Welcome to the Wal-Mart earnings call for the third quarter of fiscal year 2011. The date of this call is November 16, 2010. This call is the property of Wal-Mart Stores, Incorporated and intended solely for the use of Wal-Mart shareholders. It should not be reproduced in any way. You may navigate through this call as follows: Press 1 to rewind 10 seconds, press 2 to pause and press 8 to resume playing. Press 3 to fast forward 10 seconds.

This call will contain statements that Wal-Mart believes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. These forward-looking statements generally are identified by the use of the words or phrases anticipate, are anticipating, are expecting, assume, could be, expect, forecasting, goal, guidance, guided, is expected, is planning, may affect, plan, will accelerate, will add, will be, could save, will drive, will ring, will be growing, will come, will continue, will cost, will experience, will generate, will grow, will improve, will not continue, will remodel, will see, will spend, will take, would represent, 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 our objectives, plans, goals, targets, or expectations are forward-looking statements.

The forward-looking statements made in this call discuss, among other things, management's forecasts of our diluted earnings per share from continuing operations attributable to Wal-Mart for the fourth quarter of fiscal year 2011 and for all of fiscal year 2011, the assumption underlying those forecasts that currency exchange rates will remain at current levels, management's forecasts for the comparable store sales for our Wal-Mart U.S. segment and comparable club sales without fuel for our Sam's Club segment, in each case, for the current 13-week period, management's expectation that the comparable store sales of our Wal-Mart U.S. segment will be positive for the holidays and the fourth quarter of fiscal year 2011 and that the fourth quarter of fiscal year 2011 will be another quarter of sequentially improving comparable store sales for our Wal-Mart U.S. segment, management's expectations as to our anticipated tax rate for fiscal year 2011, quarterly fluctuations in that tax rate and factors that will affect that tax rate, management's forecasts for Wal-Mart's capital expenditures in fiscal year 2011 and fiscal year 2012, management's goal for return on investment being maintaining a stable return and management's expectations that Wal-Mart will continue to manage its inventory to be in line with its current business needs, although Wal-Mart will see year-over-year pressure from higher inventories in the fourth quarter of fiscal year 2011, that our Wal-Mart U.S. segment will be the price leader throughout the holidays, that inventory levels at our Wal-Mart U.S. segment will stabilize and Wal-Mart will once again generate even more cash flow, that our operations in Brazil will improve, growth in Wal-Mart's operations in China and India will accelerate, growth in Wal-Mart's Mexican operations will continue and supercentres will be added in Canada and that the sales momentum of Wal-Mart's Sam's Club segment will continue into the fourth quarter of fiscal year 2011 and into fiscal year 2012, and the Sam's Club segment will leverage expenses in fiscal year 2012.

Those forward-looking statements also discuss management's expectations for the Wal-Mart U.S. segment relating bake centers driving the segment's sales in November and December 2010, supplier recalls in the health and wellness category remaining a headwind in the near term for the segment, a new Medicare Part D prescription drug plan driving incremental pharmacy traffic for the segment, the sales of Straight Talk by the segment in fiscal year 2011 and how the sales of that item could affect comparable store sales of the segment if the full transaction value for those sales was includable in the calculation of comparable store sales, the sales of Straight Talk and third party gift cards will ring through the company's registers more than $2 billion for the full fiscal year, continued strong online sales in the 2010 holiday season for the segment and the factors to drive those sales, the number of new supercenters and other formats, including new units, to be opened in fiscal year 2012 by the segment, the number of the segment's stores to be remodeled in fiscal year 2012 and changes in the cost and time of those remodels, and the timing of Christmas spending in 2010.

Those forward-looking statements also address management's expectations that our Wal-Mart International segment will experience a very competitive fourth quarter in some of its markets, that such segment's sales will grow although the segment will experience pressure on its overall gross margin, that the sales of that segment's operations in Mexico will grow by certain means, that such segment's Brazilian operations will continue to see pressure on those operations' results from the operating structure in Brazil, changes thereto and the effects of a conversion to an everyday low price approach, and regarding product offerings by that segment's ASDA subsidiary and the addition of new stores and square footage to that segment through an acquisition by ASDA and the timing for conversion of those new stores to a different format.

Those forward-looking statements also discuss management's expectations that Wal-Mart's Sam's Club segment will not continue to feel the effects of a credit card processing fee in the fourth quarter of fiscal year 2011, that such segment's small business memberships will continue to pressure net membership income in that fiscal quarter and regarding the occurrence of promotional events in the segment's units relating to the holiday season. The forward-looking statements also discuss the anticipation and expectations of Wal-Mart and its management as to other future occurrences, objectives, goals, 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, 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 healthcare, accident costs, casualty and other insurance costs, interest rate fluctuations, financial and capital market conditions, developments in litigation to which Wal-Mart is a party, weather conditions, damage to our facilities resulting from natural disasters, 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 our 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 our 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, 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 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 or in the information included in our Current Report on Form 8-K that we furnished to the SEC on November 16, 2010.

Carol Schumacher

Good morning, this is Carol Schumacher, Vice President of Investor Relations for Wal-Mart Stores, Inc. Thanks for joining us today for our third quarter earnings call for fiscal year 2011.

All information for this quarter, including updated unit counts, square footage, and financial metrics is available on our website at www.walmartstores.com/investors. A full transcript of this call will be available on the website as well after 7 a.m. Central Time on November 16, 2010.

Our executive team is ready to report on our third quarter results of fiscal 2011. Mike Duke, President and CEO of Wal-Mart Stores, Inc., will cover the key highlights of our quarterly results. Charles Holley, our incoming CFO, but still Executive Vice President of Finance and Treasurer, has the details behind our consolidated financials. Then we'll go to the operating segments. First up will be Bill Simon, President and CEO of Wal-Mart U.S., our largest segment. Second will be Doug McMillon, President and CEO of Wal-Mart International. And then, rounding out our operating segment discussion will be Brian Cornell, President and CEO of Sam's Club, who will discuss the results for our membership warehouse segment. Finally, in his last earnings call as CFO, Tom Schoewe will cover our corporate financial report card and our Q4 earnings guidance, as well as some insights into our updated full-year guidance.

Before we start to discuss our performance for the quarter, let me cover some important financial information. First, I'd like to remind you of the inventory accounting change that we made in the second quarter. Due to the retrospective application of that accounting change, financial comparisons for this third quarter and going forward until the first quarter of FY12 will be compared against the financials as adjusted for this change. For example, last year in Q3, we originally reported earnings per share of $0.84, which was adjusted to $0.82 per share, because of this accounting change. The income statements, balance sheets, ROI and segment P&L information with the adjustments for all quarters of fiscal year 2010 and the first quarter of fiscal year 2011 are available on our website on the quarterly financials page.

