Operator

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This call contains statements that Walmart believes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and intended to enjoy the protection of the Safe Harbor for forward-looking statements provided by that Act. These forward-looking statements generally are identified by the use of the words or phrases anticipate, assumes, expect, forecasting, goal, look forward, may impact, plan, on track, should drive, should moderate, will be, will be able, will benefit, will bring, will broaden and accelerate, will continue, will improve, will not stray, will open, will provide, will put, will reduce, will see, 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 third 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 Walmart 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 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 goal for a consistently high return on investment and management's expectation that the application of a new inventory valuation method will reduce reported earnings per share in the third quarter of fiscal year 2011 and for how the comparable period comparison will be affected by that application.

Those forward-looking statements also discuss management's expectations for consistently strong results in our Sam's Club segment, our Walmart International segment continuing to be a strong contributor to our growth and overall results, year-over-year pressure from increases in inventory to be seen in the last half of fiscal year 2011, management of inventory to be in line with current business needs, the moderation of our payables to inventory in the second half of fiscal year 2011, future store openings, and construction of our stores in Chicago, Illinois, as well as management's view that we will not stray from our EDLC-EDLP business model.

In addition, those statements discuss the expectations of management that our Walmart U.S. segment is on a track for improvement in the third quarter of fiscal year 2011, and will have a more relevant inventory assortment and the right mix of new and innovative products, will broaden and accelerate key sustainability initiatives and will see better comparable sales in its apparel business by the fourth quarter of fiscal year 2011, and that changes being made in the segment's business will improve its top line sales in the fourth quarter; the segment's inventory will increase modestly, and the segment's gross margin rate for the second half of fiscal year 2011 will be essentially flat compared to last year.

The forward-looking statements also note management's plan for our Walmart U.S. segment to win in every category which allow customer purchasing decisions to drive the goods to be included in the segment's assortment. The forward-looking statements made in this call also address management's expectations relating to the Netto Food stores our subsidiary, ASDA Group, intends to acquire bringing certain benefits to ASDA's operations, a new store opening by ASDA, the expected success of our Sam's Club segment in the back-to-school season and our Sam's Club segment continuing to look for innovative ways to drive traffic and membership renewals and upgrades.

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 health care, 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 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 quarterly reports on Form 10-Q and 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 discussed on this call exclude the impact of fuel sales at our Sam's Club segment. That measure, 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 August 17th, 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 second 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 walmartstores.com/investors. A full transcript of this call will be available on the Website after 7 AM Central Time on August 17th, 2010. Our executive team is ready to report on our second 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, Executive Vice President of Finance and Treasurer, has the details behind our consolidated financials. Then we will go to the operating segments. Bill Simon, our new President and CEO of Walmart U.S., will be followed by Doug McMillon, President and CEO of Walmart International, and then we will have Brian Cornell, President and CEO of Sam's Club.

Tom Schoewe, our Executive Vice President and CFO, will round out the call with an update on our SAP implementation, our company's financial report card, and earnings guidance. But first, let me cover some important changes we have made that affect our financials. During the second quarter, we had two changes. As you know, we have been implementing SAP through a staged timetable across our businesses. The implementation's first stage was ASDA, our U.K. subsidiary. The second stage was in the United States, Puerto Rico and Canada, and implementation started May 1, 2010. In connection with the second stage of that implementation, and coinciding with the improvements available in our new financial systems, the SAP implementation gave us the ability to improve our methodology for valuing inventory under the retail method of inventory accounting.

We have improved our ability to measure inventory at more granular levels. The systems change will better align the accounting for inventory components with how the merchants run their businesses. As a result, the aggregation of certain inventory groups now occurs at the lower levels, which produces a different cost valuation for the affected inventory. The retrospective application of this accounting change has impacted both segment and consolidated operating income, as well as consolidated net income.

Let me share the effect of this change. For fiscal year 2010, adjusted earnings per share are currently $3.73, up $0.01 from the reported $3.72. This change was driven by the impact to cost of sales from the described inventory accounting change. While fiscal 2010 changed by $0.01 of EPS, there are some quarterly fluctuations or volatility in merchandise shipments. For example, you will notice that last year's second quarter, Walmart reported EPS of $0.88, but today, we are reporting $0.89 per share for the same quarter.

For the third and fourth quarters, we adjusted EPS by a negative $0.02 and a positive $0.03 respectively. These adjustments impact the operating income of both Walmart U.S. and Walmart International. Financial information for all periods discussed on this call and in our second quarter earnings release today is presented on a comparative basis for the retrospective application of this accounting change. Please note that we have provided detailed explanations in the notes of the press release.

