Operator

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This call will contain statements that Walmart believes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and that are 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, assumption, based on, estimate, expect, expects, forecast, goal, guidance, is expected, may experience, plan, projected, to be, to be completed, to deliver, to open, to range, to reduce, will continue, will do, will experience, will generate, will be, will be completed, will continue, will contribute, will drive, will help, will impact, will kick-start, will put, will recognize and/or a variation of one of those words or phrases in those statements or by the use of words and phrases of similar import. Similarly, descriptions of Walmart's objectives, plans, goals, targets or expectations are forward-looking statements.

The forward-looking statements in this call include statements relating to management's forecasts for Walmart's diluted earnings per share from continuing operations attributable to Walmart for the quarter and the year ending January 31, 2013, for the comparable store sales of the Walmart U.S. operating segment and the comparable club sales excluding fuel of the Sam's Club operating segment for the 13-week period ending January 25, 2013, the range for Walmart's effective tax rate for fiscal 2013 and the possibility of quarterly fluctuations in such rate, Walmart's capital expenditures for fiscal 2013 and the assumptions on which such forecasts are based.

Those statements also include statements regarding Walmart's goals to grow operating expenses at a rate less than net sales growth and to grow operating income at a rate greater than the net sales growth; and relating to management's expectations that Walmart's operating expenses as a percentage of sales will be reduced by at least 100 basis points over the next 5 years by reducing costs and improving productivity to invest in lower prices in the Walmart U.S. and Sam's Club operating segments and to achieve greater profitability in the Walmart International operating segment; expenses in the fourth quarter of fiscal 2013 for reviewing FCPA matters will be in a certain range; consolidated sales growth for fiscal 2013 will be around 5% and $20 billion over fiscal 2012; Walmart will grow through a variety of formats in all of its markets; Walmart's holiday planning in key markets of Walmart International will drive sales growth in those markets; Walmart will lever operating expenses in the fourth quarter of fiscal 2013 despite expenses relating to Global eCommerce initiatives, FCPA matters and leveraging activities; Walmart will make the right investments to strengthen its Global eCommerce business; Walmart will continue to invest in Global eCommerce and global leverage services; Global eCommerce and global leverage services will contribute greater growth and improved leverage in the future and that such areas will continue to be a headwind; Walmart will continue to build the anywhere, anytime platform customers want; Walmart will drive sustainability deeper into its operations; and Walmart's strategies will continue to deliver increases in sales and earnings.

Those forward-looking statements also include statements of management's expectations for the Walmart U.S. segment stores being the #1 holiday destination in fiscal 2013; that the segment will recognize most of the $300 million of additional layaway sales made in the quarter ended October 31, 2012, in the quarter ending January 31, 2013, when customers pay for and pick up the merchandise; for the number of store openings in the quarter ending January 31, 2013; that certain initiatives will help the segment reach its savings goal in fiscal 2013 and the future; for the segment's plans for Black Friday; for the number of impressions across social media the segment will generate in the fiscal 2013 holiday season; that the segment will have a strong performance through Thanksgiving and Black Friday; and that the segment will continue to deliver consistent core growth.

Such forward-looking statements include management's expectations and plans; that the Walmart International operating segment will complete a certain number of new projects in Canada by the end of fiscal 2013; for the holiday season, Black Friday and Cyber Monday in the Canadian operations; that the segment will continue to demonstrate price leadership on a broad basket of goods in Brazil and that Brazil will complete its conversion to Every Day Low Prices or EDLP by the end of fiscal 2013; for the segment's more disciplined approach to real estate development and new store growth in China putting the segment on a stronger path to have more ideal locations; that the segment's acquisition of the controlling interest in Yihaodian will help the segment expand its presence in China and enable the segment to serve more Chinese customers online; and that the holiday schedule in China will be a headwind in the quarter ending January 31, 2013.

Such forward-looking statements include management's expectations that the Sam's Club operating segment's price investment strategy will continue in the fourth quarter of fiscal 2013; the segment's operating income growth will be challenged in the fourth quarter of fiscal 2013 and the expected reasons for that challenge; the segment's price investments will have a greater impact on its gross margin rate in the fourth quarter of fiscal 2013; and the slower growth in business member traffic seen by the segment in the third quarter of fiscal 2013 will remain a headwind for the segment in the fourth quarter of fiscal 2013.

The forward-looking statements also discuss other goals and objectives of Walmart and the anticipation and expectations of Walmart and its management as to other future occurrences, trends and results.

All of these forward-looking statements are subject to risks, uncertainties and other factors, domestically and internationally, including: general economic conditions; economic conditions affecting specific markets in which we operate; competitive pressures; inflation and deflation; consumer confidence, disposable income, credit availability, spending patterns and debt levels; the seasonality of Walmart's business and seasonal buying patterns in the United States and other markets; geopolitical conditions and events; weather conditions and events and their effects; catastrophic events and natural disasters and their effects on Walmart's business; public health emergencies; civil unrest and disturbances and terrorist attacks; commodity prices; the cost of goods Walmart sells; transportation costs; the costs of diesel fuel, gasoline, natural gas and electricity; the selling prices of gasoline; disruption of Walmart's supply chain, including transport of goods from foreign suppliers; information security costs; trade restrictions; changes in tariff and freight rates; labor costs; the availability of qualified labor pools in Walmart's markets; changes in employment laws and regulations; the cost of health care and other benefits; casualty and other insurance costs; accident-related costs; the cost of construction materials; the availability of acceptable building sites for new stores, clubs and facilities; zoning, land use and other regulatory restrictions; the availability of attractive investment opportunities in the Global eCommerce sector; adoption of or changes in tax and other laws and regulations that affect Walmart's business, including changes in corporate tax rates; developments in and the outcome of legal and regulatory proceedings to which Walmart is a party or is subject; currency exchange rate fluctuations; changes in market interest rates; conditions and events affecting domestic and global financial and capital markets; the unanticipated need to change Walmart's objectives and plans and other risks.