Second, for the past two and a half fiscal years, Wal-Mart U.S. has had six strategic merchandise units or SBUs and we've been reporting on them in these calls. Those units or SBUs were grocery, entertainment, hardlines, apparel, health and wellness and home. Wal-Mart U.S. also offers financial services and products outside of these SBUs. The new merchandising structure, which goes into effect with our third quarter report today, aligns similar categories and allows us to be even more competitive in each customer channel, improving how we target and how we localize our merchandise. Let me cover the makeup of each of these four merchandise units.

First is general merchandise or GM for short, which includes toys, seasonal, hardlines, and entertainment. Seasonal includes merchandise for events such as Halloween and Christmas, as well as greeting cards and celebrations. Hardlines includes hardware, do-it-yourself categories, fabrics and crafts, automotive and sporting goods. Entertainment includes electronics, music, computers, cameras, photo services and cellular. Second is food which includes all fresh products, snacks and beverages and dry foods. Next is softlines, which covers apparel, jewelry, accessories and shoes, as well as home - both indoor and outdoor living. And last is consumables and health and wellness. Consumables include personal care, beauty, paper, chemicals, baby and pets. Health and wellness covers Rx, over-the-counter medicines or OTC, and optical.

Our dotcom sales for each merchandise area are included in each respective category. So, for example, toy sales from Wal-Mart.com are included in the general merchandise unit.

Last, this quarter we had a tax benefit of $191 million, which is approximately $0.05 per share, related to favorable adjustments to current transfer pricing policies after negotiations with a foreign tax jurisdiction.

Please bear this information in mind as you listen to the rest of the call. Now Mike, let’s get started with our Q3 results. Mike?

Mike Duke

Thank you, Carol, and thank you, everyone, for joining our call. In the third quarter, Wal-Mart performed well, and we have solid results to report today. So, let’s get right into them.

Third quarter earnings per share were $0.95, compared to an adjusted $0.82 last year. Our results included a tax benefit of $191 million, or approximately $0.05 per share, which you will hear more about later.

We are pleased with our EPS growth this quarter. Net sales for the third quarter increased 2.6% to $101.2 billion.

The company leveraged expenses for the fourth consecutive quarter. As I’ve said consistently, the productivity loop is here to stay. We will drive everyday low cost to deliver on every day low price. It’s ingrained in our business and it’s how we operate around the world.

Consolidated operating income was $5.6 billion, up 3.1% from last year. We also added almost 10 million square feet of selling space through 117 new units this quarter. International remains a key to our future growth. And, I continue to be impressed with their performance. Sales of Wal-Mart International were up 9.3% and operating income grew faster than sales. We continued to deliver stable return on investment.

And, we have an important takeaway for the fourth quarter. We are increasing our full year earnings per share guidance to reflect the tax benefit from the third quarter and the ongoing underlying strength of our business. Tom will cover it in more detail at the end of the call.

Now for the highlights of the individual operating segments.

Our Wal-Mart U.S. business is on the right track. Comp sales were within guidance for the third quarter. Operating income grew faster than sales, and Bill and his team delivered expense leverage. The U.S. team is taking the right steps to position our stores for the fourth quarter and for next year. I'm happy to see the response from our customers when I walk stores. They like our progress on merchandise assortment.

I might add, too, that just last week, when I visited stores here in the U.S., I loved the positive energy from our associates. Our associates are really excited about the changes in recent months.

Also, I really like our holiday preparations. We know this is a time of year when customers count on us more than ever. Our own surveys and the reports on the recent U.S. election cycle indicate that financial uncertainty still weighs heavily on everyday Americans, including many of our core customers. The paycheck cycle is still pronounced for these customers. Whether it's for everyday groceries, or for discretionary items, Wal-Mart U.S. will be the price leader throughout the holidays, and I remain confident about improving comp trends in the fourth quarter.

Moving to Wal-Mart International. Doug and I recently had the opportunity to walk our stores, and visit with customers, associates and government leaders on an extended trip throughout Asia. So, let me share just a few takeaways from the trip.

It's clear that our business model is well-suited to this part of the world, just as it is in other markets around the world. We continue to see tremendous upside in China. In Japan, I'm really pleased with the progress we're making and Doug will share more specifics on our success in Wal-Mart Japan. In India, we opened our fourth BestPrice Modern Wholesale cash and carry unit last week, and the country offers tremendous growth opportunities for Wal-

Mart. We're optimistic about the response from the government of India about making changes on foreign direct investment in the country.

We're seeing operating income strength in more established markets like Mexico, Canada and the U.K.

More than ever, I believe Wal-Mart is positioned to deliver our unique benefits to consumers and to seize growth in all of our markets.

Sam's Club just has great momentum with the positive comp growth Brian and his team posted for the third quarter. Sam's has really stepped up the quality of our merchandise and made our clubs more relevant to members. That focus has paid off, and it's delivered strong sales for the third quarter. I also like the creativity and the enthusiasm that Sam's Club is using to drive membership sales more aggressively and their commitment to improving productivity.

Throughout the company, we are striking the right balance between managing the business for the short term and producing sustainable growth for our shareholders. Our focus on driving growth, leverage and returns is positioning us to succeed in the fourth quarter and for the long term.

Before I close, on behalf of our 2.1 million Wal-Mart associates around the world, we extend our heartfelt wishes for a happy holiday season and a wonderful start to the New Year in 2011.

Now, I'll turn it over to Charles for the detailed financial results. Charles?

Charles Holley

Thanks Mike. For the third quarter of fiscal 2011, the company delivered earnings from continuing operations of $3.4 billion, an increase of 9% from last year.

Earnings per share for the third quarter were $0.95, compared to last year's adjusted earnings per share of $0.82. Earnings per share included a tax benefit of $191 million, which is approximately $0.05 per share, due to the favorable adjustments from negotiation of transfer pricing policies with a foreign tax jurisdiction during the third quarter. Currency exchange rate fluctuations were not a significant factor for earnings this quarter. Excluding the aforementioned tax benefit, earnings per share for our underlying business were within our guidance for the quarter of $0.87 to $0.91 per share.