The Website section titled "financial results" contains the comparable financial information for each quarterly reporting period in fiscal 2010 and the first quarter of fiscal 2011. Second, as of this quarter, we have started including Wakana units in our unit count for Walmart Japan. Wakanas are fully owned, stand-alone take-out restaurants generally less than 1,000 square feet. One last reminder, recall that effective with this fiscal year, the operations in Puerto Rico moved from Walmart International to their respective U.S. segments. Comp sales and all information today in Walmart U.S. and Sam's Club reports do include results from Puerto Rico.

Now, Mike, let's get started with our earnings news. Mike?

Mike Duke

Thank you, Carol. Welcome everyone. I am pleased with our second quarter EPS. Despite a tough sales environment, we managed the business well, delivering on expense leverage through our commitment to the productivity loop. Today, we are reporting EPS of $0.97, within our guidance of $0.93 to $0.98. We consistently grow earnings and this quarter's EPS grew 9%. More important, we are raising our EPS guidance for the full year to $3.95 to $4.05.

Net sales for the quarter were up almost 3% to more than $103 billion. Operating income for the company was more than $6 billion, up more than 4%. The company leveraged expenses for the third consecutive quarter. This remains a priority throughout the company. We surpassed 8,500 worldwide units in July, representing various formats. During the quarter, the company added almost 5 million square feet of retail space in our 15 countries. We had significant square footage growth in Mexico and China, and I am pleased that China is on track to reach the 300-store mark in September.

Our balance sheet remains world-class and reflects the underlying strength of our business. Now let me move on to the highlights of the individual operating segments.

In Walmart U.S., I am pleased with the speedy leadership transition, with Bill Simon taking the reins of our largest operating segment. Bill is a strong leader who transformed the customer experience in our stores and has continued to drive innovation and improvement throughout the business. As expected, Walmart U.S. had a challenging second quarter. Total sales and operating income were flat to the prior year, with comps declining 1.8%. The top priority for the business remains improving top line sales and customer traffic. I am fully aligned with Bill's focus on assortment and pricing, and with strengthening our supplier relationships. I am also impressed with the urgency and the speed that he and his team are demonstrating in executing changes in strategy that are making sense for our customers and shareholders. They are moving rapidly to build on the initiatives that worked and adjusting those that have not worked.

Sam's Club delivered 1% comp growth, which was at the top of their guidance. They also increased operating income and continue to maintain the right balance of inventory in the clubs. I am pleased with how Brian and the team are focused on membership and merchandise, and I look forward to consistently strong results ahead. Walmart International continues to be an impressive growth engine. Doug and his team grew net sales by 11%, and grew operating income faster than sales. They also leveraged expenses for the sixth quarter in a row.

We continue to see aggressive growth throughout International. I mentioned Mexico and China earlier, I need to call out Walmart Canada. It opened its 100th supercenter in July. We expect that International will continue to be a strong contributor to our company's growth and our overall results. In his new role leading global e-commerce and global sourcing, Eduardo Castro-Wright is bringing an even greater intensity to positioning Walmart as the global leader in multi-channel retail. You can expect to hear more about both of these areas at our investor conference in October.

We will not stray from our EDLC-EDLP business model and we will keep listening to our customers and associates. The slow economic recovery will continue to affect our customers, and we expect they will remain cautious about spending. Walmart remains committed to our mission of saving people money so that they can live better. Our leadership team across the company has never been stronger, or more focused on our priorities of growth, leverage and returns. As we build the Next Generation Walmart, we are confident about the future of our business.

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

Charles Holley

Thanks Mike. For the second quarter of fiscal 2011, the company delivered earnings from continuing operations of $3.6 billion, an increase of 3.4% from last year. Walmart reported earnings of $0.97 per share, a 9% increase over last year's earnings per share of $0.89. Earnings per share included a benefit of approximately $0.01 from currency exchange rate fluctuations and was within our guidance for the quarter of $0.93 to $0.98 per share.

In addition, we are pleased that we delivered earnings per share for the second quarter above First Call consensus of $0.96. Consolidated net sales increased 2.8% to $103 billion for the quarter. Walmart International was the main driver of growth and was helped by a currency benefit of $857 million. On a constant currency basis, consolidated net sales increased 2%.

The 13-week total U.S. comparable store sales without fuel declined 1.4%. You will hear more details on the Walmart U.S. and Sam's Club comp sales from Bill and Brian. Expense management continues to be a positive story. Walmart leveraged expenses for the third consecutive quarter, with expenses growing only 0.6% on a sales growth of 2.8%. The CEOs for the three operating segments will give additional details on their leverage performance.

Unallocated corporate overhead, which includes corporate expenses, decreased to $416 million. That's a decline of 15.3% from last year. Although unallocated corporate overhead can have some volatility from quarter to quarter, we continue to manage our core corporate overhead expenses well. The key takeaway is that we were able to leverage those expenses in the second quarter.

