

FINAL TRANSCRIPT

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WMT - Q1 2009 Wal-Mart Stores Inc. Pre-Recorded Earnings Conference Call

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PRESENTATION

Operator

Thank you for calling Wal-Mart Stores Inc. first-quarter earnings call for fiscal year 2009. This call is the property of Wal-Mart Stores Inc. and intended solely for the use of Wal-Mart shareholders. It should not be reproduced in any way.

This call will contain statements that Wal-Mart believes are forward-looking statements within the meeting 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 expect, forecast, may take, should kick in, will continue and will remain 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 U.S. comparable store sales for the current fiscal quarter and our anticipated earnings per share for the current fiscal quarter; our anticipated tax rate for the fiscal year 2009 and the factors that may impact that tax rate; our expectation that high transportation costs will be an expense headwind for the remainder of the year; our forecast for our capital expenditures for fiscal year 2009; our expectation that the long-term projects to enhance our information systems for merchandising, finance and human resources will continue to be an expense headwind for the rest of fiscal year 2009; our expectations that there will be challenging macroeconomic environment in which we will operate for the remainder of the year; our expectation that higher fuel costs will be an expense headwind for our Wal-Mart Stores U.S. segment for the remainder of the year; our expectation for the time necessary to fully implement new technology resources across the entire store in our Wal-Mart Stores U.S. segment; our expectation that the home category in our Wal-Mart Stores U.S. segment will continue to be pressured by weakness in the housing market; our expectation that with help from the weather the apparel category and our seasonal business in our Wal-Mart Stores U.S. segment should kick into high gear; our expectation that the United Kingdom will remain at challenging economy in retail market for the rest of the year; our expectation that the acquisition and retention of member will remain a focus of our Sam's Club segment throughout fiscal year 2009; 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 the cost of goods, competitive pressures, general economic conditions, consumer credit availability, inflation, consumer spending patterns in debt levels, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, fluctuations in the cost of gasoline, diesel fuel and other energy, transportation, utilities, labor and health care, accident costs, casualty and other

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insurance costs, interest rate fluctuations, capital market conditions, geopolitical conditions and events, weather conditions, storm-related damage to our facilities, regulatory matters and other risks.

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 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 store sales for our total U.S. operations and for our Sam's Club segment discussed on this call exclude the impact of fuel sales in our Sam's Club segment. That measure, 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 - Wal-Mart Stores, Inc. - VP of IR

Welcome to the Wal-Mart Stores Inc. first-quarter earnings call for fiscal year 2009. This is Carol Schumacher, Vice President of Investor Relations. The replay of this call and related materials about the quarter are available on our website.

Here is the agenda for today's call. Lee Scott, Wal-Mart Stores Inc. President and CEO will provide comments about the Company's overall performance and perspective about the global economy. Tom Schoewe, Executive Vice President and Chief Financial Officer, will add further detail regarding our financial results. Eduardo Castro-Wright, President and Chief Executive Officer of Wal-Mart U.S. will provide the update on our U.S. stores business and the details of results for the quarter. Mike Duke, Vice Chairman for Wal-Mart International will have an update on the strategy for international and results including more details on the results of some of our larger countries. Charles Holley, Executive Vice President Finance and Treasurer, will review the results of Sam's Club and Tom will come back and close with guidance for the second quarter of this fiscal year.

As a reminder, we consolidate and report on our business the following ways. First, comparable store sales and our monthly sales releases are reported on the retail calendar 4-5-4 basis for the U.S. operations. Comparable store sales as we report today and in all earnings releases are on a calendar basis. Countries in Wal-Mart International are on a calendar basis and sales are pegged to local currencies. Canada and Puerto Rico report on the same calendar as the United States operations which means that our first quarter runs from February 1 through April 30. All other countries 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.