Walmart discusses certain of these matters more fully in its filings with the SEC, including its 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 of Walmart's other filings made with the SEC through the date of this call, including its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We urge you to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements made in this call. Because of these factors, changes in facts, assumptions not being realized or other circumstances, Walmart's actual results may differ materially from anticipated results expressed or implied in these forward-looking statements.

The forward-looking statements made in this call are made on and as of the date of this call, and Walmart undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

The comparable store sales for our total U.S. operations and comparable club sales for our Sam's Club segment and certain other financial measures relating to our Sam's Club segment discussed on this call exclude the impact of fuel sales of our Sam's Club segment. Those measures, as well as 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.stock.walmart.com and in the information included in our Current Report on Form 8-K that we furnished and filed with the SEC on November 15, 2012.

Carol Schumacher

Hello, this is Carol Schumacher, Vice President of Investor Relations for Wal-Mart Stores, Inc. Thanks for joining us today for our earnings call to review the third quarter of fiscal 2013. All information for this quarter, including our unit counts, square footage and financial metrics, is available on our website, new address, stock.walmart.com.

Please note that while we update unit counts on a monthly basis on our website, in the earnings discussion today, units and square footage are referred to as of the quarter end. Our press release is available on the website, and a full transcript of this call has already been posted there.

Here's the agenda for today's call. Mike Duke, President and CEO of Wal-Mart Stores, Inc., will open the call with his thoughts about the quarter, as well as highlights of our key results. Jeff Davis, SVP of Finance and Treasurer, will cover the consolidated financial details. Then we'll cover the operating segments: first, Bill Simon, President and CEO of Walmart U.S.; followed by Doug McMillon, President and CEO of Walmart International; and Rosalind Brewer, President and CEO of Sam's Club. We'll close the call with our CFO, Charles Holley. He'll cover growth, leverage and returns, as well as provide our outlook for the remainder of the year.

A number of you have asked about the potential impact of a 53-week year on our business. Let me remind you that unlike other retailers whose fiscal year coincides with a retail calendar, Walmart's fiscal year ends always on January 31. Walmart only reports comp store sales on a 4-5-4 basis for the U.S. segments.

During last year's Q4 call, we stated that we would report fiscal 2013 comp store sales on a 53-week basis with 4-5-5 reporting for Q4. But to align with our company's internal operating systems this year, Walmart will now report Q4 on a 4-5-4 basis, so we will not recognize a 53-week retail calendar this year.

Next year, fiscal 2014, we'll report comp store sales on a 53-week basis with 4-5-5 reporting in Q4. We ask that you please adjust your models accordingly.

Within Walmart U.S., we discuss layaway. The revenue and comp sales associated with merchandise put on layaway is not recognized until the merchandise is completely paid for and picked up by the customer. Therefore, the vast majority of third quarter layaway transactions will be recognized in the fourth quarter.

In discussing our operating results, we sometimes refer to the impact of changes in currency exchange rates that we use to convert the operating results for all countries where the functional currency is not the U.S. dollar. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the current period's currency exchange rates and the comparable prior year period's currency exchange rates. Throughout our discussion today, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. When we refer to constant currency operating results, we're referring to our operating results without the impact of currency exchange rate fluctuations and without the impact of acquisitions until those acquisitions are included in both comparable periods. The disclosure of constant currency amounts or results allows investors like you to better understand our underlying performance without the effects of currency exchange rate fluctuations or acquisitions.

When we use the term gross profit, we're referring to actual dollars. Gross profit as a percentage of net sales, or gross profit rate, refers to the percentage obtained by dividing gross profit by net sales dollars. All comparisons are calculated as the change between the current quarter and the prior year quarter, unless we state otherwise.

In all references to earnings per share, or EPS conversationally, we really mean diluted earnings per share from continuing operations.

One last point before we get to the earnings details. Additional information regarding our company's review of certain matters related to the Foreign Corrupt Practices Act is included in our Form 8-K dated November 15, 2012, regarding our earnings release. These documents are available on both the Walmart corporate site that I mentioned earlier and the SEC website.

So let's get on to our results. Mike Duke will kick off the news for the third quarter. Mike?

Michael Terry Duke

Thanks, Carol. Good morning, everyone. We're very pleased with our financial performance for the third quarter and the dedication and hard work of our associates serving Walmart customers and communities around the world.

Earnings per share were $1.08, which represents an 11.3% increase over the third quarter last year.

At our October Analyst Meeting, you heard me talk about our disciplined approach to operating the business, the productivity loop and making investments. That discipline enabled the company to deliver really good profitability and expense leverage in a quarter of continued economic uncertainty for our customers.

Here are some of the highlights for the quarter. Net sales were $113.2 billion, a 3.4% increase over last year. On a constant currency basis, net sales would have been almost $115 billion, an increase of roughly 5%. Consolidated operating income was up 4% from last year, again growing faster than sales. Return on investment was 18% and among the best in the retail industry. These results are a credit to the operating segments that drive our bottom line performance.