Consolidated gross margin decreased 32 basis points to 24.7%. The decrease was driven by Walmart U.S., which Bill will elaborate on, later in the call. With a gross margin decrease more than offset by expense leverage, the company was able to grow operating income at 4.4% over last year. This growth rate was slightly faster than sales. The company's operating income of $6.2 billion included a $46 million benefit of currency exchange rate fluctuations. On a constant currency basis, operating income grew 3.6%.

Consolidated membership and other income increased 30 basis points to $710 million for the quarter. The effective tax rate for the quarter was 34.3%. We expect the tax rate for fiscal 2011 to be between 34% and 35%, although we will see some quarterly fluctuations. Factors which may impact our rate include changes in our assessment of certain tax contingencies and the mix of earnings among our U.S. and international operations.

Return on investment for the trailing 12 months was 19%, up from 18.4% at the same time last year. Inventory grew 4.3% for the total company, compared to the end of the second quarter last year, and on a 2.8% sales increase. Walmart U.S. and Walmart International contributed to the increase in inventory, primarily due to the comparisons versus last year's significant inventory reduction and the new Walmart U.S. strategies.

While inventories were up at the end of the second quarter, payables were up even more. Payables grew at 17.9%, so our accounts payable to inventory ratio was 97.6%, up from 86.3% at the same time last year. The growth in payables is partially related to the growth in inventory, but was impacted to a greater extent by the timing of our payment cycles, pushing the payables balance to unusually high levels.

Although the increase in inventories over last year continues to pressure free cash flow, the growth in payables this quarter actually overcame that pressure. Walmart ended the first half of fiscal 2011 with free cash flow of $4.5 billion compared to $4.2 billion last year, which is very strong. 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 back half of this year.

The high payables to inventory ratio should moderate in the second half of the year. Our balance sheet remains strong. We continue to have excellent access to credit markets. Our debt-to-total-capitalization ratio at the end of the quarter was 43.2%, slightly up from the 40.4% last year at the same time. The 8.8% increase in our total debt levels, partially offset by lower average borrowing rates, resulted in a slight increase in net interest expense to $485 million.

Capital expenditures for the second quarter were $3 billion, slightly below last year's CapEx of $3.1 billion. Year-to-date, Walmart has spent $5.6 billion in capital expenditures. As we shared with you last quarter, we expect a larger number of new store openings in the third quarter. This is the second quarter in a row that Walmart has set a record for share repurchase. In the first quarter, the company repurchased $3 billion or 55.6 million shares, and this quarter, we repurchased $4.1 billion or 81.3 million shares. As you remember, during our shareholders' meeting on June 4th, we announced a new $15 billion share repurchase authorization, which replaced our previous $15 billion plan. Our new authorization has $12.4 billion remaining.

In the second quarter, Walmart also paid $1.1 billion in dividends. The dividends and share repurchase of $4.1 billion represent $5.2 billion that the company has returned to the shareholders this quarter. Year-to-date, Walmart has returned $9.4 billion to shareholders. We are proud of how we manage our business. The strength of our balance sheet serves as a foundation of our commitment to growth, leverage and returns.

Now, let's move on to a discussion of our operating segments. We will start with Bill and Walmart U.S. Bill?

Bill Simon

Thank you, Charles. I am honored to lead the Walmart U.S. business and pleased to have the chance to talk to you for a minute about the many challenges and opportunities that we have. We have set out a clear direction for change in our business and believe this will put us on a track to see improvement by the fourth quarter.

In the second quarter, for the first two months of the quarter, Action Alleys were clear of merchandise and our stores featured many deep rollbacks on price. The deep rollbacks we featured in May and June did improve price impression, but they did not generate the level of top line sales we had hoped for. In July, we put the emphasis back on our core EDLP model. Our associates are helping our customers realize that we are the price leader.

We also engaged with suppliers to review our assortment to make sure that we had the breadth of inventory that Walmart customers have come to expect. In the coming weeks and months, our assortment will be more relevant to our customers, with the right mix of new and innovative products. We are leveraging our suppliers' capabilities to help us drive impactful features. And we are restoring thousands of products to our assortment and adding new items. We plan to win in every category and let customers decide through their purchase decisions what to include in our assortment.

During the past six weeks, we have returned merchandise to Action Alley. Our store managers now have more autonomy to make decisions on what's right for their customers. We believe it will take some time to see significant changes in comp sales, but we are beginning to see more encouraging traffic trends. Now, I would like to get to the details on the results for the second quarter.