This year, the first quarter includes the benefit of one extra day, February 29, due to 2008 being a leap year. In addition, the store counts and square footage updates through the first quarter are available on our website, www.walmartstores.com/investors. We also have the detail on our metrics on return on investment, return on assets, cash flow to average debt and free cash flow posted there under reconciliation and financial measures.

Now let's get onto the news about Wal-Mart's first quarter of fiscal 2009. Lee?

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Lee Scott - *Wal-Mart Stores, Inc. - President and CEO*

Thank you, Carol, and welcome everyone. We appreciate your interest in the Company. First, let me apologize for my voice that it is allergy season in Arkansas. It may cause me to sound less excited than I am about our results of this quarter.

But I want to start thanking our more than 2 million Wal-Mart associates around the world for their dedication to our mission, saving people money so they can live better. We continue to deliver against the business model that Sam Walton started, selling branded merchandise for less. Our business model is even more relevant today given the current economic pressures. Customers everywhere are concerned about the rising energy costs, food inflation, home values and a number of other factors tied to the global economy.

Wal-Mart customers value our price leadership more than ever, especially as they try to stretch their money further. As I travel around the world, it is gratifying to see how Wal-Mart continues to help people save money. With more than 7300 locations, we are having a significant impact on the quality of life of millions of customers and Sam's Club members.

So how did we do for the quarter? We are very pleased with the results for our first quarter of fiscal 2009. We're off to a solid start. We again delivered record sales and earnings for our shareholders. First-quarter's net sales totaled more than \$94 billion, an increase of 10.2% for Wal-Mart Stores Inc. from the prior fiscal year's first quarter. Earnings per share for the quarter were \$0.76 per share, up from \$0.68 per share for last year's first-quarter. Net income rose about 7% from the prior year. As always Tom Schoewe will cover additional details on the numbers.

One thing that our customers appreciate everywhere is that Wal-Mart is the undisputed price leader. We have been very clear in communicating our commitment to price leadership and we are pleased to see the analysts and the media reporting on it.

The result of our pricing strategy, the quality of our merchandise and the strong operational execution have been solid around the world. This was validated by the comparable stores sales figures and the 9.8% sales increase for the Company in April that we just reported this last Thursday.

Our U.S. business has solid momentum. The team under Eduardo Castro-Wright is fully aligned to deliver against its mission Save Money, Live Better. Two years ago, the team embarked on a plan to improve the business. The integration of operations, merchandising, marketing and communications is very evident. Sales are up, inventories are down significantly contributing to better profits. Customers are telling us how much more they enjoy shopping at our Wal-Mart Stores.

In fact, the hard work of our U.S. associates has paid off through our bonus program. We recently announced that the Company shared almost \$1.2 billion with our hourly associates in Wal-Mart U.S. and Sam's Club through our profit-sharing and other benefit programs. We believe in rewarding our associates who make the difference for our customers and our shareholders.

I'm enthusiastic about the role of our international business and how important it is to our future growth. Wal-Mart International, under Mike Duke is well positioned to deliver increases in profits and return on investment. Our teams are leveraging global practices and processes to benefit the growth of International. We have multiple formats in our 14 markets all of which served the customers very well.

But what drive sales in these markets is the local approach. Let's take the Changomas format for example. This new store in Argentina designed to serve the low income grocery customer is modeled after the very successful Bodaga format in Mexico. In Canada, our Supercenter expansion program incorporates some of the best ideas from the United States and our other countries to strengthen our retail presence across the country.

I know there's a lot of interest in our move to take Seiyu private. We're even more convinced now that it's the right direction for the long term. We have tested EDLP, everyday low price, in two regions in Japan. The customers have responded to it very

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positively. Now I would remind you that our turnaround plan is a long-term plan. The commitment to Wal-Mart Japan is the kind of commitment the Company made in the past in markets like Canada and Mexico that have paid off over time.

Value is as important as it has ever been to our small businesses and consumers right now. Just as our customers are concerned about high gas prices, small businesses are under pressure as well. The success that Sam's Club has in serving small businesses and individuals and their families is highlighted by the very fact that they celebrated their 25th anniversary this year. Doug McMillon and his team are working hard to expand the membership franchise by attracting and retaining even more Club members.

