year.

Return on investment, or ROI, for the trailing 12 months ended July 31, 2011 was 18.4 percent, compared to 19.0 percent for the prior year. The majority of the decline in ROI is attributable to acquisitions and currency. We are always aware that acquisitions like Netto and Massmart can have a short-term impact on company ROI. On the other hand, these acquisitions added 462 new units and 18.4 million square feet this quarter.

Now, we'll turn to our operating segments. We'll start with Walmart U.S. Bill...

Bill Simon
Walmart U.S.

Thank you Jeff.

The goal at Walmart U.S. remains clear: deliver positive comps by year end. And, our plan is straightforward, and it's also working. We're expanding our assortment of merchandise, backed with Walmart's every day low price promise. Our customer response is reflected in the improved results we saw in the second quarter.

Walmart U.S. gained sales momentum throughout the quarter. After a difficult May, which was impacted by high prices at the gas pump and severe spring weather, our sales trend improved in June and again in July. In fact, our July 4-5-4 comp was positive, and we improved in both customer traffic and ticket as the quarter progressed.

Our net sales rose approximately 40 basis points to \$64.9 billion for the second quarter. Comp sales for the 13-week period ending July 29 was inside our guidance at negative 0.9 percent, and the best quarterly comp performance in almost two years. Ticket was positive every month of the quarter. Traffic, which drove more than half of the comp, improved sequentially each month. Better traffic was driven in part by the 90-day rollback program at the gas pump. This program, which is available in 18 states, saves customers 10 cents a gallon on gas and diesel, when using a reloadable Walmart gift card or credit card.

Grocery and health & wellness, which represent two-thirds of our sales revenue, continue to deliver positive comps. We also saw trend improvements in all other businesses, except entertainment. This improvement is attributable to our focus on expanding merchandise assortment, price leadership and increased in-stock levels. Weather trends across the country later in the quarter also helped.

The economy remains challenging for our core customers. Customers are still consolidating trips due to higher year-over-year gas prices. The swings in sales due to paycheck cycles remain pronounced, and our stores must staff and stock for the volatility, both up and down. We also have seen an increase in the number of customers relying on government assistance for food and necessities for their family.

Our grocery business continued its positive trend and again delivered low single-digit positive comps for the period. Food remains a key traffic driver to our stores. The strong performance during the July 4th weekend offset softness in the Memorial Day weekend.

Sales across dry grocery continue to accelerate from additional assortment. Sales of consumables also improved over the first quarter. We continue to see strength in our new modular programs that are bringing back assortment and had strong seasonal performance in pets and beauty, both of which delivered basis points comp improvement in the triple digits, versus the first quarter.

While we saw an increase in grocery inflation of approximately 3.5 percent during the quarter, customers remain under continued pressure and are trading down to lower price points and smaller pack sizes, as well as opting out of discretionary purchases. As a result, we're seeing minimal pass-through of inflation to sales.

Food inflation has replaced gasoline price as the most important household expense concern. In addition, more than 15 percent of Walmart moms in our monthly survey have experienced the loss of a household wage earner's job in the last year. Almost 40 percent of these Walmart moms indicated they're holding off or eliminating items they would normally buy, reinforcing the need for us to drive every day low price. Moms of all income levels showed a drop in confidence over last the year, with middle income moms showing the greatest drop.

Our health & wellness business again delivered a low single-digit positive comp, driven by the strength of our prescription business. We continue to benefit from the additional traffic in our pharmacies as a result of the Humana program. And, our optical business benefitted from the kick-off of our \$29 back-to-school eyewear offering. We expect the momentum to continue in the third quarter, as more parents get their children ready for school.

Neighborhood Markets posted positive comps for 15 consecutive months now, delivering a comp of over 3.0 percent for the second quarter. This format reflects the ongoing strength of our food and health & wellness business.

Overall apparel comps declined in the mid single-digits during second quarter, which includes approximately 300 basis points improvement from the first quarter. This performance was driven by ongoing business initiatives, especially in our basic apparel offering, and improvement in sales of summer merchandise tied to the warm weather. Men's, ladies' and baby apparel delivered the best comps for the period. Our children's apparel, shoes and intimate departments remain soft.