Net sales were flat for the second quarter. Comp sales for the period declined 1.8% for the 13-week period. Comps did improve by the end of the quarter, and traffic trends improved sequentially during the period. Consistent with the most recent quarters, customers continue to spend cautiously, especially on discretionary products, and the paycheck cycle remains pronounced. Government assistance continues to increase as a form of payment, particularly in regions with higher unemployment and credit now only represents about 15% of our tender.

Investments in rollbacks in the first two months of the quarter caused a decrease in operating income of 22 basis points, as our gross margin rate was down year-over-year. Walmart U.S. inventory is up 4.4% compared to last year, represented by increased inventory now placed in Action Alley and increased assortment as we focus on solid in-stock levels. The quality of our inventory is increased, and turns are up. Inventory is still low when compared to historical levels. In fact, it's well below the July 2007 and the July 2008 levels of inventory. And we will continue to monitor it closely in the coming months.

We continued our trends of expense leverage. In a period where sales were flat, we reduced SG&A expense by 159 basis points, the result of three key factors. First, the store management teams delivered a 2.8% increase in labor productivity, as our scheduling systems continue to match associate hours with customer traffic. Our scores overall in customer satisfaction remain in line with the strong scores we have been consistently reporting.

Second, our sales shortfall resulted in a decrease in the accrual for the management incentive plan for the first half of the year. And, third, we changed our advertising strategy and brought media expenditures back in line with historical trends. Recall that advertising expenses were up significantly last quarter versus previous periods. We will continue to broaden and accelerate key sustainability initiatives, as they help make us a better company and contribute to expense savings. We particularly focused on energy improvements this quarter.

Our logistics team continues to deliver more improved fleet efficiency. We are also expanding our use of fuel cell technology to power our stores. Currently, we operate two such fuel cells and we are planning to have as many as 10 by the end of the year. Each fuel cell can generate up to 60% of a typical supercenter's power needs. Other income for the Walmart segment did not change significantly on a year-over-year basis.

Now, let me cover some trends affecting sales. In a mostly deflationary food environment, our grocery sales generated slightly positive comp sales. As I mentioned earlier, the more aggressive rollbacks did not generate the overall sales lift we expected, but we did see a sequential improvement in grocery traffic during the quarter. Fresh continues to drive growth. Events like Summer Fruit Fair presented the department with greater authority and helped drive double-digit comp growth for many items in produce, including strawberries. Fresh categories, including dairy and meat, for example, had modest inflation, that was offset by deflation in other areas. We gained significant share this quarter in the soft drinks and snack category, both during and after the rollbacks.

Health and wellness comp sales were slightly negative, due to higher generic utilization and a shift to 90-day prescriptions. Wellness categories continued to show positive results. Recalls in over-the-counter areas impacted the business negatively. Optical sales continue to show double-digit unit growth, driven by the strength of our low price points for a complete set of glasses. Initial back-to-school sales indicate that customers are shopping more closely to the event. We are driving price messages for school supplies, electronics, apparel and home or dorm items.

More than 1,000 stores have merchandise specific to college areas, and all stores carry merchandise with logos from local high schools. We are very focused on delivering basics in back-to-school apparel, such as socks, underwear, tees, and school uniforms. Overall apparel comps remain negative. We are focused on improvement in our apparel business and believe we will see better comps by the fourth quarter. Our team is re-emphasizing offerings for our core shopper and including more relevant size offerings in our core brands, Faded Glory, Danskin Now and Just My Size.

In home, comps were negative. Sales of grills, lawnmowers and patio sets were soft. Indoor categories were mixed, with strength in floor care, appliances and bedding, categories for many student dorm rooms. Sales in baking and decorating were strong, reflecting the ongoing trend of customers cooking and baking at home. Hardlines also had a negative comp. As people look to save on do-it-yourself items for homes and their cars, sales in categories like automotive and hardware did improve.

Our entertainment comp sales were negative, but we are seeing improvement in back-to-school related areas. We are up against last year's converter box sales and are pleased with unit sales growth for our larger screen TVs. Comps remain challenged by a decline in average unit retail prices. Our wireless business remains strong behind the popularity of our Straight Talk offering and sales of iPhones.

Walmart Financial Services experienced double-digit growth, led by continued growth in check cashing and the Walmart Money Card. We are also benefitting from the extension of our Walmart MoneyCard agreements with Green Dot Corporation and GE Money Bank. Walmart.com continues to grow at a rapid pace. Average order size was essentially flat, but traffic increased significantly. Sales of many categories were strong, including health and beauty, home, and entertainment. We moved many large items such as playground equipment and pools to the online channel and saw significant upticks in sales of these products.