Consolidated net sales increased 2.6% to $101.2 billion for the quarter. Wal-Mart International was the main driver of the sales growth and was helped by a currency exchange rate benefit of $349 million, compared to a negative impact of $2.6 billion last year. On a constant currency basis, consolidated net sales increased 2.3%.

The 13-week total U.S. comparable store sales, without fuel, decreased 0.7%. You will hear more details on the Wal-Mart U.S. and Sam's Club comp sales from Bill and Brian.

Expense management is once again a positive story. The company leveraged expenses for the fourth consecutive quarter, with expenses growing only 2.1% on a sales growth of 2.6%. The CEOs for the three operating segments will give additional details on their expense performance.

Unallocated corporate overhead, which includes corporate expenses, grew to $378 million. That's an increase of 8.3% from last year. While core corporate overhead expenses actually decreased 0.5% for the quarter, we did experience volatility in some unallocated foreign currency derivative mark-to-market positions quarter over quarter that is the primary driver of the increase. Although unallocated corporate overhead can have some volatility from quarter to quarter, we continue to closely watch our spending in this area.

Consolidated gross margin declined 6 basis points to 25%. A decline in International's gross margin was offset by a slight increase in Wal-Mart U.S. expense leverage. The company grew operating income at 3.1% over last year, meeting our goal of growing operating income faster than sales. The company's operating income of $5.6 billion included an $11 million benefit of currency exchange rate fluctuations. On a constant currency basis, operating income grew 2.9%.

Consolidated membership and other income increased 1% to $713 million for the quarter. Excluding last year's favorable adjustment in the Sam's Club segment, consolidated membership and other income would have been up 3.2%.

The effective tax rate for the third quarter was 29.5%. Due to the favorable adjustment discussed earlier, we now expect the tax rate for fiscal year 2011 to be between 33% and 34%, although we will see some quarterly fluctuation.

Factors which may affect our tax rate include changes in our assessment of certain tax matters, settlements of tax contingencies and the mix of income among our U.S. and international operations.

Year-over-year consolidated inventory grew 7.7% on a 3.8% year-to-date sales increase. All three segments contributed to the growth in inventory, with the primary driver being Wal-Mart U.S. Bill will cover more details in the Wal-Mart discussion.

Payables grew faster than inventories. Payables increased 17.1%, so our accounts payable to inventory ratio was 88.2%, up from 81.1% at the same time last year. A portion of this increase is driven by Wal-Mart U.S., as the segment had an earlier than normal seasonal build-up of inventories for the holidays. International was also a factor this quarter, as new store growth and currency exchange rate factors contributed to the increase in both payables and inventory. Although the year-over-year growth in inventory continues to pressure free cash flow, the growth in payables partially offset that pressure.

Through the first nine months of the fiscal year, our capital spend was ahead of this time last year. Wal-Mart ended the third quarter of fiscal 2011 with free cash flow of $2.9 billion, compared to $3.6 billion last year for the first nine months of fiscal 2011 and 2010, respectively. We will continue to manage our inventory to be in line with our current business needs. However, we expect to see year-over-year pressure from higher inventories in the fourth quarter of this year when compared to the prior year.

Our balance sheet remains strong. We continue to have excellent access to credit markets. You will recall that in October we went to the market with a $5 billion debt offering. At the time of issuance, two of the four tranches, the three-year and five-year bonds, were issued at the lowest corporate rates on record.

Our debt to total capitalization ratio at the end of the quarter was 46.4%, up from the 41.3% last year at the same time. The increase in this ratio was due to the growth in the long-term debt. The 19.9% increase in our total debt levels, partially offset by lower average borrowing rates, were the primary factors in an 8.6% increase in net interest expense totaling $516 million.

Capital expenditures for the third quarter were $3.8 billion, bringing our year-to-date spend to $9.3 billion. We expect to spend between $13 billion and $14 billion in capital expenditures for the fiscal year, in line with our guidance outlined at the October 13 investor meeting.

Our return on investment for the trailing 12 months was 18.6%, up from 18.4% at the same time last year, due to continued expense leverage.

In this quarter, we repurchased 73.4 million shares for $3.9 billion. As you remember, on June 4, 2010, we announced a new $15 billion share repurchase authorization, which replaced our previous authorization of $15 billion. We now have $8.5 billion remaining in our share repurchase authorization. Year-to-date, Wal-Mart has returned $14.3 billion to shareholders through dividends and share repurchase.

We are extremely proud of how we've leveraged expenses and grown shareholder value in this tough environment. Our balance sheet and credit rating are strong and healthy. We remain focused on growth, leverage and returns.

Now, let's move on to a discussion of our operating segments. As usual, we'll start with Bill and Wal-Mart U.S. Bill?

Bill Simon

Thank you, Charles. Wal-Mart U.S. made very good progress during the third quarter on assortment, and we consistently drove promotional intensity. We had strong support throughout the quarter from our suppliers in adding to our assortment and in bringing innovation to our shelves. Our progress is not only reflected in improving sales trends, but also in customer experience scores. Our methodical approach to Wal-Mart's current initiatives is moving us in the right direction.

What's most important now is that we are in a position of strength for the busiest and most critical season of the year, and we're expecting a positive comp in the fourth quarter. We will lead on price as we continue to save our customers' money every day.

We're stepping up our strategic initiatives to help our core customers, as they struggle in the current economy. Remember 68% of our business comes from customers with household incomes under $70,000 per year. These customers deliver to us about 22% of their share of wallet, so there remains a lot of opportunity to deliver even more on Wal-Mart's core promise.

Comp store sales for the 13-week period, which ended October 29, declined 1.3%, which was within our guidance. Our comp sales performance is somewhat suppressed by reporting requirements that I'll get into shortly. For the third quarter, net sales were $62.2 billion, flat to last year. While we would have liked Q3 sales to have been higher, we're encouraged by the quarterly sequential improvement in comp sales and customer traffic. However, compared to last year, traffic decreased and the average ticket was down slightly.

Inventory in Wal-Mart U.S. was up 6.5% compared to this time last year, driven primarily by the planned seasonal build-up in the distribution centers. We've also been staging merchandise for the holidays at our import DCs. In-store inventory was up approximately 3% in the third quarter compared to last year. We've managed our inventory well, even as we add to our assortment. In fact, inventory at the end of the third quarter is still below levels from two years ago.

Even while adding almost 10 million square feet of retail space since last year, we were still able to decrease our total operating expense by $61 million. This is indicative of our focus on expense management, since we also had flat sales growth.