All of this is good news. However, there are still uncertainties about the rest of the year. As I said during the call recapping the fourth quarter of last year, the economy is playing a critical factor in 2008. While there is potential for short-term impact from the stimulus checks in the United States, it is currently difficult to quantify what impact this money could have on Wal-Mart's sales. That being said, I remain optimistic about the rest of this year. Customers are focusing on food and daily use items. They want to be able to celebrate events like Mother's Day and Father's Day at home with a barbecue grill or some video games.

Beyond the day-to-day management of our business, Wal-Mart is also committed to continuing our contributions to society. When I meet with legislators, civic leaders or other business executives, they are interested in our Company and how we are helping our customers during these tough economic times. But they also want to hear more about the progress we are making on areas such as sustainability. They're excited about the \$4 prescription drug program and the impact it is having on reducing healthcare costs for so many people. In fact, I hope that you saw the news recently about the expansion of our prescription program. Our customers and our elected leaders appreciate that Wal-Mart is stepping up to be part of the solution on important issues.

I look forward to seeing many of you at our shareholders meeting in Northwest Arkansas on June 6th. Tom Schoewe will now cover more details about the financial results. Thomas?

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP and CFO*

Lee, thank you very much. We would also like to thank you for joining us to hear more news about Wal-Mart's start to fiscal 2009. As Lee said, we had a strong quarter. Total net sales for the Company were \$94.1 billion. That's up 10.2%. In addition, U.S. comp store sales were 2.9% and that is without fuel in the first quarter. That is above the range of flat to 2% that we had forecasted for the quarter. More important, the 2.9% comp for this quarter is the strongest quarterly comparable store sales performance for the U.S. business in eight quarters.

Operating income was up 9.5% with income before taxes and minority interest for the first quarter increasing 8%. Diluted earnings per share were \$0.76. That's up from \$0.68 per share in the first quarter of last year.

Just the quick reminder about two items we booked last year that influenced the year-to-year comparisons, one favorable and one unfavorable. The Wal-Mart Stores and Sam's Club segments operating income included the favorable impact of an excise tax refund on prior phonecard sales, \$46 million for Wal-Mart and \$39 million for Sam's. Second, we recorded a charge of approximately \$73 million for Wal-Mart and \$10 million for Sam's because of accruals for legal and other contingencies.

Now let's look at our consolidated results. Consolidated gross margin was up 11 basis points for the first quarter due primarily to the stronger performance of the Wal-Mart U.S. business. Higher transportation costs will remain a potential headwind for the rest of the year. Inventory management continues to be a great story. Recall that this is one of our five financial metrics that support our focus on driving free cash flow. Our goal is for inventory to increase at half of the rate of our sales growth.

Consolidated inventories were up only 1% against a year-to-date sales increase of 10.2%. Payables as a percentage of inventories for the Company were 81.7% at the end of the first quarter which is up from the 78.3% we reported last year. Other income was

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up 15.4% for the first quarter over last year. Recall that other income includes Sam's Club membership revenue, tenant lease income, financial services, recycling income and the gain on certain real estate transactions. Financial services had another strong performance. I will leave that discussion to Eduardo Castro-Wright.

Consolidated operating expenses as a percentage of sales were up approximately 21 basis points over last year due to higher utility costs, coupled with higher repairs and maintenance. Corporate expenses were up approximately 20% from the first quarter of fiscal 2008 due primarily to our investment in "transformation programs". Recall that during the fourth quarter call we explained our long-term transformation projects to enhance the information systems for merchandising, finance and human resources. These will continue to be a headwind for the rest of this fiscal year and for several years to come. Without the transformation projects, the corporate operating area would be up by only 3%.