The final group of our 550 store remodels, scheduled for this year, are currently underway. We have improved our remodeling process by reducing the level of disruption for our customers and associates as merchandise is moved around the store. We are very pleased about the decision by the City Council to approve three stores in Chicago. This is part of our goal to build several dozen stores across Chicago during the next several years. With the news of Chicago, we have been contacted by numerous officials in some of the largest U.S. urban markets who want to discuss opportunities with us. This bodes well for our continued growth in the U.S. in the future.

Now, let's look forward. As I mentioned earlier, we are confident that the changes we are making will improve the top line sales by the fourth quarter. We are focused on the right assortment, price leadership, driving traffic and delivering an unbeatable customer experience in our stores. We recognize that it will take time to see significant changes in our comps and that the U.S. economy remains challenging. Gas prices and unemployment continue to influence how our core customers shop.

The 13-week comp for the third quarter period last year was a negative 0.5%. We are forecasting a comp of minus 2% to plus 1% for the 13-week period from July 31st through October 29th, 2010. You may recall that last year, we reduced our inventory in the second quarter by 5.7%, or $1.4 billion, when compared to the prior year. In the third quarter, year-over-year inventory reduction grew to $1.8 billion. It's clear that last year's inventory was lean and we are now up against that very low base. As we bring merchandise back to meet the needs of our customers, we expect to see modest increases in inventory in our stores and distribution centers. We are comfortable with the level of inventory growing at or slightly above the same rate of sales. We expect the gross margin rate for the second half of this year to be essentially flat when compared to last year.

Now, I will pass things over to Doug to hear about our International business. Doug?

Doug McMillon

Thanks Bill and congratulations on your new role. At our annual shareholders meeting in June, Mike talked about how Walmart's culture appeals to every country, sets us apart from the competition, and builds trust with our customers. This culture allows our associates to continue driving growth and achieve great results through customer service. I see this first hand in every country I visit, and he couldn't be more right. Thanks to our associates for another strong quarter.

I am very pleased with our double-digit sales growth and operating income growth this quarter. International net sales for the second quarter were $25.9 billion, an increase of 11% from last year. This sales increase includes $857 million from the relative strengthening of many currencies against the U.S. dollar. Sales on a constant currency basis were $25 billion, a 7.3% increase over the second quarter of last year.

On a constant currency basis, sales increased for the second quarter primarily due to a strong underlying performance in Mexico, as well as new store growth in Brazil and China. International's operating income for the second quarter was $1.3 billion, up 16.8% from last year, and an increase of 12.7% on a constant currency basis. We are very pleased that in a tough environment, we grew operating income faster than sales.

Excluding the impact of acquisitions, for six consecutive quarters now, we have leveraged our constant currency expenses. With tight expense management, our teams leveraged expenses in almost all of our operating countries, with the exception of slight headwinds in Mexico and Canada.

On a constant currency basis, gross margin as a percentage of sales increased slightly in the second quarter, while membership and other income declined as a percentage of sales. As for inventory, we continue to make good progress reducing days on hand compared to last year, despite headwinds in China and Japan. Overall, International inventory grew slower than the rate of sales growth.

Now, let’s get into 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. Let’s change things up a bit for this quarter. Latin America has so much going on there, and we continue to see terrific growth opportunities there, so let’s start with Walmart Mexico and Central America.

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

Walmex’s sales for this quarter were up 9.8%, and comparable store sales were up 2.7%, outperforming the industry. This sales increase is even more impressive when you consider the Easter calendar change and the comparison to higher sales during last year’s H1N1 outbreak. So far this year, Walmex has opened 60 new stores and restaurants. For the second quarter, all of Mexico’s formats have positive comp growth. Customer count was up 3.7% at comparable stores. Average ticket declined 90 basis points on EDLP price investments in the Bodega Aurrera format.

For the second quarter, Walmex same-store sales for self-service formats grew by 2.2 %, while ANTAD’s same-store sales report for the rest of the industry grew by 1.3%. Second quarter gross margin grew 85 basis points from last year and operating expenses as a percentage of sales grew 45 basis points. Higher utility rates were a large component of expense growth. Despite the expense headwinds, operating income grew at 19.4%, which was faster than sales.

Now to Brazil, another key market where we continue to grow. Since the second quarter of last year, we opened 93 new stores in Brazil. This includes 7 new stores in the second quarter of this year. Brazil has the greatest number of retail banners of our countries, and that enables us to have formats that meet the local and regional needs of our customers. Brazil’s second quarter sales growth was 13.3% and comparable store sales grew 3.1%, both in real terms.

Customer traffic at comparable stores declined 5.2% and average ticket increased 9.1% in real terms. Sales at our cash and carry, supermarkets and soft discount formats continue to perform well. A change in sales mix and soft sales in fresh resulted in a 1.1 percentage point decline in gross margin as a percentage of sales. Expenses as a percentage of sales improved even after adding a significant number of new stores at the end of last year.