I'm pleased to report that Wal-Mart U.S. has now leveraged operating expenses for four consecutive quarters. Operating expenses as a percentage of sales were down 9 basis points.

Store labor of course, remains our biggest expense item. And, sales per labor hour, or labor productivity, were up versus last year, on relatively flat wage dollars. It's a credit to our store associates that our customer experience scores are at the highest level in three years. Customers are also happy with the action alley displays, because of the price intensity and product availability that they deliver. In addition, because they are pallet-driven, the action alley displays are very efficient from a labor standpoint.

Other contributing factors to the decrease in operating expenses were the following. As I mentioned last quarter, we changed our advertising strategy and brought media expenditures back in line with recent historical trends.

Expenses were favorably impacted by lower estimated health expenses. And, our flat net sales growth resulted in a decrease in our estimates for the incentive plan.

National high levels of unemployment have also created headwind in operating expenses, with many states increasing unemployment insurance taxes per associate. In fact, unemployment insurance taxes are up 25% for the quarter versus last year. These types of changes are largely uncontrollable, but can be expected to impact our business from time to time.

Operating income for the quarter grew faster than sales to $4.4 billion, an increase of 1.9%. The growth, as we said, was driven by expense leverage and an increase in gross margin rate of 5 basis points. Gross margin improvements were driven by lower markdowns and increased supply chain efficiencies. Our logistics and transportation teams continue to drive lower costs, despite higher fuel costs for the quarter.

Other income for the Wal-Mart segment decreased slightly to last year.

Let me move on to merchandise. Carol covered the change in our merchandise categories earlier, and I'll go into detail on our four new units. We continue to make progress on our strategy of focusing on EDLP, broadening our relevant assortment, improving in-stock, and driving promotional intensity throughout the store. This is achievable by partnering with our suppliers, driving innovation, leveraging best practices within the company, and listening to our customers. But against this backdrop, let me remind you that the paycheck cycle remains pronounced, especially in our grocery business.

Our food comp sales were a solid positive for the quarter, with strong sales performance in fresh, snacks and beverages. Produce and dairy were our strongest categories. In fact, our recent focus on apples was very successful in driving excitement and incremental sales. On several apple varieties, we were the clear price leader throughout the entire season, because of the work of our global sourcing team. We were able to streamline the supply chain process, which increased our speed to market and improved our quality and freshness.

Halloween sales also were strong in food and candy. Customers appreciate the creativity we brought back to the bakery category this year, and we had excellent sell-through in baked goods. Categories in fresh, like meat and dairy continued to see some inflation, while some areas of dry grocery still experienced deflation.

Our assortment review progress is moving very well. We've added the most SKUs back in food and customers are responding. We're pleased with the progress we're making, with categories as varied as marshmallows, pie filling, jams and jellies. For example, eight weeks after modulars with additional SKUs were completed. On average, we saw a 39 basis point increase in sales in these categories. We're also expanding our assortment in many cases to achieve or store of the community relevance.

For the holidays from Thanksgiving through New Year's, we are focusing on turkeys and also full meal options at very competitive prices. Bake centers are back in all our stores and we expect these to help drive sales in November and December.

Consumables and health and wellness had a negative comp for the quarter. Deflationary pressures continue to affect sales of key consumables. We're pleased with the continued growth of our beauty business, where we also see a lot of new, innovative products driving increased sales.

In health and wellness, we're up against strong sales during last year's H1N1 season. The business has been impacted also by supplier recalls in the over-the-counter business, and we expect this to remain a headwind during the near-term. In addition, like some of our drug retail competitors have cited, we've seen increased generic prescription utilization due to the economy. Overall scripts were up, indicating that we're gaining share. We're pleased with being able to provide preventative flu shots this year to our customers as well.

In October, Humana and Wal-Mart announced an innovative co-branded Medicare Part D prescription drug plan starting in 2011. The plan is nationwide with a premium of less than $15 a month, and in-store co-pays on generic medications starting as low as $2 when plan members use preferred pharmacies like Wal-Mart, Neighborhood Markets or Sam's Club. When you add up the savings based on the monthly premiums being less than 50% of the average plan, the low copayment, and cost shares, a typical Medicare Part D beneficiary could save more than $450 each year. We believe this will drive incremental traffic to our pharmacies.

Our general merchandise unit, which includes entertainment, toys, seasonal, and hardlines, had a negative comp for the quarter.

Clearly the fastest growing item in the store is our wireless solution, Straight Talk. Straight Talk and prepaid wireless sales have been impressive during the quarter. Let me explain how we're reporting sales of these items.

Reporting convention calls for sales of Straight Talk and third-party gift cards, such as iTunes and restaurant cards, to be included in sales, net of the product cost. In other words, we only account for a commission on sales. As these sales grow, they have more of an impact on our business. Had they been included in this quarter's comp sales at full transaction value, these items would have added almost 40 basis points to our comp sales for the period. Given the trend of Straight Talk and third-party gift cards, they would represent as much as 50 basis points to our anticipated fourth quarter comps, if they were included at the full transaction value. These categories will ring through our registers more than $2 billion for the full fiscal year.

Additionally, let me cover some other highlights in our general merchandise area. Entertainment comps were impacted by average selling price declines, particularly in LCD and plasma TVs, consistent with industry trends. However, despite this headwind, sales were up and we had solid increase in units in our TV category. Back-to-school sales were up in home office and laptops. Music sales, particularly CDs, continue to decline. Toy comparisons were impacted by the earlier timing of our promotional fall program last year. But we have bought up in the toy category this year, because we planned aggressively for the fourth quarter.

Unseasonably warm weather in October hindered sales in cold weather categories, such as hunting and hardware, driving mixed results in hardlines for the quarter. We're very pleased with the results of our tire event in October. A strong comp in automotive was accompanied by slower sales in seasonal goods and heaters.

Overall, our softline comp, including apparel and home, was negative. In apparel, warmer weather put pressure on our cold weather business, particularly in ladies, men's and children's. As we cycle through the inventory based on our previous apparel strategy, we're seeing improving sales trends. Our focus on the core customer has started to show areas of encouragement, as sales of socks and underwear, ladies' plus sizes and active wear outperformed the rest of apparel. We are very pleased with the expansion of our plus size offerings across all of ladies. In fact, comp sales of plus size active wear increased double digit for the quarter.

Jewelry continues to improve, driven by a renewed emphasis on costume jewelry. In home, we extended the season in the garden center and were pleased with double digit comps in multiple outdoor categories. There was some weakness in discretionary and décor categories, but customers responded well to back-to-college, cooking and dining merchandise, as well as and floor care.