And now we'll detail the status on interest expense, our tax rate and our debt levels. Interest expense was up 27% over last year's first quarter due to higher debt levels resulting from increased share repurchase activity during the past few quarters. Our tax rate for the quarter was 34.7%. We expect the tax rate for fiscal 2009 to be between 34% and 35%, although we will see some quarterly fluctuation. Factors which may affect our rate include changes in our assessment of certain tax contingencies and the mix of international to domestic income.

Debt to total capitalization was 43.2% at the end of the first quarter of this fiscal year above the 41.3% rate at the same time last year. Our cash flow from operations to average debt was approximately 40%.

We reported continued progress with our capital efficiency model. Our cash flow statement reflects payments for capital spending or CapEx, of approximately \$2.4 billion during the first quarter. This represents a decrease of approximately 22% from last year. Our forecast for capital spending for fiscal 2009 continues to be between \$13.5 billion and \$15.2 billion.

ROI from continuing operations for the trailing 12 months ended April 30, 2008 is 19% and compares to 19.5% that we reported in the same period last year. Some portion of this decline resulted from the increase in cash balances at the quarter end. Subsequent to the quarter end, much of that debt was paid down.

During the first quarter, we repurchased approximately \$1.3 billion of our stock which represented approximately 25.4 million shares. Under our current \$15 billion share repurchase facility, we still have the authority to repurchase approximately \$7 billion of additional shares.

Earlier I mentioned one of our five key financial metrics that support our focus on driving free cash flow. That was meeting our goal of growing inventories at or less than half the rate of the sales growth. We have a good story there. Let me wrap up with some feedback on the rest of the report card.

We achieved one other goal, payables growing faster than inventories. We continue to be in the plus side here now five quarters in row. We do have some "opportunities" in other areas, growing operating income greater than sales. I'm encouraged by the progress we are making especially in a tougher economic environment.

The next is growing operating income greater than the increase in costs for property, plant and equipment. While we continued to see progress in our operating results, capital spending continues to place pressure on the denominator. We have consistently forecasted that this improvement will take some time.

And last, corporate expenses growing less than our sales growth. As I mentioned earlier, we have a multiyear commitment to improving our systems for merchandising, finance and the people division, so this will continue to be a headwind for a while. Without the investment in these projects, the corporate operating area would have grown far less than sales.

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Finally, you might ask, where are we on free cash flow? We define free cash flow as cash provided by operating activities less CapEx. The Company generated free cash flow of \$1.3 billion in Q1 this fiscal year. At the end of the first quarter last year, we had a free cash flow deficit of \$1.3 billion due mainly to our higher consolidated inventory position.

With that, I'd like to turn it over to Eduardo Castro-Wright who will share the fine results in our Wal-Mart U.S. business. Eduardo?

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - President and CEO, U.S. Stores*

Thanks, Tom. Let me outline what I will cover today. First, we will start with comparable store sales performance. This is the second consecutive quarter where comparable store sales performance outpaced the market across key business units. We did well against mass discounters, against largest national grocery chains, drugstore chains, and consumer electronics retailers. We also saw improved performance in apparel relative to other leading retailers.

Second, our price leadership position. We continued to expand price caps across the entire store. Third, we have a very good inventory story. Our lean inventory position has helped drive gross margin and enhance profitability. Very importantly, it provides the flexibility to continue to drive price leadership at the time when consumers are very price conscious.

And last, our customer service scores are the highest level ever. We are faster at the checkout, our associates are friendlier and our stores are cleaner.

Why are our results strong? We are executing very well against our plan and Wal-Mart U.S. is very well positioned to serve the needs of customers today. And our entire team is completely aligned behind our mission. We save people money so they can live better.

I'm not only pleased with the results we have delivered for the first quarter but I am cautiously optimistic about the rest of the year. The macroeconomic environment will continue to be challenging but our business is very well positioned to compete in this environment.