So now I'll get into their key takeaways. Walmart U.S. posted a comp sales increase of 1.5% and delivered approximately $2.3 billion in net sales growth. Back-to-school activities drove sales early in the quarter, and the mid-September launch of layaway was important in helping customers. Operating income outpaced net sales growth for the quarter and was a key driver of our overall company profit.

Bill and his team are executing very innovative plans to drive traffic and to help America's families have a great holiday season. That's what our customers expect, and we will deliver.

We announced our extended Black Friday program, and customers are already working on their shopping list. Price will continue to be a major factor for customers over the holidays. Our strong price position and broad assortment are clear competitive advantages in an economy where customers may still be cautious with their budgets.

Sam's Club posted a comp sales increase of 2.7% for the quarter without fuel. I'm pleased that Sam's delivered a 12.7% increase in operating income for the quarter. As you heard from Roz at the October meeting, there's still more work to do to accelerate membership income. I like the test the team is conducting in our Texas clubs, and we will continue to evaluate the results over the next several months. Sam's has also launched its price investment strategy and you can expect to see more of that in the fourth quarter.

Walmart International grew net sales 2.4% to $33.2 billion for the quarter despite a negative impact from currency and a challenging global economy. On a constant currency basis, net sales would have increased a healthy 7.6% over last year. International grew or maintained market share in its major markets except for China. We're maintaining our focus on improving profitability and returns, especially in Brazil and China. The focus that Doug and his teams have on driving comp sales through EDLP, lowering expenses and delivering leverage is moving us down the path to continue to grow and gain market share.

Across all of our markets, we are seeing the same price consciousness as we do in the U.S. More and more of Walmart's customers are part of a growing global middle class. They're looking for quality, value and a better life, and our EDLP model reinforces our competitive positioning.

I recently spent a week visiting 3 of China's major cities: Beijing, Shanghai and Shenzhen. While China's rate of growth has slowed, it's clear that a new generation of consumers is creating an immense retail market, and that includes a significant opportunity in eCommerce. We recently completed our 51% investment in Yihaodian, which will enable us to serve more Chinese customers online. We are now well positioned to grow with Chinese consumers whether they shop online or in stores.

Global eCommerce sales are growing, and we will continue to make the right investments to strengthen an already good business. We've made significant progress this quarter in enhancing our walmart.com site for U.S. customers. The walmart.com search engine is improving conversion. We are enhancing eCommerce opportunities for shoppers in the U.K., Brazil and China, including a global platform that increases the assortment on our key online sites. We will continue to build the anywhere, anytime relationship that customers want and that sets us apart from retailers operating only in the e-commerce space.

I want to thank our associates for being there for our customers. When the superstorm Sandy hit the East Coast, our associates jumped into action. The Walmart trucks rolled in, delivering water, food, blankets and other needed items. We have pledged $2 million to help with relief efforts. We will continue to do our part in the recovery, and we appreciate the kind words and the recognition from New York Governor Cuomo and New Jersey Governor Christie.

We also continued to demonstrate our commitment to lead on social and environmental issues. At a recent event in Beijing with government officials, NGOs, academics and suppliers, I announced new goals for how we will use the Sustainability Index to design more sustainable products, to make our global supply chain more socially and environmentally responsible and to incent merchants to make sustainability a bigger part of their day-to-day jobs. We will continue to drive sustainability deeper into our operations as this makes us a stronger business.

Our fundamentals are strong, and we are well positioned for the fourth quarter. We expect a very competitive holiday season and we are ready for it. Our teams across all 3 segments have done a great job working with our suppliers around the world to ensure that we are well stocked and offering the broadest assortment at the lowest prices in our stores and online.

On behalf of everyone at Walmart, I wish you happy holidays, Merry Christmas and a great New Year.

And now, I'll turn it over to Jeff for the financial details. Jeff?

Jeffery Davis

Thank you, Mike. As Mike just mentioned, Walmart reported EPS of $1.08, which was within our guidance of $1.04 to $1.09 and compared to $0.97 last year. While the current quarter benefited from a 31.3% effective tax rate, this benefit was substantially offset by approximately $105 million in pretax charges, which are included in operating expenses. More specifically, they are an approximate $69 million for charges in estimated contingent liabilities related to employment claims in Brazil and an approximate $36 million for damages from superstorm Sandy, mainly in our Walmart U.S. business.

Now let's cover the details on the third quarter's consolidated results. Net sales increased 3.4% or $3.7 billion to $113.2 billion for the third quarter. Our net sales included a negative impact from currency exchange rate fluctuations of approximately $1.7 billion. Therefore, on a constant currency basis, net sales would have increased 4.9% to $114.9 billion.

Total U.S. comp sales, without fuel, were 1.7% for the 13-week period ended October 26. In a few minutes, Bill and Roz will discuss the comp performance for Walmart U.S. and Sam's Club.

Membership and other income grew 2.1% compared to third quarter of last year. Therefore, the combination of net sales and membership and other income, which we refer to as total revenue, was $113.9 billion, up 3.4% from $110.2 billion last year.

Consolidated gross profit rate was 24.5%, a 13-basis point reduction compared to the same time last year. You will hear more from our segment CEOs regarding their price investment in just a few moments.

Now let's move our attention to leverage. We have 2 stated goals with respect to leverage: first, to grow operating expenses at a rate less than net sales growth; and second, to grow operating income at a rate greater than the net sales growth.

With respect to operating expenses, the company leveraged expenses by 17 basis points, which covered the 13-basis point investment in gross profit rate. We are pleased to have delivered operating leverage for the quarter despite the $105 million in pretax items I mentioned earlier.