In financial services, check cashing remains our top performing category, and we are gaining share. We continue to benefit from the extension of our Wal-Mart Money Card agreements with the Green Dot Corporation. Wal-Mart.com grew at a faster rate than the overall online market again this quarter. Sales in many categories were strong, particularly electronics and home. We expect continued strong online sales this holiday season, driven by strong Site-to-Store demand, free shipping to home, an expanded FedEx metro pickup, now in five major metropolitan markets and our Pick Up Today program, now available in over 800 stores.

Before I get into a discussion of the holidays, let me discuss our growth plans.

As we outlined at our October meeting, next year, we expect to open between 155 and 165 supercenters, with 45 to 50 being new units, the remainder conversions. Wal-Mart is also planning on opening 30 to 40 medium to small format stores. In addition, we'll remodel more than 500 stores. The remodels going forward will cost less than what we've experienced in the last two years, and will take 40% less time, for fewer disruptions to both the customer and the associate.

So far this year, we've remodeled more than 580 stores. These remodels have helped drive our highest ever customer experience scores and will deliver a great shopping experience this holiday season. We finished all remodel work at the end of the third quarter. Also, during Q3, we opened 98 new supercenters, including 71 relocations or expansions.

We've recently announced a few of our special deals for Christmas. We unveiled our top toys on November 1, started sending out our 52-page toy catalog on November 5, and created a dedicated section of our website to the top toys of the season. Last week, we also announced free shipping to your home through Wal-Mart.com for selective holiday items, including all electronics. We were very pleased with the initial response from our customers to this offer.

Our marketing efforts will be focused on bringing to life how our customers can rely on Wal-Mart to save them money so they can live better. Our holiday message is focused on basket savings. We believe that we have the right level of media buy for the fourth quarter. We also have increased our efficiencies through a strategic program of digital, print and electronic buys. We have a number of aggressive programs underway to reach the customers often and early for the holidays. Last year, our fourth quarter comp sales declined 2% versus the previous year.

Our Wal-Mart culture ensures that we have a correction of errors every season. We've built our 2010 plans on lessons learned from last year.

Christmas is 39 days away from today. The holiday season is certainly here. We believe our core customers are focused on price, basics, toys for kids and practical gifts. Customers are also spending more time researching online and looking for multi-channel solutions. They will budget for new technology items like eReaders and gaming systems. Like back-to-school and Halloween, we expect that a lot of the spending will come close to Christmas. Wal-Mart is well prepared to take care of our customers this holiday season.

We're expecting Q4 to be another quarter of sequentially improving comp sales. And, as I pointed out earlier, we expect positive comps for the holidays. For the 13-week fourth quarter period from October 30, 2010 to January 28, 2011, we're forecasting our comp sales to range from a negative 1% to a positive 2%.

Now, I'll pass the mic to Doug to tell you about Wal-Mart International. Doug?

Doug McMillon

Thanks Bill. Wal-Mart International continues to deliver on our financial priorities of growth, leverage, and returns. Our growth this quarter has come from comparable store sales and our new store program, and we're meeting our goal of leveraging operating expenses. I'm pleased that our merchants' focus is on serving customers with quality merchandise, compelling assortments, and price leadership. We're driving local customer relevance as we grow sales, and it's great to see the arrival of seasonal items heading into the holidays in many countries.

As Mike mentioned, we recently completed a visit to China, India and Japan. We visited customers in their homes, talked with them in stores, met with our associates and discussed things like merchandising, EDLP and the opportunity to build a career in the company. We left even more enthusiastic about Asia. Scott Price, Ed Chan, Raj Jain and Toru Nada are building a strong business in the region.

Our business in China has a lot of momentum. This market is developing at a rapid pace and we're well positioned. India's potential is also enormous. Bharti Wal-Mart is growing and learning how to better serve customers in India every day. Our results in the BestPrice cash and carry units are promising. It was great to see Wal-Mart spirit and culture in New Delhi and Chandigarh.

Wal-Mart Japan is making meaningful progress. Our items and prices, plus the in-store experience, are tangibly different since my last visit. The team is driving growth, building momentum and leveraging Wal-Mart's global ability in sourcing.

After returning from Asia, we left again to visit Johannesburg, South Africa. We continue to view Sub-Saharan Africa as an important market and are pleased with how the process is going so far. We can help add value for customers, future associates and all of the various stakeholders in that region.

Now, let's discuss our third quarter results.

International net sales for the third quarter were $26.9 billion, an increase of 9.3% from last year. This includes a $349 million benefit from changes in currency exchange rates. Sales on a constant currency basis were $26.6 billion, a 7.9% increase over the third quarter of last year. As I mentioned during the investor meeting in October, we're driving comp store and new store growth. Our strategy of organic growth and local relevance delivered the increase in constant currency sales in the third quarter. This increase was primarily a result of: a strong comp store sales performance in China, Japan, and the U.K and new store growth in Mexico, Brazil, China and Canada.

International’s operating income for the third quarter, which included an $11 million benefit of currency exchange rate fluctuations, was $1.2 billion, up 13.5% from last year, and an increase of 12.4% on a constant currency basis. Constant currency operating income grew faster than sales. As a reminder, last year’s third quarter results were adversely affected by currency exchange rates, as well as charges in our businesses in Chile and a sale-leaseback transaction in Japan. Without the impact of these prior year charges, constant currency operating income grew slower than sales for the third quarter, primarily due to a low gross margin in Brazil.

Membership and other income was flat as a percentage of sales.

We once again leveraged our constant currency expenses. Our results this quarter benefited from significant expense reductions in Wal-Mart Japan through their EDLC implementation. We also grew expenses slower than sales in Brazil and Central America.

On a constant currency basis, gross margin as a percentage of sales declined by 22 basis points in the third quarter primarily due to the changes we are making in Brazil which I’ll get into further in a moment.

International inventory grew 13.9%, which was faster than the rate of sales growth. We did not meet our objective of growing inventory at less than half the rate of sales and we’re very focused on improving this metric.

Now, we’ll turn to the results for several of our markets. As a reminder, we hold country management accountable for their results on a constant currency basis without the impact of potential swings in exchange rates. The following discussion of country results excludes the impact of currency fluctuations.

As you know, in February, Wal-Mart Mexico purchased 100% of our majority-owned subsidiary with operations in Central America. Until the Central American business has been part of Walmex for a year, the discussion here on Mexico will exclude the results of Central America. This discussion is under U.S. GAAP. Walmex separately reports its earnings under Mexican GAAP.