We are well-positioned to gain sales and share for the important back-to-school season. We are expanding our offerings in important categories to regain customers, and we're adding back items in key brands. I'm confident that the back half of the year will see ongoing improvement in apparel sales.

Comp sales for home declined in the mid-single digits for the quarter. We remain committed to strengthening this important category. Better weather versus the first quarter drove customers to our outdoor living department. We were ready, given our expanded assortments and innovation across the categories. However, there appears to have been a trade-off in indoor living categories. Customers are opting out of décor items for their homes, or they're trading down.

Entertainment had high single-digit negative comp sales for the quarter. As others have reported, media and gaming continue to experience significant headwinds. New movie releases from last year were also a headwind. However, customers do shop for value, and our \$5 movie bin continues to do very well.

Double-digit deflation in TV prices still exists, but our unit sales were up again. Customers want innovation, and tablets continue to sell very well. We continue to see strength in our prepaid wireless business, although, as you know, we record this as a net commission in our comp sales, as opposed to its full transactional value. Straight Talk remains a \$1 billion-plus brand for Walmart U.S. Within toys, we gained momentum as the quarter progressed. Sales of licensed toys associated with new movie releases and seasonal items including pools, water toys and bikes improved significantly.

Hardlines had low single-digit negative comp sales, but improved over the first quarter. Favorable weather drove sales across sporting goods, especially hunting, fishing and camping, and air movement-related products. New modulars in stationery and crafts helped push items in these categories. Tire sales continued to do well for automotive.

We've spoken often about multi-channel retailing, allowing customers to shop on their own terms. We're now moving towards a strategy called continuous channel shopping, recognizing the continued integration of customers using web-based devices to shop our stores, and to research and shop online as well. Today, roughly 60 percent of Walmart.com sales involve the stores through services such as site to store and pick up today. In fact, some of our highest volume site to store sales come out of large metropolitan areas, such as New York City and the San Francisco bay area.

During the second quarter, we also launched a delivery and installation service program for electronics. We're providing delivery, set-up and installations for TVs. We also offer basic set-up for home theater and wireless networks. The in-home service network has up to 50,000 technicians available to service our customers. Our prices are very competitive, and this now puts us on par with other electronics retailers.

Now, I'll cover the remaining financial results.

Our gross profit dollars were up 1.2 percent over last year's second quarter, growing faster than the rate of sales. We lapped last year's deep rollback program in the second quarter, which we expected to impact our rate comparison this quarter. Additionally, our logistics team continues to drive routing and load efficiencies, allowing us to minimize a majority of the headwinds associated with rising diesel prices impacting the cost of goods. In fact, rising diesel costs were a headwind, two-thirds of which were mitigated by these transportation initiatives.

SG&A was up approximately 70 basis points compared to last year. Slightly higher payroll-related expenses, management incentive plan accruals, as well as the storm-related damages Jeff mentioned earlier, were the primary drivers for the increase in SG&A. These increases were partially offset by lower advertising spend versus last year, and a reduction in our accident costs related to store operations.

Operating income grew faster than sales for the quarter. Operating income rose 2.1 percent over last year to almost \$5.0 billion.

Inventory was up 4.8 percent compared to this time last year, which on a year-over-year quarter comparable, is 150 basis points lower than what I reported last quarter. Productivity gains offset inventory growth that was primarily driven by inflation, new stores, and assortment add-back initiatives I mentioned. In short, inventory is moving back in line with where we'd like it to be.

We're focused on growing our business also through new stores, and our priority remains supercenter growth. We added 18 supercenters this quarter, including new and converted stores. We're very pleased with the opening of the first four Walmart Express units, and the initial results are positive. Let me remind you that these are still pilot stores, and we're testing different formats.

Our Neighborhood Market format is delivering a return at the same level as our supercenters, which have the best ROI in the company. These results have encouraged us to move faster on expanding our grocery format. Our multi-year development pipeline has approved 180 Neighborhood Markets through our real estate committee, and we'll announce more details on these growth plans in October.

We're moving forward with our remodel plan that we discussed last quarter. In addition to reducing the costs of remodels, we expect faster completions and significantly less customer disruption.

In July, we entered into an agreement with The Nielsen Company to share our point of sales data, which will provide deeper insights into customer purchasing and unmet needs, both nationally and in key local markets. The data will cover grocery, including food, consumables and health & wellness categories except for prescriptions.