Other unallocated expenses grew 16.4% during the quarter. Recall that other unallocated has 3 components: core corporate, Global eCommerce and global leverage services.

Now let's take a moment to review the overall increase. Within our core corporate, we recognized approximately $48 million in charges related to third-party advisors reviewing matters involving the Foreign Corrupt Practices Act. Please note that this amount is higher than our previously stated quarterly estimate of $35 million to $40 million. However, we expect these expenses to continue through the fourth quarter at our previously stated estimate of $35 million to $40 million. Excluding this item, core corporate would have decreased by approximately 1.9%, and I'm happy to say that year-to-date, core corporate would only be up 1% versus last year. We will continue to invest in Global eCommerce and global leverage services as these areas will contribute greater growth and improved leverage in the future.

This brings us to consolidated operating income in our second stated leverage goal. Third quarter consolidated operating income was $6.1 billion, an increase of 4%, which is also greater than the rate of net sales growth of 3.4%.

Debt to total capitalization was reduced to 43.7% versus 46.9% last year. This improvement was driven by strong operating cash flows, which allowed us to reduce our leverage.

Our balance sheet and credit rating remain very healthy, and we continue to have ample access to debt capital markets.

As referred to previously, we may experience quarterly fluctuations in our effective tax rate as it may be impacted by a number of factors, including changes in our assessment of certain tax contingencies, valuation allowances, tax law changes, audit results, discrete items and the mix of earnings among our U.S. and International operations. This was the case with our third quarter effective tax rate. The rate of 31.3% compares to last year's effective tax rate of 34.5%. However, we continue to expect the effective tax rate for fiscal 2013 to be at the lower end of our previous guidance of 32.5% to 33.5%.

This leads us to income from continuing operations attributable to Walmart of $3.6 billion, an increase of 8.7% from last year. Capital expenditures were $3.4 billion in the third quarter. During the quarter, we added approximately 13 million retail square feet through 173 net new, expanded and relocated units. You've heard us talk about capital discipline being an even greater priority. I'm pleased to report today that, year-to-date, capital expenditures are $8.9 billion versus $9.5 billion last year. Later on the call, Charles will provide an update on the total company CapEx forecast for fiscal 2013.

Free cash flow was $7 billion for the 9 months ended October 31, 2012. Let me say that again. $7 billion, which was an increase of more than $3.5 billion compared to last year. The increase was primarily a result of timing of payments of accrued incentives, improved operating results and disciplined investment.

Now let's move to returns. The company paid $1.3 billion in dividends to its shareholders for the quarter and $4 billion year-to-date. In addition, the company repurchased approximately 16.6 million shares for the quarter and 71 million shares year-to-date, totaling approximately $1.2 billion and $4.7 billion, respectively.

Through the combination of dividends and share repurchase, Walmart returned $2.5 billion to shareholders for the quarter and $8.7 billion year-to-date.

Consolidated inventory grew 7.1% compared to last year, and you'll hear more about inventory investments from each of our segment CEOs.

And finally, return on investment for the trailing 12 months ended October 31, 2012, was 18% compared to 18.2% for the previous year. It should not surprise you that our capital discipline benefited ROI. However, this benefit was mostly offset by currency exchange rate fluctuations.

Now, let's turn it over to our operating segments. We'll start with Walmart U.S. Bill?

William S. Simon

Thank you, Jeff. Let me start by saying how pleased I am with the performance of our U.S. business. We've aligned the business around an effective strategy fueled by the productivity loop, and we continue to produce consistent financial results.

During the quarter, we again delivered solid sales across the business. Comp sales increased 1.5% as we lapped a positive 1.3% comp last year. Year-to-date, we delivered almost $4 billion in comp sales growth. The earlier launch of our expanded layaway program generated approximately $300 million in additional third quarter volume versus last year, most of which we will recognize in the fourth quarter when the customers pay for and pick up the merchandise.

With average fuel prices up approximately 6% versus this time last year, some customers are consolidating their shopping trips. Traffic was up approximately 0.1%, but we were particularly encouraged by the 1.4% lift in ticket given the continued downward inflationary trends in some food and electronics categories. We're also encouraged by the continued increases in market share across food, consumables and over the counter combined, with overall third quarter share in these categories increasing 50 basis points versus last year, according to Nielsen.

We had positive comps across all geographies and store formats. During the quarter, we focused on being the destination for back-to-school and Halloween shopping. Our merchants and operators developed a strong cross-functional plan, and I'm pleased with our execution and the sales growth achieved this year. As a reminder, a slightly larger portion of Halloween sales versus last year will fall into the fourth quarter comp period given how the 4-5-4 calendar falls this year.

Similar to other retailers, we were impacted by superstorm Sandy. We recognized approximately $35 million of expenses related to inventory damage, cleanup and other miscellaneous items. Our dedicated associates responded quickly to reopen about 75% of approximately 300 impacted stores within 24 hours of closing, with all stores now fully operating.

In addition to our $2 million pledge in relief support, we partnered with the governors of New York and New Jersey to bring additional water, food and supplies to those on the East Coast. We take pride in our ability to aid our customers and their families in these difficult circumstances. I want to thank our associates for their relentless support during this time.

I'm inspired by the work of our associates in the field who were behind all of our results. In our annual engagement survey conducted this summer, the Walmart U.S. associate engagement scores rose 400 basis points over last year. Our financial results drove another quarter of strong field incentive payouts for hourly associates. Year-to-date, our associates will have received over $550 million in quarterly incentive payouts.

Also, we continue Walmart's long history of developing talent within our stores. During the last year, we promoted approximately 165,000 associates, affording them additional career advancement.