Walmex’s sales for the third quarter were up 10%, and comparable store sales were up 2.8%. The sales growth at Walmex is driven by the 256 net new stores and restaurants that have opened since the third quarter of last year as well as a positive comp growth in all Walmex formats. Customer traffic and average ticket both increased 1.4% at comparable stores.

For the third quarter, Walmex comp store sales for self-service formats grew by 2.4%, while ANTAD's comp store sales report for the rest of the industry, excluding Walmex, showed 1.2% growth.

Walmex's third quarter operating income grew 4%, which is slower than sales growth. Third quarter gross margin at Walmex declined slightly from last year and expenses as a percentage of sales grew faster than sales. Higher utility rates in the current year continue to pressure expenses in Mexico.

The fourth quarter is an important period for Walmex. We will be growing our sales by leveraging new imported merchandise in Sam's and Wal-Mart supercenters as well as winning in electronics, entertainment and toys.

Now to Brazil. In the past 12 months, we have opened a net of 79 new stores in Brazil, bringing our total store count to 452. This includes seven new stores in the third quarter of this year. In real terms, Brazil's third quarter sales growth was 12.4% and comparable store sales grew 1.2%. Customer traffic at comparable stores declined 6.4% and average ticket increased 7.6%, both in real terms. Comparable sales at our cash and carry and supermarket formats continue to perform well.

At the October analyst meeting, Eduardo Solórzano and I talked about how we are seeing the effects on our margins of converting to a net costing approach, and that we're moving forward with integration to simplify the business. In the third quarter, gross margin as a percentage of sales declined 1.7% from last year, and expenses as a percentage of sales improved slightly.

Marcos Samaha returned to Wal-Mart Brazil to assume the role of CEO during the third quarter of this year. Our management team is very focused on improving how we will buy in Brazil in support of Brazil's conversion to EDLP. The integration challenges we have as a result of running what amounts to three separate businesses remain, and we continue to re-engineer our processes, so we're expecting to see continued pressure on Brazil's results.

Moving to Asia. In Japan, third quarter net sales in real terms increased 6.4% and comparable store sales performed very well, increasing by 6.1%. While EDLP, local relevance, and positive customer perception are the key drivers of these results, we did see an uplift from having the right assortment for the warmer than average August. Wal-Mart Japan's traffic increased over last year as a result of our remodeled stores, but average ticket declined. Based on information from the Ministry of the Economy, Trade and Industry or METI, our performance is ahead of other large-scale retailers in Japan and we continue to increase our market share.

Wal-Mart Japan sales of food and consumables showed a strong performance, while apparel sales were down. Expenses as a percentage of sales are down due to EDLC, even after excluding last year's sale-leaseback charges. Overall, I'm pleased to report that operating income in Japan grew faster than sales.

China is clearly a significant market. In the past 12 months, we opened 32 new stores, bringing our total China store count to 298 at the end of this fiscal quarter. Sales increased 15.2% over the third quarter of last year on a comparable store sales increase of 6.9%. Average ticket grew, but traffic declined. In addition, TrustMart stores had lower traffic during the third quarter as we converted stores to new formats. Gross margin as a percentage of sales was flat to last year. Operating income declined due to the merchandise conversion and integration programs for TrustMart.

Many of you are aware that our second close on the TrustMart acquisition was scheduled to occur this month. We continue to make good progress in TrustMart with our system and merchandise improvements. Wal-Mart and the selling shareholder have mutually agreed to extend the closing to May 26, 2011, while certain conditions of the contract are being completed. In the meantime, Wal-Mart and TrustMart continue to focus on their core mission, saving our Chinese customers' money so they can live better.

As you know, we support Bharti Retail and their new store growth in India. Bharti Retail continued to grow, opening 24 stores in the third quarter of this year, and now operates 93 supermarkets and six compact hypermarkets. Under our joint venture with Bharti, we now have three cash and carry stores and are pleased with the continued sales growth in India.

Turning now to the United Kingdom. In the third quarter of this year, comparable store sales, excluding fuel, increased 1.3%. Overall sales growth was in the low single digits, with the fastest growing areas being George apparel, produce, baby and toys. While comparable store traffic and ticket were both up in the third quarter, according to Kantar Worldpanel, ASDA's market share dropped slightly in the 12 weeks ending October 31.

ASDA is improving its offering to customers, specifically in the areas of assortment and quality. Andy Clarke and his team have made targeted price investments including core food products. In September, ASDA committed to providing quality by re-launching its private brand under the Chosen by You label, and the products have been selected based on consumer blind taste tests. One thousand items have already been launched and we expect an additional 2,500 by the first quarter of next year.

Operating income grew faster than sales in the third quarter. This was driven by an increase in gross margin as a percentage of sales from increased sales of George apparel. Expenses as a percentage of sales at ASDA were flat to last year.

ASDA opened two new stores in the third quarter of this year, bringing the total store count to 379. Since the third quarter of last year, we have opened three superstores, five supermarkets, and three ASDA Living stores.

ASDA has recently added strength to its leadership team. Simon King was recently announced as our Chief Operating Officer. Simon brings a wealth of retail and supermarket experience and is a great addition to a strong team. In addition, Charles Redfield has been appointed Chief Merchandising Officer. Charles brings more than 20 years of Wal-Mart experience and was most recently in merchandising in our Sam's U.S. division.

The Netto acquisition we announced in May of this year continues to progress, and we've received formal approval from the OFT, or Office of Fair Trading, in the third quarter, with a requirement to sell 47 of the Netto stores. The remaining Netto stores will add 148 new stores and 1.1 million square feet. Full conversion of these Netto stores to the ASDA supermarket format is expected to be complete by this time next year.

We are encouraged by the recent sales momentum in the U.K. We are well positioned for the holiday season. At a time where economists are forecasting very tough economic conditions, ASDA remains committed to saving customers' money every day.

And finally Canada. Wal-Mart Canada's third quarter sales growth was 4.6%, due to a strong supercentre expansion program and sales of food. We have a total of 109 supercentres in Canada, 40 more than this time last year. Comparable sales in Canada were negative 0.4% on lower traffic, which was down 0.1%. Ticket was down 30 basis points.

While Canada experienced record market share in food, consumables and baby, we experienced declines in sales of electronics and automotive. Despite the sales mix shift towards lower margin items, Canada's gross margin rate increased by 36 basis points over last year, due to better inventory management, including a reduction in shrinkage and improved purchasing.