So let's start with our results for the first quarter. Total net sales for Wal-Mart U.S. for the first quarter of fiscal 2009 were \$59.1 billion, up 6.6% from the prior year. Comparable store sales for Wal-Mart U.S. were 2.7% for the quarter. This is the best comp performance for Wal-Mart U.S. in eight quarters. This comp was driven for the first time in a very long time by positive traffic as well as by a 2.4% increase in average ticket.

Gross margin dollars increased 7.7% for the first quarter, faster than the rate of sales. Gross margin as a percentage of sales was up 27 basis points driven by the results of our leaner, more efficient inventory management processes. We continue to see progress in inventory performance. We are more than \$1 billion below our plan for inventory for the first quarter of the fiscal year and experienced a decrease in inventory from last year of more than 2% on sales growth of 6.6%.

And leaner inventories led to reduced shrink, a reduction in markdowns, and higher productivity. Shrink was down 8 basis points versus last year. Markdowns were down more than 30 basis points for the quarter on a year-over-year basis. Operating profit grew faster than sales and was up 9.6% over the same period last year. Total expenses as a percentage of sales were flat with our plan this quarter up 23 basis points year-over-year. This is a good result given the pressure we have in a number of areas.

As expected, higher fuel costs are driving significant increases in utilities, transportation and commodities. We have put many initiatives in place to help lessen the pressure from increased transportation costs. However, we do expect higher fuel costs to be a headwind for the remainder of this year.

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When all is said and done, these higher expensed pressures were offset by improvements in productivity at our stores and our distribution centers. One of the largest expense increases in the first quarter that accounts for most of the year-over-year variance is related to increases in bonuses for store associates linked to improved business performance. Bonuses are paid on a quarterly basis and I'm happy to see that expense line grow.

We are very focused on improving our store productivity. We've introduced a lot of technology in the supply chain in the front end which allows us to deploy resources better across the entire store. This may take more than a year to fully implement but we are starting to realize the benefits of matching associate schedules more closely with customer traffic patterns.

We continue to strengthen our efforts on improving the most important customer service metrics. Every month we survey between 500,000 and 1 million customers in our stores. This is one of the most robust, reliable customer surveys you will find anywhere in the industry. Customer experience scores were at their highest level since we started the survey. Our stores continue to improve.

For example in our West division, the number of stores scoring in the bottom quartile on our fast, friendly and clean attributes decreased by one-third from a year ago. Our grocery, our health and wellness and our entertainment businesses are very strong while apparel is already recovering and it's being driven by the very successful introduction late last year of our express for less initiative and our emphasis on price points of \$10 or less.

The home business will continue to be pressured by the weakness in the housing market. The hard lines category has continued to be challenged by unfavorable weather. However, a major component of that business is seasonal events and I'm pleased to report that we performed well during Valentines, Easter and this past weekend for Mother's Day.

Consumers are making choices. We know that credit as a form of payment at Wal-Mart has been declining since the third quarter last fiscal year. Customers are faced with the results of a tougher economy, higher gas prices, food inflation and the increase in the overall cost of living. The paycheck cycle is more pronounced as things get tighter for customers toward the end of the month.

Customers meet their basic needs first and then they become more discriminating. Wal-Mart is there to help and the results are reflected in the market share gains we have seen in categories like electronics. Customers do shop for things they want, not just what they need. They are making room for entertainment products especially as they stay home more often.

We continue to see inflation in food and consumables. Energy is a major contributor to this. Therefore, price matters even more than it did last year. That is why we continue to look for innovative ways to provide savings for our customers. Our recent advertising circular featured new \$10 meal solutions which offer alternatives to more expensive meals eaten outside the home. In store end caps also will support this concept and just recently Wal-Mart launched Phase 3 of the prescription program which included a \$10 price point for a 90-day prescription, additional women's health medicines and new \$4 over-the-counter medicines.

In the first quarter, financial services continued its strong growth trend with product income showing significant double-digit growth over the last year. A large portion of the increase came from four products, check cashing, money transfers, product warranties and the Wal-Mart money card. Growth is being further supported by the addition of close to 270 Wal-Mart money centers this year bringing the total to 460.