This agreement will better equip our merchants to evaluate their business and optimize assortment, pricing and promotion. It will enable our store operators to react and quickly make changes in their local stores. And, the data analysis puts us in a better position to identify category opportunities in the U.S. and collaborate with suppliers to develop customer-driven programs.

Based on the start of August sales, we're confident that our plans are working and we'll see ongoing sales improvement. We expect comp sales for the 13-week period from July 30 through October 28 to be between minus1.0 percent and plus1.0 percent. Last year's third quarter 13-week comp was negative 1.3 percent. The timing of our calendar ending on Friday means a large portion of Halloween sales could fall into the fourth quarter period.

We still remain concerned about the increased economic pressure on our customers and the uncertain impact it will have on their shopping behavior. With the ongoing economic volatility, it's as important as ever to deliver on our one-stop shopping promise – a broad assortment of merchandise backed with every day low price.

We remain committed to the productivity loop and our goal of leveraging operating expense. We will continue to invest in price to help our customers weather the economy, so gross profit should be flat to slightly down for the third quarter. Now, I'll turn it over to Doug for the International update.

Doug McMillon
Walmart International

Thanks Bill.

During our briefing following our shareholders meeting on June 3, I laid out our key initiatives for leveraging our scale and expertise in the Walmart International markets. They included:

- making progress on EDLP as a global pricing philosophy;
- enhancing the productivity loop to get costs down;
- further developing global talent; and
- sharing ideas back and forth with the U.S. businesses, both Walmart and Sam's Club.

It's only been a couple of months since then, and I'm happy to report that we have already made progress on each of these areas. I am also proud to share some important milestones that Walmart International achieved in the second quarter.

As you know, ASDA completed its acquisition of 147 Netto stores in the U.K. ASDA has already converted more than 60 of these stores, which now have more than 4 times the number of products than previously offered. This means customers can find what they need for the entire week, just as they do in ASDA superstores.

In addition, we completed our 51 percent acquisition of Massmart. Massmart is the leading general merchandise retailer and basic foods wholesaler in sub-Saharan Africa, and the second largest in consumer goods. As you heard, we will include the results from our countries in Africa in our third fiscal quarter.

In terms of sharing ideas back and forth, South African suppliers offer an important opportunity for us to bring new and exciting merchandise to our other markets. Recently, we contracted with Oceanfresh, a South African seafood supplier to export sustainably-sourced wild hake, a fish, to our stores in the United States. This is helping to create 100 jobs in South Africa, and we believe this is the first indicator of even more opportunities on the continent.

To recognize our new partnership with our customers in sub-Saharan Africa, we have launched our “working together to save you money” campaign, offering price reductions in Massmart’s stores for an extended period of time.

Now let’s get to the numbers...

Walmart International reported second quarter net sales of \$30.1 billion, an increase of 16.2 percent over last year. Changes in currency rates increased our net sales by \$2.3 billion.

As a reminder, our markets benefited this fiscal quarter from Easter sales, and in the United Kingdom, the royal wedding. Last year’s second quarter results benefited from sales related to the World Cup, so in some cases, there were difficult comp sales comparisons.

On a constant currency basis, net sales were \$27.8 billion, an increase of 7.1 percent over last year’s second quarter. All of our markets had constant currency sales growth except in Japan, where sales were affected by the March 2011 natural disasters. Mexico, the U.K., Canada, Brazil and China provided the strongest net sales growth in the second quarter.

As a percentage of sales, Walmart International’s second quarter constant currency gross profit margin and other income was flat to last year.

Second quarter reported operating expenses were \$6.0 billion, which includes an increase of \$500 million due to changes in currency exchange rates. Although Japan, Brazil, the U.K., and Chile had expense leverage in the second quarter, Walmart International’s constant currency operating expenses grew faster than sales at 9.4 percent.

Our second quarter reported operating income grew 8.9 percent from last year to \$1.4 billion, and this includes a benefit of \$110 million from changes in currency exchange rates. On a constant currency basis, operating income grew 50 basis points.

Excluding the \$53 million in charges that Jeff mentioned and the \$14 million impact on costs associated with the integration of Netto, Walmart International grew constant currency operating income 5.6 percent. Inventory management continues to be a challenge as days on hand increased over last year in most of our markets. Our constant currency inventory, excluding Massmart, grew 11.1 percent, as we added a significant number of stores in most of our markets.