Moving to Asia, in Japan, second quarter overall sales and comparable store sales both declined by approximately 0.8 %, the result of continued deflation in grocery and consumables. This performance is on top of a market that had comp declines in the low-single digits. The market data is sourced from the Ministry of the Economy, Trade and Industry or METI.

In real terms, comparable store sales in Japan increased by 1.6%, as traffic continues to increase because customers are responding well to EDLP. Food and consumables showed strong performance, while general merchandise and apparel sales were down. Expenses as a percentage of sales are down significantly from last year due to our continued focus on execution of EDLC in support of the EDLP initiative.

China continues to be a growth market for Walmart. In the second quarter, we opened 7 stores, for a total of 36 new stores in the last 12 months. This brings our total China store count to 291. Sales increased 15.4% over the second quarter of last year, and comparable store sales growth remained strong at 6.1%. Average ticket grew significantly, but traffic declined as customers continue to buy more each trip. Gross margin as a percentage of sales was down slightly from the second quarter of last year on continued price leadership. Operating income grew faster than sales, due to the continued expense savings from labor productivity programs and energy efficiency initiatives.

We continue to be pleased with our support of Bharti Retail and the progress in India. Bharti Retail continues to grow and now operates 72 supermarkets and 6 compact hypermarkets, with great sales growth. Our two cash and carry stores are performing well, and we have recently announced the opening of our third store. In the United Kingdom, ASDA continues to make good progress towards their strategic goals. In May, ADSA announced its intent to acquire the Netto Food stores located in the U.K. These stores will bring many great new locations and a platform for smaller store formats throughout the United Kingdom. Of course, the acquisition is subject to regulatory approval and is expected to close later this year.

In the second quarter, ASDA's sales grew in the low-single digits, while comp sales without fuel declined 40 basis points. According to Kantar Worldpanel, ASDA's market share dropped slightly in the 12 weeks ending

July 11th. ASDA's gross margin as a percentage of sales increased in the second quarter on a mix shift towards higher margin George and general merchandise. George had a particularly strong quarter, with strong sales of World Cup related merchandise and our 100-day quality guarantee. Customers continue to respond well to our guarantee, and we continue to see this as a unique competitive advantage in the market. Expenses as a percentage of sales declined slightly as the ASDA 'we operate for less' program continues to deliver efficiencies. As a result, operating income grew faster than sales.

On e-commerce, ASDA's second dedicated home shopping center will open next month and will provide enhanced coverage in an area of low market share for ASDA. ASDA's customers are facing recently announced tax increases and cuts in government spending. These are likely to cause our U.K. customers to face a challenging 12 to 18 months. Recent price reductions on high volume staples such as milk and eggs and the guaranteed lowest basket price show ASDA's commitment to provide the value our customers expect and trust us to deliver.

And finally Canada, Walmart Canada's second quarter sales growth was 4.2%. The growth was largely due to the supercenter expansion program and a strong category performance in existing stores. As Mike said, we now have 100 supercenters in Canada, 40 more than this time last year. Comparable sales in Canada were flat to last year. Traffic was down 40 basis points and ticket up 40 basis points in the second quarter as customers continue to be cautious. Sales in Western Canada have been softer than both Ontario and Quebec. Growth was led by sales of food, consumables and health and wellness, partially offset by softer sales in entertainment and hardlines. Canada's gross margin rate increased over last year, due to better inventory management, a reduction in shrinkage and improved purchasing.

Canada's expenses grew faster than sales primarily due to our bank startup costs and an increase in utility rates. Despite the increase in expenses, Canada's second quarter operating income grew faster than sales. In closing, our associates are merchants first. In more than 4,200 International stores, we remain focused on the customer and executing on the basics of price leadership, assortment and in-stock. Every day, our associates strive to provide a great customer experience and earn trust.

I am encouraged by the progress we are making at leveraging Walmart knowledge globally to improve our customer proposition and increase shareholder value. Now, I will turn it over to Brian for an update on Sam's Club. Brian?

Brian Cornell

Thank you Doug. At Sam’s Club, our strategy remains focused on taking care of our members and staying true to our brand promise of ‘Savings Made Simple’. To fulfill that brand promise, we focus every day on making the right merchandise choices, enhancing the shopping experience and engaging our members in different ways.

Before getting into all of the financial details, I want to share some of the key highlights about our business. First, we are reporting a comp sales increase of 1%, excluding fuel, for the 13-week period, which I am pleased to say, was at the top of our guidance. We are proud to recognize the accomplishments of our dedicated managers and associates who lead our efforts in improving club productivity and expense control on a daily basis. Excluding the impact of the interchange fee related to the Sam’s rewards credit program, which we detailed in last quarter’s call, we leveraged expenses for the third straight quarter.