The combination of our integrated improvements in merchandising, operations, marketing, and brand communication all add to the overall positive story for the first quarter. We launched several new television ads that further reinforce our Save Money, Live Better position.

Before I close, let me recap our highlights for the first quarter. We are winning in four of our six business units representing over 75% of total sales. We are making progress in apparel and with help from the weather, this business unit and our seasonal

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business should kick into high gear. Our customer traffic is positive for the first time in a very long time. Our investment in price has helped increase the gap with key competitors. Inventory management and operating efficiencies have helped drive the price leadership position and drop some of the profit to the bottom line.

Expenses are on plan and slightly ahead of last year. And our inventory will continue to run very lean. The benefits in shrink, markdowns and productivity can be expected to continue.

We've now begun the second quarter. We know the foundation laid during the past couple of years put us in a good position for the current environment and for the future. Our underlying business is solid. As I said in our April sales release on Thursday, it is still difficult to accurately forecast what impact the stimulus checks will have on U.S. consumer spending. However, we are cautiously optimistic about the immediate future and believe we are very well positioned when the economy turns around.

Now I will turn it over to Mike for Wal-Mart International.

Mike Duke - *Wal-Mart Stores, Inc. - Vice Chair, International*

Thanks, Eduardo. We have closed the first quarter of fiscal year 2009 with strong results reflecting our strategic focus and future growth prospects in Wal-Mart International.

Let me start today by briefly discussing recent developments in Brazil, India, and Russia. These highlight one of our three key strategies, portfolio optimization which means that we place our capital where it will have the highest long-term returns. We are very pleased that we are starting to see some of our long run investments pay off.

Many analysts and investors recently returned from a trip to our Brazil operations where we discussed Wal-Mart's opportunities in that market. Brazil is a large opportunity for us due to population and GDP growth, positive sales trends and EBIT improvements in our acquisitions. Brazil also is a great example of an emerging market in our portfolio that is starting to hit its stride in market leadership and growth potential.

In India, we've now opened our first distribution center to support Barti's direct-to-consumer retail operations as our franchisee. Barti opened three small stores in April. We are pleased with the start up of our business in India and we are confident that there is significant untapped demand from modern retail there. We look forward to further supporting our partner and franchisee, Barti, in their growth plans for this emerging market.

Over the last quarter, we've taken active steps to begin our exploration of opportunities in Russia and in neighboring markets in Eastern Europe. Our research indicates that this area provides many opportunities for Wal-Mart to create value by serving the emerging middle class and bringing to those markets our best practices in the supply chain and operational efficiency.

Now let's move to the specifics of Wal-Mart International's first-quarter performance. International net sales for the first quarter were \$23.9 billion. That is a 22% increase over the prior year. The impact of currency valuation on sales generated a benefit of \$1.3 billion driven by strengthening across most currencies notably the Canadian dollar and the Brazilian real.

Our strongest underlying sales performance in the quarter came from China, including Trust-Mart and Brazil with a solid performance in Canada. Wal-Mex and ASDA also delivered healthy sales despite tough economic conditions in those countries. Also contributing to the sales increase was the timing of the Trust-Mart acquisition last February.

Segment operating income for the first quarter was \$1.0 billion, up 15.6%. Gross margin for the segment was down slightly versus the first quarter last year largely because of price investment in Japan and a mix shift in favor of fuel in the UK. Operating expenses as a percentage of segment sales were flat to the first quarter of fiscal 2008. Contributing to this were strong underlying improvements in the United Kingdom, Japan and Mexico offset by accruals for certain legal matters.

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Operating income grew slower than sales because of the timing of property sales at Gazeley, our property development business in the UK and the accruals for legal matters. The first quarter impact of currency valuation on operating income was a benefit of \$46 million.