Now, let's get into the results for several of our larger markets. Country management teams are held accountable for their results on a constant currency basis. The following discussion of country results excludes the impact of currency and unless otherwise stated, sales and comp sales are presented on a nominal basis. Comp sales are reported on a calendar basis.

We'll kick off this quarter with the U.K. ASDA had a solid second quarter, growing sales, excluding fuel, ahead of last year. However, operating income declined due to \$31 million of costs related to Netto. Adjusting for fuel sales and Netto, ASDA grew operating income faster than sales.

In the second quarter of this year, comparable sales, excluding fuel, increased 50 basis points. Traffic decreased by 120 basis points and average ticket increased 170 basis points. Customers are consolidating their trips in the face of high fuel prices.

ASDA grew expenses slower than sales in the second quarter, leveraging on tight expense management. After excluding the Netto costs, ASDA's expenses declined from last year.

ASDA continues to gain recognition for saving people money every day, supported by the 10 percent online price guarantee, and now more than 250,000 baskets are being checked online by customers each week.

As a clear statement to the quality our customers can find, ASDA's private brands and other products have won more than 300 awards so far this year, including Retail Champion at the International Cheese Awards, Meat and Fish Retailer of the Year, and numerous other wine awards.

In June, ASDA was recognized as the price leader by “The Grocer” Magazine as the lowest priced supermarket for the 14th year running. So, it was no surprise that there were long lines of customers on grand opening day at our converted Netto stores. In these stores, customers will receive the same ASDA low prices, the 10 percent price guarantee, and in-store pickup from online shopping.

Including the stores from the Netto acquisition, ASDA’s total store count was 536 at the end of the second quarter.

Economic indicators suggest that 2011 will remain a challenging year for our U.K. consumers, and we’re confident that ASDA and its Netto store conversions are entering the second half of the year with good momentum, delivering availability and every day low prices.

Finally, Judith McKenna, who spent several years as ASDA’s Chief Financial Officer, has been promoted to Chief Operating Officer. Judith has a long track record of success, and we look forward to her experience in ASDA’s operations. Congratulations Judith.

Let’s move to the Americas. In previous earnings discussions, I discussed only the results of Mexico and Central America separately in this section. Now that one year has passed since our Central American operations have been combined into Walmex, we will discuss the results of the consolidated company going forward. While the following results are on a U.S. GAAP basis, Walmex separately reports its earnings under Mexican GAAP, so some numbers are different from the Walmex reported results.

Overall, Walmex sales grew at a fast rate, but operating income declined from last year’s second quarter due to the noncash accounting charge mentioned earlier by Jeff. As we mentioned last quarter, our operations in Mexico went live with the SAP implementation during Q2. This effort increased the level of precision for inventory valuation, and the result was a noncash accounting charge of \$17 million.

Walmex's consolidated net sales for the second quarter were up 9.1 percent. Comparable sales for Mexico were up 1.1 percent; average ticket in Mexico increased 2.2 percent and customer traffic declined 1.1 percent. Comp sales in Central America were up 6.2 percent on a constant currency basis.

As Walmex noted in its earnings call on July 19, our teams continue to strengthen its EDLP position in Mexico, and we've converted to EDLP in each of our five Central American countries, making permanent price reductions on more than 12,000 items. We've also converted all of our Central American supercenters to the Walmart brand.

Mexico's second quarter consolidated comp store sales for the self-service formats grew by 1.9 percent, while ANTAD's comp store sales report for the rest of the industry, excluding Walmex, grew faster at 2.2 percent.

In the second quarter, Walmex advanced its investment schedule for new stores and logistics modernization, and opened 129 stores in this quarter as compared to 57 in the second quarter of last year. An aggressive but steady rate of new store openings is part of the new store growth plan, and Walmex has achieved 45 percent of planned floor expansion to date. We will begin to see the sales from these new stores in our third fiscal quarter as the majority were opened at the end of June.

Second quarter gross margin as a percentage of sales was flat to last year. Walmex's consolidated second quarter operating income declined 5.3 percent from last year, and decreased 2.2 percent from last year after excluding the noncash inventory charge. Walmex's expenses grew faster than sales at 14.1 percent from last year, primarily due to the new stores.