Our teams are ready for Christmas and the holidays, and we appreciate their passionate dedication to serving customers. As you probably know, our associates receive a 10% discount on general merchandise bought at Wal-Mart Stores all year long. And each year, we provide our associates with an additional special holiday discount with 10% off most food items during the month of December. This year, we've expanded the program by starting 2 weeks earlier.

In addition, many of our associates work tirelessly to execute our Black Friday event. This year, we're providing an additional 10% discount on an entire basket of goods for those associates who are giving up a bit of their Thanksgiving holiday to better serve their customers. We've started planning early, and we'll provide our customers with an efficient and enjoyable holiday shopping experience.

Now let's turn to the financial details of the third quarter. Walmart U.S. delivered net sales of $66.1 billion, an increase of $2.3 billion or 3.6% over last year.

Gross profit increased $443 million versus last year to $18.3 billion. During the third quarter, gross profit rate decreased 30 basis points year-over-year as we continued to reduce margin and execute the strategic price investments.

We also continue to significantly leverage expenses. For the quarter, operating expenses grew only 1.8%, half the rate of sales growth. Even with the impact of higher field incentive payouts this quarter, our team leveraged operating expenses as a percentage of sales by 37 basis points.

Solid sales performance and disciplined expense management helped us deliver $4.8 billion in operating income for the quarter, a 4.5% increase year-over-year and a growth rate 90 basis points higher than our sales growth rate.

Inventory grew at 4.3% over last year as we prepare to serve our customers during the holiday season. As we said, we bought deep in areas that matter to our customers, and we'll have the products they want. We're in a strong inventory position and well prepared for the fourth quarter.

Before I cover the results of our merchandise areas, let me remind you that the vast majority of layaway sales are deferred until the fourth quarter and are not reflected in our business unit comps discussed here.

Our grocery business, which includes food and consumables, delivered a low-single digit positive comp. We continue to execute our strategic price investments, driving price separation versus our competition. Overall grocery inflation continued to moderate and was approximately 50 basis points versus approximately 400 basis points last year.

In food, our broad and localized assortment is resonating with the customer as demonstrated by our continued strength in areas like dry grocery. In addition, strategic initiatives like our USDA steak program continue to produce encouraging results with mid-single digit comp sales over a 39-week year-to-date period exceeding the overall food comp by about 250 basis points.

In the third quarter, our food business also delivered strong performance across the key seasonal events including Labor Day, back-to-school and Halloween.

Customers also responded well to the consistent execution of our consumables strategy, driving all departments to positive comps for the quarter. Assortment refinements, such as an emphasis on larger packs, helped deliver additional value for our customers. For instance, value pack sizing and other assortment additions helped increase our market share in pets by about 100 basis points versus last year.

Health & Wellness continued its trend, generating a low-single digit positive comp. Over the counter remained very strong as our broad assortment and continued focus on opening price point drove traffic gains and unit growth. Customers are finding value in our broader assortment of active nutrition products like whey protein and meal supplement bars. As expected, brand-to-generic conversions continued to pressure top line sales, but conversions of LIPITOR and other brands continue to improve pharmacy margins.

Comp sales in Hardlines increased by low-single digits. We continue to see steady good performance in stationery, crafts and sporting goods. Sporting goods had strong performance due to expanded hunting assortment, including guns and ammunition. The addition of key hardlines categories to layaway was attractive to customers who also purchased items not on the layaway list.

In discussing entertainment, it's important to note that layaway plays a big part in sales of this business as many customers look to our assortment of top brands across the categories. An early start to layaway and new items helped drive additional customers to the business. Within entertainment, the interest in layaway resulted in approximately $200 million of incremental layaway volume versus third quarter last year. Top items on layaway included 50-inch televisions, gaming consoles and tablets.

The continued strong industry deflation led to a low-single digit negative comp for entertainment. Within wireless, a broader assortment resulted in double-digit comp sales growth as customers continue to look at Walmart as a wireless destination. In media and gaming, we're well positioned for a very strong release schedule throughout the fourth quarter. Top releases like Halo and Call of Duty drove customers into our store over the last several weeks.

Layaway drove a great deal of interest in toys, including toy construction, educational toys, ride-ons and bicycles. We're well stocked in this season's must-have toys and will be able to delight our younger customers all season long.

Our apparel business posted a low-single digit comp increase, making this the third straight quarter of positive comps. The consistency of our apparel business and focus on basics, especially in kids, ladies and men's continues to drive growth despite the impact of a warm October across much of the country. We have worked hard on improving item quality, focusing on the elements that our customers appreciate and are optimistic that our current trend will continue into the holiday season.

Home drove a low-single digit positive comp, benefiting from item merchandising, innovation and assortment refinement. We're seeing consistent results across home, making this the fourth straight quarter of positive comps. Home is another area that's benefiting from our expanded offering this year with improved quality in virtually all categories. Our customers are asking for more layaway items, so we added a number of small appliances, including many customizable solutions like the Keurig and SodaStream brands.

At Walmart.com, improved checkout capabilities and increased assortment continued to drive sales and strengthen the customer experience. Polaris, our search engine developed in-house by our technology teams, is improving conversions by 10% to 15%. In October, we announced our same-day delivery pilot in 4 cities with customers receiving their orders within hours of placing an order.

Our broader dotcom business is also growing as price investment and other initiatives drove additional sales across several categories, including grocery, Hardlines, electronics and apparel.

