

Costco Wholesale Corporation Pre-recorded June Sales Conference Call

Company Participants

- Jeff Elliott, Assistant VP of Finance and IR

Presentation

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Good morning. And thank you for calling Costco Wholesale Corporation. I'm Jeff Elliott, Assistant Vice President of Finance and Investor Relations. And this morning I will review with you our sales results for the five-week retail month of June, which started on Monday, June 3 and ended on Sunday, July 7. For comparable sales results, this five-week period is compared to the same five-week period last year, specifically Monday, June 4 through Sunday, July 8.

June included 34 selling days for both years, reflecting business closure in the US and recognition of the Independence Day holiday and closure in Canada in recognition of the Canada Day holiday.

Before I begin, let's start by stating that the following discussions will include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For these purposes, forward-looking statements are statements that address activities, events, conditions or developments that the Company expects or anticipates may occur in the future.

Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements.

These risks and uncertainties include. But are not limited to, domestic and international economic conditions, including exchange rates; the effect of competition and regulation; uncertainties in the financial markets; consumer and small business spending patterns and debt levels; conditions affecting the acquisition, development, ownership or use of real estate; amounts expected to be spent on expansion plans; actions of vendors; rising costs associated with employees, including healthcare costs; energy and certain commodities; geopolitical conditions and other risks identified from time to time in the Company's public statements and reports filed with the SEC.

The Company does not undertake any obligation to update these discussions due to subsequent events or circumstances.

Now with regard to sales. As reported in today's press release, net sales for the month of June came in at \$9.92 billion for the five weeks ended July 7; up 8% compared to the \$9.16 billion reported for the same period last year.

Net sales for the 44 weeks ended July 7 came in at \$87.05 billion this year; up 8% compared to the \$80.46 billion for the same period last year.

Comparable sales results for the five-week June retail month and the 44-week fiscal year-to-date reporting periods were as follows.

US five weeks, plus 6%; US 44 weeks, plus 6%. International five weeks, plus 6%; International 44 weeks, plus 6%. Total Company five weeks, 6%; total Company 44 weeks, plus 6%.

For the five-week period, changes in gasoline prices had a slight positive impact, while foreign exchange rates had a negative impact on comparable sales. These impacts were immaterial for the 44-week period. Excluding these effects, comparable sales were as follows.

US five weeks, plus 6%; US 44 weeks, plus 6%. International five weeks, plus 8%; International 44 weeks, plus 6%. Total Company five weeks, plus 6%; total Company 44 weeks, plus 6%.

In terms of regional and merchandising categories, the general highlights for the month of June were as follows.

On a regional and country basis, US regions with the strongest results were Texas, Southeast and Midwest. On an international basis in local currencies, we saw the strongest results in Canada, Mexico and Japan.

Moving on to our merchandise highlights, the following comparable sales results, by category, exclude the negative impact of foreign exchange.

Food and Sundries comparable sales for the month were in the mid-single-digit range. Within Food and Sundries, the departments with the strongest results were Cooler, Frozen Foods, Deli and Candy. We experienced a slight amount of inflation during June in Food and Sundries compared to last year.

Comp sales results for Hardlines were also up mid single digit. Better performing departments were Lawn and Garden, Health and Beauty Aids and Automotive.

Softlines experienced positive comp sales results in the low-double-digit range. Better performing departments within Softlines included Small Appliances, Housewares and Apparel.

Fresh Foods experienced positive comp results in the mid to high-single-digit range for the month. Produce and Service Deli experienced the strongest results. Fresh Foods experienced slight inflation for the month compared to last year.

Within the Ancillary businesses, Hearing Aids, Gasoline and Pharmacy produced the best comp sales increases.

Gasoline comp sales were up high single digit year over year. The average sale price per gallon was plus 2% higher at \$3.65 this year, compared to \$3.56 last year. Overall, gasoline price inflation had a positive impact of about 0.25% on June comp sales. Comp gallons were up year over year.

Weakening foreign currencies year over year relative to the US dollar resulted in a detriment to our reported June sales of about a little over 0.5%.

Total international comps for the five-week period came in at plus 8% in local currencies. But resulted in a reported comp of plus 6% when converted to US dollars.

The average transaction increased year over year approximately 1%, which included a negative impact from foreign exchange and a small positive lift from gasoline price inflation. Comparable traffic or frequency was up just under 5%.

Cannibalization for the month of June had a negative impact to the total Company's comparable sales of a little over 0.5%. That's pretty much in line with recent results.

Looking ahead, July sales will include 20 selling days for both years. The reporting period will end Sunday, August 4 and will be compared to the four weeks ended Sunday, August 5 last year. We plan to announce the July sales on Thursday, August 8.

Costco currently operates 628 warehouses, including 450 in United States and Puerto Rico, 85 in Canada, 33 in Mexico, 24 in the UK, 15 in Japan, nine each in Taiwan and Korea and three in Australia.

If you have any questions regarding our June sales results or any other investor relations questions, do not hesitate to call Richard Galanti at 425/313-8203, David Sherwood at 425/313-8239 or you can call me directly, Jeff Elliott, at 425/313-8264.

This recording will be available until 5 pm Pacific Time Friday, July 12. Thank you for calling Costco. And have a great day.

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