With 394 more stores than at the end of the second quarter of last year, Walmex is well positioned for the rest of the year.

Moving on to Brazil...Net sales grew in the second quarter; however, operating income declined from last year. As part of our progress in implementing EDLP as a global pricing philosophy, Brazil began its EDLP conversion earlier this year. The number of items converted to date represents a large portion of Brazil's overall sales.

Brazil's second quarter net sales grew and comparable sales grew from last year. Average ticket increased 7.4 percent and customer traffic declined 4.6 percent. We believe that the investment in EDLP is right for our ultimate success in the market place and more important, best for our customers.

Second quarter gross profit margin and expenses, both as a percentage of sales, declined slightly from last year, so in terms of enhancing the productivity loop, Brazil is making progress.

Brazil has a long history of sustainability initiatives, and this is an area where Walmart can make a big difference and contribute savings for the company and our customers as well. Walmart Brazil has partnered with 13 of the largest multinational suppliers to review end-to-end sustainability and reduce our impact on the environment.

In the past 12 months, we have opened 42 net new stores in Brazil, bringing our total store count to 487. This includes 7 new stores in the second quarter of this year.

And for Canada...Walmart Canada had solid sales growth in the second quarter of this year, with operating income growing faster than sales.

Net sales grew 5.0 percent in the second quarter compared to last year, primarily due to the supercentre expansion program and strong sales in many merchandise categories. Second quarter comparable sales increased 1.2 percent from last year. Average ticket increased 2.1 percent for the second quarter, and traffic declined 0.9 percent for comparable stores.

Gross profit as a percentage of sales increased 62 basis points from last year, as Canada's merchants continue to be very focused on inventory management. Expenses as a percentage of sales increased only 31 basis points from last year, primarily from the increase in costs from growing Walmart Canada Bank.

Walmart Canada has been successful in managing its expenses by placing a significant focus on enhancing supercentre productivity, and this contributed to the 10.0 percent increase in operating income from last year.

Canada's supercentre presence continues to grow at a faster rate. In addition to 9 store expansions and 9 in-box conversions this year, we expect to open about 40 new supercentres this year. Currently, just over 8 million customers a week visit our Canadian stores. Our goal is to have customers shop the entire store, and we're working on further strengthening all of our merchandise categories.

In the past 12 months, we opened 10 new stores in Canada, bringing our store count to 329 stores.

Moving to Asia...Japan's constant currency sales declined in the second fiscal quarter, but operating income grew when compared to last year. Japan's second quarter results include the effects of the March 2011 natural disasters, which continue to affect the entire country in many ways, such as brownouts, food shortages, and contamination fears. Three of our stores in Japan have yet to reopen.

According to statistics released by the Japanese Ministry of the Economy, Trade and Industry, or METI, overall supermarket comparable sales for the second quarter declined by 1.7 percent from last year. When comparing our performance to these METI results, our comp performance continues to stay ahead of other large-scale retailers in Japan.

Second quarter net sales declined 1.6 percent from last year, and comparable sales declined 28 basis points, both in real terms. Walmart Japan's traffic declined 23 basis points from last year, and the average ticket in real terms declined 5 basis points.

Walmart Japan has recently announced permanent EDLP reductions on 1,000 items, at a time when our customers need it the most. Sales in general merchandise had the strongest performance, as customers prepared for energy shortages and restrictions. Sales of televisions were higher than normal as the expiration of analog television signals nears.

Gross profit margin as a percentage of sales was flat to last year, and Japan leveraged expenses even in these trying times. Expenses as a percentage of sales declined 49 basis points from last year.

Steve Dacus, who was serving as Chief Operating Officer, was promoted to CEO of Walmart Japan in June. His extensive experience in Japanese retail combined with his time in our Sam's operations in the U.S. position him very well to lead our team. Congratulations Steve.

While Walmart China sales continued to grow in the second quarter, the sales growth was not enough to offset the increase in expenses. As a result, China had a small loss from operations.

Net sales for the second quarter grew 9.7 percent over last year and comparable store growth was 1.8 percent.