In mid-October, our financial services team launched an innovative checking and debit alternative called Bluebird. Designed from the ground up with our partner, American Express, Bluebird offers our customers premium features and benefits without additional fees. Bluebird is a simple and transparent way to manage your money and another example of how we're providing uniquely Walmart solutions to help our customers live better. We're encouraged by the positive reception and early adoption of Bluebird among our customers and are tracking above our plan in terms of new accounts and customer activity. We look forward to continuing our momentum together with American Express.

As you know, we're proud of our productivity initiatives and our ability to continually improve our business through efficiency and innovation. In the third quarter, our logistics team reduced cost per case shipped by 4.2% excluding the impact of fuel. Our store innovations team also continues to develop and implement initiatives that will help ensure we reach our expense savings goals this year and into the future.

We continue to have a robust pipeline of real estate as we execute our growth strategy across both large and small formats over the next few years. During the third quarter, we opened 59 Supercenters, including new stores, expansions, relocations and conversions. Supercenters remain a strategic growth vehicle as we continue to develop our core markets.

We also continue to accelerate growth in our small formats, which now represent approximately 250 units. In the third quarter, we opened another 33 Neighborhood Markets across the country. This is in addition to the 23 we opened in the first half of the year. The format's flexibility allows us to grow coast-to-coast with an eye towards localizing it for the particular community. This quarter, we opened 15 stores in California, as well as new units in

Atlanta, Milwaukee, Denver, Colorado Springs, Seattle, Portland and Miami, just to name a few.

For Neighborhood Markets, customer traffic in comp stores continued to drive growth, led by sales in Rx, over the counter, adult beverages, meat and consumable areas such as pets. We continue to see the Neighborhood Market format competing very effectively against multiple channels with a year-to-date sales comp in the mid-single digits.

Our Express pilot also continues to perform well. We'll continue our density test into next year and we'll be actively applying these learnings as we continue to roll out small formats.

We're on track to deliver approximately 125 Supercenters and approximately 80 small stores this fiscal year. During the fourth quarter, we plan to open 40 to 50 total new units, including 20 to 25 small stores.

Walmart will be the #1 holiday destination this year. We started planning the day after Christmas last year to win this holiday season. In food, our Bake Centers and meal trains provide the capacity and convenience our customers need to stock up for entertaining all in one easy trip.

Across our general merchandise departments, we're well stocked on the items that matter most, and programs like our Ad Match Guarantee ensure that customers will get the lowest prices at Walmart.

We have a comprehensive marketing plan that's designed to ensure we have the #1 share of voice this season. We're increasing our presence across traditional media channels with big increases in TV and radio. We have some great holiday commercials lined up that will be fun, but more importantly, reinforce our price leadership. Additionally, we'll generate over 2 billion impressions across social media this holiday, more than 3x last year's total.

Throughout the year, we worked closely with our suppliers to set our stores 3 weeks earlier than last year and engaged our customers and associates like never before. The layaway program is a great example. Our customers gave us great feedback, and we improved the program by eliminating the layaway fee, extending the time frame for payments and expanding the categories.

We're so excited about our annual Black Friday event and how it will drive sales throughout the entire holiday season. Our customers asked for an earlier start time. So this year, the event begins at 8 p.m. on Thursday. The first event will have unbeatable deals for the entire family in key areas like toys, gaming, home and apparel. At 10 p.m., we'll highlight special deals in electronics that will excite our customers. And let me point out that we're far deeper on the quantities of those items than we've ever been before. We'll continue through Friday and into the weekend with more great prices on key gift items across the entire store.

We know that one of the most important things for our customers is getting the items they want under their Christmas tree. That's why in addition to amazing prices backed by our Ad Match Guarantee, we're also offering an exclusive 1-hour guarantee for our Black Friday customers this year. This groundbreaking program ensures that our event shoppers who are in line between 10 and 11 p.m. that night will be able to buy one of this year's hottest gifts, including a 32-inch TV, a Blu-ray player and an iPad, all at our special low prices. This is just one more way we're delivering a great holiday season for our customers.

We're excited about the fourth quarter and pleased with the performance of the business so far this year. Our strategy is working and producing results across all geographies and business units. November sales have started ahead of plan, and we expect strong performance through Thanksgiving and Black Friday.

For the fourth quarter, we're forecasting comp sales for the 13-week period from October 27, 2012, through January 25, 2013, to range from 1% to 3%, maintaining our recent trend over the past several quarters. As a reminder, we'll continue to lap positive comps with last year's fourth quarter comp being 1.5%.

Our business is strong, and we'll continue to deliver consistent core growth. We look forward to seeing you in our stores this holiday season.

Doug is up next with an international update. Doug?

C. Douglas McMillon

Thank you, Bill. Walmart International had solid results for the third quarter. In some markets, we faced a more challenging economic environment than in the first half of the year. But with the exception of China, we grew share everywhere we operate. I'm proud of the good work our associates are doing to drive those results. They're managing costs and doing what is necessary to deliver value to our customers, and it's as clear as ever that they need it.

For the International segment, net sales were $33.2 billion, up 2.4% over last year's third quarter. We're now reporting the results of Massmart and our purchase of the Netto stores in the U.K. in our comparative results. Currency exchange rate fluctuations decreased sales by approximately $1.7 billion. Operating expenses were up 3%, and we would have leveraged operating expenses without the expense for the estimated contingent liabilities relating to employment claims in Brazil that Jeff mentioned earlier.

Operating income was $1.5 billion, up 4.8% compared to the third quarter of last year and grew faster than sales. Currency exchange rate fluctuations decreased operating income by $29 million.