Canada's expenses grew faster than sales, primarily due to incremental expenses on the launch of our banking operations, and higher advertising investment. Canada's third quarter operating income grew faster than sales, as the increase in margin offset the growth of expenses as a percentage of sales. In addition to Canada's 109 supercentres, we have 212 Wal-Mart stores. So our business in Canada is still largely general merchandise driven.

As you know, with the exception of Canada, the fourth quarter ends on December 31 for our countries, so Wal-Mart International is halfway through the fourth quarter. In addition to the normal competitive pricing situation, we're currently working towards more of an EDLP approach in Brazil. As we make that conversion, we will experience some profit pressure and we're expecting that it will be more challenging than in previous quarters to grow profit faster than sales. We anticipate a very competitive fourth quarter in some of our countries. While we expect sales to grow, the competitive environment is pressuring overall gross margin.

One last item of note. We recently announced our non-binding offer to purchase an ownership interest in South Africa's Massmart, and we are currently exploring a variety of options relating to ownership structure with the ultimate objective being to maximize shareholder value. Massmart offers a compelling growth opportunity with a talented team that is also a good cultural fit with Wal-Mart. We see the opportunity to increase value for Massmart customers and reach even more customers together. We remain excited about this potential investment.

Now, Brian will cover Sam's Club. Brian?

Brian Cornell

Thank you, Doug. During our recent investor meeting, we outlined how Sam's Club will continue to drive growth, leverage and returns through our Savings Made Simple framework. We are focused on listening to our members and effectively serving their needs.

Before we get into the financial details for the third quarter, I want to share some key highlights.

Comp sales, excluding fuel, for the 13-week period ended October 29, increased by 2.4%. I am excited to say Sam's exceeded our original guidance of flat to 2%. We also were solidly within our updated guidance of 1% to 3%, which we provided on October 13 at our investor meeting. We maintained a strong margin rate, but due to expense pressures, couldn't translate that performance to operating margin.

Our sales momentum is evidence that our members are responding well to our improved merchandising offering. Sales during the quarter were particularly strong in fresh, jewelry, home and certain technology and entertainment categories. We also introduced more than 100 new items in fresh this fall, a historic high for Sam’s Club.

Recently, an independent third party annual survey ranked Sam’s Club Pharmacy second of all U.S. pharmacies. This was our highest rating ever. To build on this success, we’re expanding health and wellness offerings. As of yesterday, our members can take advantage of the lowest Medicare Part D plan offered in the marketplace at Sam’s Club’s pharmacies. And let me remind you that our Sam’s Club pharmacy is open to members and non-members.

Innovation and service drive success in technology and entertainment. So, it’s important to our members that we have the most up-to-date technology and top brands. We introduced LG, and the Apple iPhone and iPad. We’ve also stepped up our associate training to provide more technology assistance to our members. We’re also near completion on “wi-fi-ing” all of our clubs, which enhances the shopping experience.

Now, let’s turn to the detailed financial results. For the third quarter, net sales for Sam’s Club, excluding fuel, increased to $11.1 billion, which is a 138 basis point increase over last year’s third quarter. Including fuel, third quarter sales were $12.1 billion, which is a 2.7% increase versus last year, due in part to higher fuel prices this year compared to last year. Fuel prices in the third quarter this year were approximately 8% higher than last year.

As I mentioned earlier, comp club sales, excluding fuel, for the 13-week period increased 2.4%. Including fuel, club comp sales increased 3.8%. Comp ticket, excluding fuel, increased for the 13-week period, both for Business and Advantage members. Comp traffic, excluding fuel, increased for the 13-week period, among Advantage members, but declined slightly among Business members.

Our food and beverage business both had strong sales. We did experience inflation in dairy and meat. Back-to-school and back-to-college, as well as the fall tailgating season, drove sales in technology and entertainment.

We were pleased to see we gained dollar share in computers and TVs during August and September.

In home, we continue to see very strong comps in furniture, domestics, and house wares. And jewelry comps were in the high single digits. Finally, tobacco and fuel sales continue to deliver strong comps.

Sam’s gross margin rate, excluding fuel, increased by 22 basis points during the third quarter, primarily driven by the continued shift in merchandising mix towards higher margin fresh products, apparel and jewelry, as well as an increased margin in technology and entertainment.

Our merchants have done an excellent job managing seasonal buys and sellthrough to mitigate margin impact of markdowns. Including fuel, the gross margin rate for the quarter increased 8 basis points compared to last year.

Inventory increased by 4.2% versus last year, driven in part by the normal anticipation of the holiday season. Additionally, you may recall, last year's inventory levels were lower than our historic levels due to inventory management initiatives and an impact from a calendar shift on merchandise receipts.

Our inventory turns were up in the third quarter. With conservative buys for Halloween, we were able to manage sellthrough for a successful Halloween season. We entered the fourth quarter in a strong inventory position and we are actively managing our seasonal transition through the holidays.

Operating expenses grew 4.8% versus last year, driven by increases in credit card interchange fees, remodeling and marketing expenses. As I explained in our first quarter call, beginning in April, in response to the continuing challenging credit program, we began paying an interchange fee in conjunction with our credit card program. We will not continue to feel this headwind in the fourth quarter.

During the third quarter, 26 clubs were remodeled this year versus 23 last year. Additionally, during the quarter, we increased our marketing budgets for key fall initiatives, including our back-to-school program, football season, 15 weeks for $15 membership and Labor Day eValues for all event.

For the quarter, sales per labor hour increased 60 basis points. Units per labor hour decreased slightly for the third quarter versus last year. Although we did not leverage expenses for the quarter, I am pleased with our year-to-date performance on expense leverage. As a result of the increased expense level, third quarter operating income decreased 7.1% versus last year to $367 million. This represents a decrease in operating margin of 32 basis points from last year. Excluding fuel, operating income decreased by 8%. Membership and other income decreased 5.1% from last year.

You may recall that in last year's third quarter, we recognized a favorable accounting adjustment to membership income, as well as experienced strong comp results from the rollout of eValues for Plus memberships. Excluding the effects of the accounting adjustment last year, membership and other income for the third quarter increased 40 basis points, compared to last year. Membership income, the primary driver, decreased 5.9% versus last year. Excluding the accounting adjustment, membership income was flat.