Average ticket grew 10.0 percent in China, but traffic declined 8.2 percent. The primary traffic decline was in our Trustmart stores. In April, we obtained antitrust clearance to purchase the remaining interest in Trustmart. We began the rebranding of our Trustmart stores in the third quarter of this year, which provides us the first opportunity to communicate the new types of merchandise already being offered in our Trustmart stores.

Expenses as a percentage of sales grew 244 basis points, increasing from last year as a result of additional government levies and new store growth.

Second quarter gross margin increased 103 basis points over last year, as our Trustmart stores can now take advantage of leverage opportunities from our Walmart stores.

In the past 12 months, we opened 53 new stores, including 48 supercenters, and that brings our China store count to 344 stores.

I'd like to congratulate Sean Clarke on his promotion to Chief Operating Officer of Walmart China. Sean has spent several years as the Chief Financial Officer in Canada, and we look forward to leveraging his experience into our Chinese operations.

In closing, all of our markets are focused on our key goals of delivering growth, leverage and returns. With organic growth of 24.0 million square feet since the second quarter of last year, and the acquisition of an additional 18.4 million square feet in the second quarter of this year, we are well positioned to drive growth for the balance of the year.

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

Brian Cornell
Sam's Club

Thanks Doug.

I am very pleased to give the Sam's Club update today. We had an outstanding second quarter. Sam's Club posted its sixth quarter of sequential improvement, as comp club sales, excluding fuel, increased 5.0 percent, at the top of our range. We have the best momentum in membership we've seen in years, driven by strong renewals and growth in members joining at the Plus level. Not only did we leverage expenses, but we also grew operating profit, without fuel, by 13.3 percent, much faster than the growth in sales.

Similar to first quarter, our fuel business was strong during this quarter. We are pumping more gallons of fuel and generating more sales dollars per gallon this year versus last year. Fuel prices in this year's second quarter are approximately 43 percent higher than a year ago, and gallons sold are up 16 percent. Fuel price is an important first price impression for our members, reminding them the value of their membership.

Including fuel, second quarter net sales were \$13.6 billion, a 9.5 percent increase over last year, and operating income increased 15.0 percent to \$492 million. Volatility in fuel prices can have a notable impact on our financial results. Our discussion today therefore is focused on our core business and **excludes fuel** for comparative purposes, unless otherwise noted.

Now, let's look at the financial results and our achievements for the quarter.

Net sales for the calendar second quarter were \$12.0 billion, up 4.9 percent from last year.

Comp club sales for the 13-week period increased 5.0 percent and were strong across all three geographic operating divisions. We are particularly pleased with the sales strength of our Western division, which includes 22 states located in the western U.S. Recall that we have three divisions in Sam's Club, each headed by a seasoned SVP.

Comp traffic and ticket increased for the 13-week period by 2.6 and 2.4 percentage points, respectively. Comp traffic and ticket increased for both Advantage and Business members.

The quality of our sales growth in our core categories was very strong, despite the over 100-basis point-headwind we had from tobacco sales. We continue to face challenges in tobacco sales. The industry is softer than last year. In addition, since we changed the credit card rewards program, there's a greater impact on members who shop this category heavily. We anticipate tobacco being a headwind for the rest of the year.

We continue to focus on categories our members tell us are most important to them, such as fresh and health & wellness, to optimize our growth. We also want to be the price leader in everyday needs items. This is contributing to strong ticket and traffic performance, despite inflation pressure.

Our fresh business delivered high single-digit comps for the quarter, led by bakery, produce, meat and home meal solutions. These results are driven by high quality standards we have in place.

Dry grocery and beverage comps were in the mid-single digits. In beverages, hot weather categories such as soda and sport drinks performed very well.

Comps for our health & wellness area were in the mid-single digits. Sam's free in-club health screenings are driving traffic and pharmacy script growth.

Despite the challenging economy, we continue to see good results in discretionary areas, including home and apparel. Driven by very strong sales in men's, children's and basic areas, apparel achieved a double-digit comp increase this quarter. Our homeline area achieved a high single-digit comp, as kitchen electrics, housewares and domestics were all strong.

Even with average selling price deflation, our consumer electronics business delivered a mid-single-digit comp sales increase. New products like tablets are driving greater sales in electronics.

Overall, we believe that inflation impacted our comp sales by 200 to 250 basis points. We continue to see mid-single-digit inflation in key food categories. However, we have managed through these price increases with little impact on margin. Despite the impact of inflation, we continue to see growth in units sold year over year.