Let me go through the numbers on a constant currency basis. First, third quarter net sales would have been up 7.6% to $34.8 billion. Our Latin American markets made the strongest contribution to our net sales growth with all countries in the region delivering positive comp sales. Overall, third quarter comp store sales increased in 4 of our 6 largest markets. In general, we're delivering healthy average ticket increases, but comparable store traffic remains a concern and it declined in the third quarter in our major markets. We're focused on improving our customer communications in all of our markets, but we're especially focused on the markets where consumer spending is under the most pressure such as in Japan and the U.K.

Second, operating expenses were up 8.3%, and without the employment claim contingency, we leveraged operating expenses.

And third, on a constant currency basis, operating income was $1.5 billion, up 6.8%. Without the Brazilian employment claim contingency, we would have grown operating income 12.5% and faster than the 7.6% sales increase. So our underlying results were solid.

Inventory was up 13.5% against our sales growth of 2.4%. On a constant currency basis, inventory grew 10.7% on sales growth of 7.6%. Inventory days on hand were well managed in Canada, China, Japan, Central America and Argentina. We weren't pleased with our inventory in relation to sales in our other major markets.

Now let's get into the results for several of our largest markets. The following discussion is on a constant currency basis, and unless otherwise stated, sales and comp sales are presented on a calendar basis.

Let's begin with EMEA, our region that includes the U.K., Canada and Sub-Saharan Africa. The U.K. had a solid third quarter in a very challenging market. As others have reported, U.K. consumers remain hard-pressed economically. Petrol prices remain a factor with average fuel prices in the U.K. at GBP 1.38 per liter.

In the third quarter, ASDA's sales rose 2.5%, ahead of the market. Comparable sales were down 0.4%, excluding fuel. Average ticket in the quarter increased by 0.9% while traffic decreased by 1.3%. Operating income grew slightly slower than sales.

We increased our market share in the U.K. 10 basis points to 17.5% for the 12 weeks ended September 30 according to the Kantar Worldwide Panel Total Till Roll.

During the quarter, we maintained our commitment to EDLP, investing in price reductions of key food commodities to provide our customers with much-needed relief from their financial pressures. At the same time, we've continued to drive strong multi-channel growth with a focus on improving the online shopping experience. Customers now have access to the full George and general merchandise offerings at the click of a button with next-day delivery available.

We've also commenced the rollout of Wi-Fi in all stores, allowing customers free access. Online sales increased 16.2% in the quarter versus last year.

We continue to leverage the We Operate for Less program, achieving savings within both SG&A and cost of goods sold. This helped deliver an increase in gross profit rate in the quarter from last year. However, operating expenses grew ahead of sales due to pressures in areas such as property taxation.

Having been The Grocer 33 lowest priced supermarket for 15 of the last 20 weeks and with its best ever range of Chosen By You and Extra Special private brand products, we move into the holiday quarter with confidence.

Moving to Canada. Walmart Canada had good sales growth and grew operating income faster than sales. Net sales grew 4.9% in the third quarter compared to last year. Comparable sales increased 0.7% with average ticket up 1.7% and traffic declining 1%. We had strong comp sales in food and consumables and Health & Wellness, but weakness in Hardlines and entertainment. Gross profit rate increased due to improved initial margins and lower markdown activity. However, expenses grew faster than sales, primarily due to preopening costs associated with aggressive real estate expansion plans. We've completed 49 projects to date with 24 projects to be completed by year end. We now have 30 of our 39 Zellers to Wal-Mart Store conversions opened and the early results are encouraging. We're pleased with the way the Canadian leadership team managed this conversion process and it appears our new customers are, too.

Canada is heading into the golden quarter with plans to make this a memorable season for Canadians. Canada will kick-start the season with Black Friday and Cyber Monday promos as we did last year. Our Top 20 Toy digest will give customers a best-in-class offering for the holiday season gift buy and Our Finest private brand selection, a new Walmart Canada brand that was recently named by Progressive Grocer magazine as Best New Product for a Mass Merchandiser, will be a favorite for festive celebrations.

Turning to Africa. Massmart continues to deliver strong performance in Sub-Saharan Africa. Let me remind you that while Walmart is a majority shareholder, Massmart remains publicly traded and conforms to the Johannesburg Stock Exchange guidelines of reporting results on a 6-month basis.

This quarter, we reached the anniversary of our acquisition of Massmart and now report comparable results for the quarter. For the 14 weeks ended September 30, net store sales increased by 16.6%, and comparable store sales increased by 7.8%. We continue to be excited about the opportunities with Massmart and Sub-Saharan Africa. We are leveraging best practices and scale advantages in everything from EDLP to supply chain and sourcing strategies.

Moving on to Latin America. The following summary includes the consolidated results of Mexico and Central America and is on a U.S. GAAP basis. Walmex separately reports its earnings under IFRS, so some numbers are different from Walmex reported numbers.

Walmex delivered solid results with consolidated net sales for the third quarter up 10.7% and consolidated operating income growing 14.6% from last year. Mexico's net sales were up 11%, and comparable store sales were up 5%. Average ticket in Mexico increased 5.8% and traffic decreased 0.8% over last year. Comparable sales in Mexico for self-service formats grew 4.8%. ANTAD's comp store sales report for the rest of the industry, excluding Walmex, grew slower at 4.4%. As a reminder, ANTAD is the national association of supermarkets and department stores and provides industry data and market share analysis.

In Central America, overall sales increased 9.4%, and comp sales were up 3.2%.