Now onto the larger countries results. ASDA has continued to win in the United Kingdom delivering a strong first quarter with 30 basis points of market share growth despite a challenging economic environment. Excluding the positive impact from fuel, sales growth was in the high single digits, comp sales grew 6.4% and were impacted by Easter and a leap day. Excluding the benefit of these events, comp sales grew 5% driven equally by traffic and ticket.

In food, the fastest-growing areas reflect in-store activity particularly around seasonal events and include wine, flowers and confectionary. Despite the challenges of the market, Extra Special, ASDA's premium brand is the fastest-growing private label, up over 30% year on year. This is a reflection of improvement in product assortment and quality. Sales of SmartPrice, ASDA's opening price point private-label brands are also growing strongly.

In general merchandise, the fastest-growing departments were mobile phones where ASDA is gaining market share and computer and video games. George performed ahead of the market supported by strong children's clothing performance and the launch of two new brands, targeted at the classic core customer, Boston Crew and Moda.

Operating income at ASDA was impacted by a charge for the closure of 12 George High Street stores and the timing of Gazeley property sales. Excluding these items, ASDA operating income grew marginally faster than sales.

Although we expect the UK to remain a challenging economy and retail market during the rest of the year, ASDA believes that its strong pricing agenda backed by a cost reduction program leaves it well-positioned to continue to gain market share there.

In Mexico, the economic downturn continued to impact sales in the first quarter and our business there faced a tough year-over-year comparison. However, our management team views this as an opportunity to differentiate, to become more relevant to the consumer and to continue building customer trust and loyalty.

Total sales at Wal-Mex for the first quarter were up 14.4% while comp sales grew 8% in nominal terms. The sales increase was driven by a 14.4% increase in customer count. Although average ticket remains a concern, our management team is focused on achieving its goals without relying on significant increase in ticket. This demonstrates very well their flexibility and ability to anticipate customer needs and limited resources. Wal-Mex exemplifies Wal-Mart's commitment to saving people money so they can live better.

Continuing prior quarter's trends, self-service formats in Mexico had increases in customer count while our higher margin apparel and restaurant formats had declines. This led to a gross margin that was flat to last year. Successful cost control measures allowed Wal-Mex operating income to grow faster than sales. This result is despite expenses from the start up of our bank in Mexico.

In Canada, total sales grew 9.9% for the first quarter while comp sales increased by 4%. In Canada, we continue to grow market share at an accelerated pace, sales were strongest in electronics on the strength of gaming and computers while the core pantry and our Supercenter expansion program drove food growth. Comp sales benefited from leap year by 0.7 percentage points. Seasonal business in Canada performed well.

We opened our first Supercenter in British Columbia in April bringing the total to 32 stores since our launch. In the first quarter, Canada's gross margin and operating income increased faster than sales due in part to foreign currency gain on imports. Canada is maintaining expenses as a percentage of sales despite the pressure brought by higher fuel costs.

Total sales for Brazil in real terms are up 14.5% with the strongest performance in our low income formats Todo Dia and Maxi. Increases in both traffic and average ticket helped to deliver this outstanding performance. Comps sales in Brazil were also very

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strong at 9.2% in real terms outperforming our key competitors. Best of all, we have maintained gross margin year-over-year while investing in price leadership and taking markdowns to reduce inventory.

Expenses as a percentage of sales have decreased year-over-year due to leveraging fixed costs. Without the impact of currency, operating income has grown significantly since the first quarter of last year. Comp sales in Japan grew 1.6% in the first quarter, the first positive comp figure in five quarters. Comps were driven by 1.9% increase in customer traffic triggered by investments intended to establish price leadership. Gross margin has declined slightly because of these efforts.

Our improvements in productivity for both stores and home office including our fourth-quarter restructuring resulted in expenses being down more than 100 basis points. These savings allow us to make the price investments that are key to our strategy. Our first-quarter operating loss was slight and essentially flat to the first-quarter last year.