We are pleased with the continued increases in Plus membership penetration and new member sign-up at the Plus level, reflecting our focus on this initiative. We are also pleased with our overall renewal rates. These strengths have been offset by two factors: first, the continued erosion in the number of business add-ons, due to the economic pressure that so many small business members are experiencing; second, the net impact of the membership loss from the 10 clubs closed last fiscal year, compared to new club openings this year.

In the third quarter, we began to overlap the successful launch of last year’s eValues program, which kicked off August 17, 2009. To spur additional upgrades and acquisitions, we hosted a weekend Labor Day event, which delivered strong results. The Labor Day eValues Savings Celebration served as a trial and awareness vehicle for all members to experience the additional discounts afforded by eValues. As we enter into the second year of eValues, we continue to focus on providing relevant and meaningful values to our members through various events. We expect the trend in small business membership to continue to pressure net membership income in the fourth quarter.

The fourth quarter is underway and we are focused on driving even greater value to our members and shareholders. Our annual Taste of Sam’s event kicks off this Friday and lasts through the weekend. We plan to demonstrate Sam’s is your one-stop shop for the holiday season for both meals and entertaining. Each club will host at least 18 demos each day. We also will demo more than 50 different holiday foods and entertaining merchandise items. This event always drives traffic and new member sign-ups.

In non-food categories, we feel we are solidly positioned across the club to have a successful holiday season and we are focused on meeting all the gifting needs for our members with a fresh approach to merchandising the product. We are very pleased with the early sales results in holiday décor, holiday gifting and food categories. We’re entering the fourth quarter with a lot of momentum in home, apparel, jewelry and new products from Apple, and we anticipate strong comps in these areas.

We continue to see our third quarter sales momentum carry over into the first two weeks of the fourth quarter. We expect comp sales, without fuel, for the current 13-week period from October 30, 2010 through January 28, 2011, to increase between 1% and 3%. Last year, Sam’s comp without fuel for the comparable period rose 70 basis points.

Now, I'll turn it over to Tom for the report card and guidance discussion. Tom?

Tom Schoewe

Thanks Brian. Before I get into our financial report card to discuss growth, leverage and returns, let me provide an SAP update.

North America continues to get better with each monthly close. Mexico has now started the SAP conversion and Argentina is next in line. With each country that goes live, we get more efficient.

Now, time for the financial report card. First, let's discuss growth.

For the third quarter of fiscal 2011, we grew our square footage, net sales and operating income. Sales grew almost 3% for the quarter, mainly driven by International. Net retail square footage grew by approximately 10 million square feet to 971 million square feet at the end of the third quarter. So far this year, we have added 18.6 million square feet, as we introduce the Wal-Mart promise to more and more customers globally. We are still bullish on our growth prospects, both here in the United States and in our International markets. And, we continue to grow operating income, as mentioned earlier, up more than 3% in the quarter.

Now let's move on to leverage. We've now produced four consecutive quarters of expense leverage as we maintain our focus on the productivity loop and resulting everyday low costs. Like last quarter, expense leverage was a significant factor in achieving our bottom line results. And, as Mike indicated, we remain committed to expenses growing slower than sales.

Finally, let's talk about returns. As I mentioned in the second quarter, inventories at the end of last fiscal year were relatively low for Wal-Mart. This "starting point" continues to impact free cash flow. Accounts payable, as Charles indicated, benefitted free cash flow. That said, our free cash flow through the previous nine months of the fiscal year was a healthy $2.9 billion, but below the $3.6 billion we reported for the same period last year.

Remember, our goal for return on investment is to maintain a stable return. ROI for the 12 months ended October 31 was 18.6%. That's up from the 18.4% we reported last year. Like last quarter, the story behind ROI is strong operating performance.

As I mentioned earlier, we are growing square footage and continue to invest in our business. Average "invested capital", or the denominator used to calculate ROI, grew by 7.3%. However, our continued focus on the productivity loop has produced strong operating results. That leads us to the numerator, the trailing 12-month adjusted operating income, has grown by 8.4%, far better than the increase in the denominator.

Overall, we are extremely satisfied with our ROI performance. Face it, at 18.6% pre-tax return, this is very impressive.

Now let's move on to guidance. Mike mentioned earlier that we are raising our EPS guidance for the fiscal year. Based on what we see today, and our expectations for the U.S. sales environment, we expect full-year diluted earnings per share for fiscal 2011 to be between $4.08 and $4.12 per share; that's up from our previous full-year guidance of $3.95 a share to $4.05. Correspondingly, our fourth quarter diluted earnings per share guidance is between $1.29 and $1.33. Both of these ranges assume that currency exchange rates remain at today's levels.

Before I close, let me summarize some of the key points for our third quarter. At the end of the day, we posted another strong quarter. First, we reported more than $100 billion in net sales. As I indicated, we added approximately 10 million of square feet of retail space. Once again, we leveraged operating expenses, which allowed us to grow operating income faster than sales. We had another quarter of great EPS growth. ROI is 18.6% and better than at this time last year. And, finally, our free cash flow of $2.9 billion is the second highest third quarter performance on record. Having said that, we understand that we have an opportunity to improve even further across our businesses.

First, we have an opportunity to improve Wal-Mart U.S. comp store sales. We believe the fourth quarter will be in positive territory. As we continue to make progress in our merchandise assortment, we will expect inventory in Wal-Mart U.S. will settle down and will once again generate even more free cash flow. In Wal-Mart International, we will improve operations in Brazil to increase profitability, and we will accelerate growth in China and in India. We will continue to grow in Mexico and add more supercentres in Canada. The International growth story is compelling.

The sales momentum at Sam's Club will continue into the fourth quarter and into next fiscal year. We expect to see expense leverage from Sam's by next fiscal year as well.

All of this kind of makes me think just how much has changed in the short time, a little bit more than a decade, that I have been proud to serve here at Wal-Mart. Our sales, our store count and our square footage have more than doubled since then.

Sales rose from roughly $150 billion and EPS of $1.25 a share in fiscal 2000 to the kind of results we're talking about today, sales well north of $400 billion, and we shared our new guidance with you today that EPS should be in a range from $4.08 to $4.12. That compares to the $1.25 that I talked about for fiscal 2000.

We are just shy of 8700 units around the world, which enables us to do a great job of taking care of our customers and our members and we're ready to help them to have a great holiday and a fourth quarter.

We believe that there's no better retail model than Wal-Mart, and it means that we can continue to deliver strong shareholder value.

This is my last call as CFO. Charles will take over as CFO for Wal-Mart, effective December 1. You're in very capable hands and I am proud of the strong team that we've left behind that Charles will be leading in the future.