We continue to deliver on our commitment to quality and value, especially with our proprietary brands. These initiatives are important in giving our members choices. Here are a few highlights:

Since the beginning of the year, we have introduced three new brands, Artisan Fresh in deli and bakery; Simply Right in baby and health and beauty aids; and Daily Chef in frozen foods and refrigerated products. These new brands represent close to 100 items this month, with plans to roll to 400 more by the end of Q1 next year. Early sales and member feedback are overwhelmingly positive, with results at or above expectations in all three brands.

Our regional management structure and improved training programs continue to help our operations team focus on “winning the weekend.” This focus on weekend performance has yielded positive results, and we are pleased with our weekend traffic and comp sales results.

Our most recent member satisfaction survey results tell us that our members think we’re on the right track. The survey showed improvement across all metrics with strong improvement in overall member satisfaction.

Our July 4th eValues savings celebration, which gave all our members a taste of our successful eValues program, performed well. Compared to both last year’s performance and the pre-event period, the savings celebration drew a higher percentage of members shopping, higher sales per member and an increase in members upgrading to Plus membership. Additionally, baskets that include eValues items had a higher value than those without an eValues item.

Membership and other income was down 11 basis points as a percentage of sales, when compared to the second quarter last year. It's important to explain what's driving this reduction in other income. Previously, we rented space to a third party for a portion of our wireless business. We are now running this business with Sam's Club associates. This means we no longer receive rental income from the third party as we have in prior years. The sales and expenses of our wireless business are now included directly in our operating results. While we are just a few months into this change, we are encouraged by the early results. Wireless sales performance in the back half of the quarter was better than expected, and we anticipate the overall effect of this change to be positive to our operating results.

Membership income for the second quarter increased 1.2 percent versus last year. We continue to see a trend from the past several quarters of improving net membership results. Growth in membership income on a cash basis was strong. Renewals are increasing at a rate that has exceeded our expectation and outpaced last year's performance. Our penetration of Plus members continues to grow at a healthy pace.

We have seen new signup growth overall, even as small business members continued to struggle in this economy. Our proprietary credit program continues to be well received by our members, driven by in-club marketing initiatives and an overall bounce-back in the utilization of credit. We find that among members who use their Sam's Club credit product, overall engagement and retention is higher. For the third quarter, we anticipate continued positive momentum in membership.

Gross margin rate increased by 9 basis points compared to the second quarter last year, while gross profit dollars increased 5.6 percent. As I mentioned earlier, we are experiencing inflation in several categories, and we are managing this impact across the business. We believe that inflation will continue to be a pressure point for the remainder of the year.

I am very pleased with how our clubs managed expenses during the quarter. Driven by strong wage cost control, we reduced expenses as a percentage of sales by 32 basis points. You may recall that last year in this call we discussed the impact of higher interchange fees related to the Sam's rewards credit program. I am happy to say that even when this expense is excluded from last year's comparison, we leveraged expenses by 14 basis points.

For the quarter, sales per labor hour increased 1.9 percent, and units per labor hour increased 69 basis points.

Looking at the bottom line, our second quarter operating income, without fuel, increased to \$467 million, a 13.3 percent increase over second quarter last year.

At the end of the second quarter, inventory, including fuel inventory, was up 5.5 percent compared to last year. Overall, we are pleased with the inventory levels in our clubs and distribution centers. Our inventory increase is primarily due to inflation and to a lesser extent, a change in the seasonal transition of holiday merchandise.

Looking ahead -- our sales momentum remains strong, our growth rates were stronger in the back half of the second quarter, and as we enter the first few weeks of the third quarter, our momentum has continued. It's important to remember that it was in the third quarter last year that our comp performance began to accelerate, so our comparisons for the back half will be more challenging. We expect comp club sales, without fuel, for the 13-week period from July 30 through October 28 to increase 3.0 to 5.0 percent. Last year, Sam's comp club sales, excluding fuel, increased 2.4 percent for the comparable 13-week period.

Now I will turn the program over to Charles for our wrap-up and guidance. Charles ...

Charles Holley

Metrics and Guidance

Thanks Brian.