We are improving our shopping experience with innovation and technology. Early last week, we announced plans to upgrade all clubs to WiFi by the end of the year. Our members will benefit by having the use of their smart phones while shopping. And our associates will be able to demo new IPTVs and other networked devices on a real-time basis.

In addition, last week, we announced that we will carry the iPhone 4 in our clubs. We have stepped up our efforts to bring the most sought after brands into our clubs sooner and more often, relying on member insights to make the most relevant merchandising choices for Sam’s members. Growth continues to be a priority, and our team welcomed a new club that opened last month in Barceloneta, Puerto Rico, marking our tenth club on the island. We also have another grand opening next week in Nicholasville, Kentucky.

Now, let’s turn to the detailed financial results. For the second quarter, net sales for Sam’s Club, excluding fuel, increased to $11.4 billion, which is a 60 basis point increase over last year. Including fuel, second quarter sales were $12.5 billion, which is a 2.2% increase versus last year, primarily due to higher fuel prices this year compared to last year. Fuel prices in the second quarter this year were approximately 11.3% higher than last year.

Club comp sales, excluding fuel, for the 13-week period increased 1%. Including fuel, club comp sales increased 2.6%. Comp ticket increased for the 13-week period, with both Business and Advantage average ticket, excluding fuel, increasing. Comp traffic, excluding fuel, declined for the 13-week period. Sales in many of our largest fresh and health and wellness categories continue to be positive, including produce, meat, snacks, baby care and pharmacy. We also are seeing an uptick in discretionary spending via positive performance in categories such as mattresses, jewelry, domestics and house wares. The momentum in mattress sales is complemented by the rollout of our new delivery program.

Sales in apparel continue to improve, the result of adding several key brands that are resonating with our members. Seasonal categories such as grills, patio, seasonal decor were also successful during the quarter. Additionally, tobacco sales continue to be very positive. Overall, broad-based deflation appears to be abating, and we have even begun to experience some inflation in a few categories like meat and dairy. However, we continued to see pricing pressure in the second quarter in some laundry and paper categories.

In the second quarter, consistent with many key competitors, we continued to have negative trends in our entertainment and technology business. The industry has experienced reduced promotional activity; however, we have seen improvement in this business over the past few weeks.

Our second quarter operating income increased 2.4% versus last year to $428 million, including a $16 million contribution from fuel profit. Excluding fuel, operating income decreased by 1.7%. Gross margin rates, excluding fuel, increased by 15 basis points during the second quarter, primarily driven by the continued shift in merchandising mix towards higher margin fresh products. Including fuel, gross margin rate for the quarter increased by 8 basis points. Inventory increased slightly by 80 basis points versus last year.

We have been strategically aggressive in key events like 'back-to-school' and 'back-to-college' and we anticipate a solid season. We continue to be mindful of maintaining the right balance between solid inventory management and ensuring we have the right products members want when they shop our clubs.

We have completed work on 33 of what we call 'pure Project Portfolio clubs', with another 16 under construction. In addition, we have completed or are completing approximately another 70 scheduled remodels, in which we have added various aspects of Project Portfolio as part of the remodel. Stated another way, 'pure Portfolio' clubs or clubs in which no other material remodel activity was conducted. As a reminder, the main focus of Project Portfolio is to increase the assortment of highly productive merchandise categories like fresh and health and wellness. We continue to be pleased with the direction of the test and are making adjustments as we move forward. Overall, our members are pleased with the key changes.

Expenses grew 2.7% versus last year, driven by increases in credit card interchange fees, remodel and marketing expenses. For the quarter, sales per labor hour increased 2.7% and our club wages were basically flat versus last year. Units per labor hour increased approximately 1.4% for the second quarter versus last year. I am very pleased with our progress on expense leverage and club efficiency.

Membership and other income for the second quarter increased by 1.2% versus the prior year. Membership income, the primary driver, increased 80 basis points versus last year, mainly due to Plus membership upgrades. In July, we hosted a 'stock- up' event to drive increases in membership and traffic, and we are pleased with the incremental sign-ups. Our Plus membership, with eValues and other new benefits, such as earlier shopping hours, continues to show good momentum.

Add-on Business memberships still face headwinds, given the challenges that many small business owners are encountering. We will continue to look for innovative ways to drive traffic, renewals and upgrades of existing members. In May, we launched a pilot program in an effort to help business members get access to the credit and capital they need to run and grow their businesses. I am pleased with the positive response from our small business members to these initiatives.