Comp sales in our traditional Wal-Mart China businesses, Supercenters, neighborhood markets and Sam's Club increased 22.7% for the first quarter, during which three new Supercenters opened. Aggressive advertising promotions have enhanced Wal-Mart's price leadership image and improved our communication with customers. This and other expense saving efforts led to operating income in the traditional businesses that increased faster than sales.

At Wal-Mart China's Trust-Mart business, comp sales grew 18.8% driven by strong customer traffic and average ticket from our tab promotions. Food inflation impacted sales at our China businesses.

Now I'll turn the microphone over to Charles for the update on Sam's Clubs. Charles?

Charles Holley - *Wal-Mart Stores, Inc. - EVP and Treasurer*

Thank you, Mike. For the first quarter, Sam's Club's sales were \$11.1 billion. That's an increase of 7.6%. Comparable club sales excluding all fuel sales increased by 3.6%. Both traffic and ticket without fuel increased in comparable Clubs for the quarter. Strong categories during the quarter included dry grocery and consumables.

From a general merchandise perspective, Sam's Club had strengths in video games, office supplies and residential furniture. Furniture was positively impacted by product quality improvements and a new approach to presentation in the Clubs. Electronics drove mid single digit comps but we have seen a relative softening of television sales.

Housewares and apparel were soft throughout the quarter. Spring and summer seasonal sales have been mixed with softer sales in outdoor furniture offset in part by stronger performance in the grills and gardening categories.

The gross margin rate was down due to the \$39 million excise tax refund recorded in the prior year quarter. Membership income continues to be behind plan in dollars. Acquisition and retention will remain a focus at Sam's Club throughout the year, especially as Sam's Club has now fully cycled the impact of the January 2006 membership fee increase on a deferred revenue recognition basis.

Programs such as invoice comparisons for small business prospects during National Small Business Week and the 25th anniversary celebration which highlighted values for Advantage members, have shown initial success and driving new member acquisition and bringing existing Sam's Club members to the Club for additional visits.

During the first quarter, the average retail price per gallon of gasoline was \$3.14 versus \$2.45 a year ago. The combination of the price differential and increased gallons sold had a positive impact of 290 basis points to Sam's Club's comparable Club sales for the quarter. The growth in the low margin fuel business negatively impacted gross margin mix for the quarter.

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Certain foods and consumable items, notably dairy, grains and paper products, experienced inflationary pressure in the quarter. Operating expenses grew at a slower rate than sales due to lower real estate expenses in the current quarter and the \$10 million legal accrual recorded in the prior year quarter.

Operating income increased 4.3% to \$386 million for the first quarter of fiscal 2009. As mentioned earlier, in the first quarter of the prior fiscal year, Sam's Club's operating income included a favorable impact of \$39 million related to an excise tax refund and a charge of \$10 million related to accruals for legal and other contingencies.

Sam's Club's inventory management remains strong with inventory levels at the end of the quarter down 1% versus the same period in the prior year. Similar to Wal-Mart, Sam's Club is cashing economic stimulus checks free for its members. Although the impact of the stimulus checks is difficult to predict, we believe the Sam's Club format with its compelling value is well positioned in the current economic environment to serve both small business and individuals and their families.

And now I will turn it back over to Tom for the update on guidance. Tom?

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP and CFO*

Thanks, Charles. For the second quarter, we expect U.S. comp store sales to increase in the range of flat to 2%. As we said on sales day, that would be last Thursday, it's currently difficult to quantify the impact on U.S. sales that the stimulus checks may have. We expect earnings per share for the second quarter to be between \$0.78 and \$0.81 per share.

Before we sign off, an important reminder. Last year's second-quarter results included a benefit of approximately \$0.04 per share from the net impact of a reduction of general liability and workers' compensation claim accruals, gains from the sale of certain real estate properties, and charges for legal and other contingencies. To arrive at apples-to-apples operating comparisons, these items must be considered.

That is it for today and we would like to thank all of you for your interest in Wal-Mart.

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