As Mike said, we continue to be very focused on our financial priorities of growth, leverage and returns. I'm really proud of the way we continued to improve throughout the quarter, despite the fragile global economy, which is obviously affecting consumers. I also want to note that Walmart's balance sheet and capacity continue to be an advantage, especially during the market volatility we have seen recently. Our ability to access short- and long-term funding has never been better. This is a result of a strong Walmart business model.

We still have many opportunities to improve around the world. In the second quarter, we had solid sales growth in International and Sam's, and we're progressing in Walmart U.S. We still have much work to do to drive top line growth, and we believe we are focused on the right initiatives.

Despite the slowdown in the global economy, we continue to find very good growth opportunities for new stores across our global operations. We added 638 net units, with 315 units from Massmart, 147 units from Netto and 176 units through organic growth.

Regarding acquisitions, we remain very thoughtful in acquiring new operations. Our focus will continue to be investing in companies that can deliver value to our customers and shareholders.

Turning to leverage, our commitment to productivity and cost containment remains high. Although we were flat on this metric on a reported basis, I remain encouraged with our expense management. The underlying SG&A rose less than the rate of sales when you exclude FX losses and acquisition-related costs.

Bear in mind that our efforts are not just simply focused on cutting expenses, but on a blend of expense management and technology leverage to improve productivity. I want to point out that productivity improvements also help our associates serve our customers and members better and improve our cost structure. If we can save one or two seconds in every cashier transaction around the world, the savings can truly add up.

As an example of a productivity initiative in our Walmart U.S. stores, we have implemented more “one touch” freight, which optimizes the pallet prior to arrival at the store. We’re collaborating with suppliers to look at the entire supply chain as if it were vertically integrated to take unnecessary costs out of the system. We’re also leveraging technology to enhance our work flow to make the workday more efficient for our store associates.

As you have heard from us before, we know that strengthening price leadership starts with being the low-cost provider. As we continue to lower our costs, we will also be investing in price, helping our customers save money so they can live better. We will be relentless in widening the price gap, as Mike says, to pass savings along to our customers around the world. We believe that EDLP will lead to top line growth as customer traffic improves.

And last, our priority of returns. On a rolling 12-month basis ended July 31, 2011, return on investment or ROI ended at 18.4 percent. ROI was impacted negatively by the acquisitions and currency. It’s important to know that our underlying operations remain solid.

As you know, our company remains committed to share repurchase. We announced a new \$15 billion share repurchase authorization on June 3 at our annual shareholders’ meeting. Given our acquisition activity in the second quarter, we had less money dedicated to share repurchase. The combination of our annual dividend and share repurchase program indicate the strength of our company and our continued commitment to returning value to Walmart shareholders.

Our investment in SAP throughout the company is ongoing and is designed to increase the consistency of our processes throughout the organization. While the majority of our businesses have converted or are under way, the effects of the conversion will continue into next year. The financial effects should be minimal.

Now, let's move on to guidance. Based on how we view our business relative to the economy and sales environment in the United States and throughout the world, we expect third quarter 2012 diluted earnings per share from continuing operations to be between \$0.95 and \$1.00, which compares to last year's third quarter earnings per share of \$0.95. Last year's third quarter included \$0.05 per share of tax benefits.

We are narrowing the range for our full year earnings per share guidance and increasing it by one cent. We now expect our full year earnings per share guidance to range between \$4.41 and \$4.51, versus our previously stated range of \$4.35 to \$4.50.

All of the above EPS guidance assumes currency exchange rates remain at current levels.

As I close, I'd like to summarize a few key points from today's call.

- First, our second quarter earnings per share of \$1.09 was solidly within guidance. Looking ahead, we are raising our full year EPS guidance. We continue to manage our business well, despite a very tough global economy.
- Net sales increased 5.5 percent, with contributions from all three operating segments. We are still on track to deliver our yearly sales growth target of 4-6 percent.
- We will use the productivity loop to deliver on our EDLC-EDLP model, and are committed to leveraging expenses for the full year.
- Walmart has a very strong balance sheet that we believe is an important advantage as the global markets remain volatile.
- Last, we remain committed to delivering shareholder returns through a combination of share repurchase and dividends as we did in the second quarter.

Thank you for your continued interest in Walmart, and we look forward to seeing you in October for our investor meeting.