The third quarter is underway and we are focused on a number of efforts to drive even greater value for our members and shareholders in accordance with our corporate priorities of growth, leverage and returns. The Sam's Club team is keenly focused on top line sales growth, driving comps and productivity.

From August 6th through the 8th, we hosted an 'Open House' which allowed non-members to shop our clubs without incurring a standard surcharge on their purchases. This event introduced prospective members to the value proposition behind Sam's. We were very pleased with the results from both the sales and membership perspective.

On a final note, last week, Todd Harbaugh was appointed Executive Vice President of Operations upon the announcement of Nacho Perez's [ph] retirement. Todd joined Walmart in October of 1990. During his 20-year career, he served in a variety of positions and most recently held the role of Senior Vice President of Integration, Planning and Communications at Sam's Club. We wish Nacho well, and we are pleased to have great team depth, which is demonstrated by Todd's appointment.

The current economy remains challenging for both Business and Advantage members. However, we have seen sales momentum over the past few weeks. We expect comp sales, without fuel, for the current 13-week period from July 31st, 2010 through October 29th, 2010, to range from flat to positive 2%.

I will turn the program over to Tom for the report card and guidance discussion. Tom?

Tom Schoewe

Thanks Brian. Like last quarter, before I get into our financial report card and discuss growth, leverage and returns, I would like to give you a quick update on our SAP implementation.

We shared with you previously that on May 1st, we began implementing SAP throughout North America, that would exclude Mexico and its Central America subsidiary. This implementation has now been up and running for three months. As you would expect with any major system initiative, we have experienced some challenges along the way, but I am proud to say that nothing prevented us from successfully completing our monthly close processes during the quarter, so we really feel good about the numbers, the integrity of the numbers. Most of our challenges have been in the area of change management, which are being addressed, since the new system is performing as designed.

We will continue to leverage what we have learned as implementation in other countries continues. We plan to go live in Japan later this year and have also started work in Mexico. Now let's move on to our financial report card to see how well we have done with growth, leverage and returns. First, let's discuss growth. For the second quarter of fiscal 2011, we grew both our square footage and sales. Sales grew almost 3% for the quarter, mainly driven by Walmart International, which you heard about earlier in this call.

Net square footage of retail space increased by approximately 5 million square feet to 961 million square feet at the end of the second quarter. So far this year, we have added 8.6 million square feet, in an effort to reach more people, so that they can save money and live better. We continue to feel good about our growth prospects across the company. As always, we will update both CapEx forecasts and square footage goals for this year and next at the October meeting for the investment community.

Next is a discussion on leverage. Our commitment to the productivity loop and every day low costs has now resulted in three consecutive quarters of expense leverage, and obviously this has been a significant contributor to our bottom line results. We are really proud of our progress here.

Finally, let's chat about returns. As I mentioned in the first quarter, inventories at the end of last fiscal year were relatively low for Walmart. This 'starting point' obviously will impact free cash flow all year, as it did for the second quarter. The difference here is that in the second quarter, the accounts payable increase positively affected free cash flow. Earlier in the call, Charles covered these details. Having said all that, our free cash flow through the first six months of this year was $4.5 billion, and compares to $4.2 billion we reported for the same period last year.

Our goal for return on investment is to provide a consistently high return. Return on investment for the 12 months ended July 31st was 19%, up from the 18.4% last year. The story behind ROI is really driven by strong operating performance. As I mentioned just a few minutes ago, we increased square footage and continue to invest in the business. Average invested capital or the denominator used to calculated ROI increased 5%. However, our continued focus on the productivity loop has produced strong operating results. The trailing 12-month adjusted operating income or the numerator for ROI has grown by almost 9%. Overall, we are very pleased with this performance in return on investment.

Now let’s move on to guidance. Based on our view of the business, and the current U.S. sales environment, we expect third quarter diluted earnings per share for fiscal 2011 to be between $0.87 and $0.91 per share. Please remember what we discussed earlier in the call and the fact that our new retail inventory valuation methodology will reduce last year’s third quarter reported earnings per share. In addition, there will be an offset to that reduction in Q3, with an improvement to the restated fourth quarter earnings from last year. You might want to keep this in mind as you refine your model.

With all that in mind, and based on the underlying strength of our business, we are raising our full-year EPS guidance to a range of $3.95 a share to $4.05. This guidance assumes that currency exchange rates remain at today’s levels. In closing, I would like to summarize with just a few key points. We delivered strong EPS this quarter, ahead of First Call consensus. Expense leverage was the main driver of the bottom line this quarter and will continue to be a strategic priority. ROI is extremely healthy and above the prior year as we continue to deliver solid operating performance. And finally, Walmart has produced strong and consistent earnings growth, and solid returns to shareholders, both in the form of share repurchase and dividends.