Third quarter consolidated gross profit rate for Walmex increased by 49 basis points, primarily due to seasonal merchandise flow. Walmex leveraged consolidated operating expenses on store productivity initiatives, and operating income grew faster than sales.

We are ready for the upcoming start of the Christmas season. This is the second year in which Mexico has its version of Black Friday, called El Buen Fin, and it starts tomorrow and runs through November 19. We're offering an attractive and differentiated value proposition for our customers across our different formats. Our stores and our people are ready to win during this season.

Moving on to Brazil. Third quarter sales grew 11% from last year. Comparable sales increased 6.6% with average ticket up 9.8% and traffic down 3.2%. The average ticket increase continues to be an encouraging sign that customers see the value of our price positioning, and we'll continue to demonstrate price leadership on a broad basket of goods.

Our customers are benefiting from the simplification and efficiencies that EDLP brings to our retail formats. We're focused on traffic for our retail stores and expected to see more improvement in this area by this time. We believe the full conversion to EDLP will be completed by the end of next year as we continue to roll it out in our wholesale formats.

Brazil did not leverage operating expenses in the third quarter, primarily due to the employment claim contingencies discussed earlier. The ongoing focus that the management team has on reducing expenses is helping to improve Brazil's operating income. Brazil achieved cost reductions in areas including advertising, workforce management and freight optimization. And without the employment claim contingencies, Walmart Brazil would have been profitable for the quarter.

Like Walmex and Massmart, Walmart Chile remains a publicly held company and will release third quarter earnings by November 30. For their previously announced results for the 6 months ending June 30, 2012, Chile had strong performance.

Net sales for the 6 months grew 12.9% along with a comp store sales increase of 9.5%. Operating income was down as prior year results were impacted by the gain on the sale of an investment. We also continue to have success with our private brands in Chile, and our leadership team has excelled in incorporating a number of our global private brands into their merchandise mix. Great Value, which was launched 2 years ago in our Chilean stores, now is a well recognized value brand in the country.

Moving to Asia. We're working on a number of areas in China to strengthen the foundation, centralizing our merchandising organization, developing talent and strengthening our compliance organization. We are focused on clearly establishing price leadership by driving simplicity, improving operational efficiency and reducing costs. A more disciplined approach to our real estate development and new store growth that we discussed last quarter is moving into place and will put us on a stronger path to have more ideal locations to drive sales, traffic and growth. EDLP is a long-term strategy that we know will work in China.

Walmart China grew sales during the third quarter, but we had a slight decrease in operating income versus the prior year. Net sales for the third quarter grew 6.1% over last year, and the comp sales growth was 0.4%. Average ticket grew 8% in China, but traffic declined 7.6%. The traffic declines in China are not new, and we believe customer shopping frequency has shifted in the market. That said, we have room to improve our performance as our assortment and value offering strengthen.

Gross profit rate was down in the quarter, and operating expenses grew slower than sales. In September, Walmart China was named as one of the Top 100 Most Trustful Brands and won the 2012 Seven-Star Award for outstanding contribution in food safety and public health by global food safety management experts of Ecolab and China Business News.

As Mike mentioned, we successfully closed the transaction to own 51% of Yihaodian last month, which is excellent news for our eCommerce business initiatives in China. This transaction will help us to expand our presence in China. Yihaodian is accelerating growth in grocery and general merchandise sales and we're excited about how we can help them grow.

Turning to Japan. After a strong first half, our business is experiencing additional challenges from the broader macroeconomic environment in the country. Simply, consumer sentiment is weakening. We continue to outperform the market in comp store sales through the strength of EDLP and the price gap that we've created over the last couple of years.

Walmart Japan's net sales and comp sales were down 1.8% and 1.9%, respectively. Third quarter average ticket was down 0.2%, and traffic was down 1.7%. According to statistics released by the Japanese Ministry of the Economy, Trade and Industry, or METI, overall supermarket comparable sales for the third quarter declined by 2.5%, indicating that Walmart continues to outperform the market. Japan had a slight operating loss for the third quarter and, given the tough sales environment, we did not leverage expenses in this market.

Our corporate culture is built on a foundation of acting with integrity and the highest ethical standards. Recently, we made improvements to our compliance programs around the world and have taken a number of actions with respect to our processes, procedures and people. We aligned our corporate structure to have global compliance, ethics, investigations and legal functions under one organization. We also named a Global Chief Compliance Officer and a Chief Compliance Officer for Walmart International. We take compliance with all laws very seriously and we are working hard and dedicating resources to enhance our programs.

The actions I've described are just a few of the things we're doing to make our programs even stronger and more effective where we operate.

Looking ahead to the fourth quarter. Most of our markets also celebrate Christmas and we're ready to serve customers during this important holiday. As I mentioned, some countries have adopted various versions of Black Friday events to further drive sales and we believe these will strengthen our brands where they're executed.

We'll experience some fourth quarter headwind in China due to a later Chinese New Year. So we're working to make the most of other holidays, including Three Kings, to drive sales as we finish the year. Our plans are in place, and we're excited that the holiday season is finally here.

Now I'll turn it over to Roz for the update on Sam's. Roz?

Rosalind Gates Brewer

Thanks, Doug. Sam's Club third quarter net sales and operating income continued to grow. Strategic price investments, the membership pilot in Texas and holiday preparation led the focus for the quarter. Seven new clubs opened, the most since the fourth quarter in fiscal year 2006.

Comp sales without fuel were up 2.7% for the 13-week period. This was achieved on top of a very healthy 5.7% comp sales increase last year. Comp traffic was up 1.5%, and ticket was up 1.2%.

Although we are pleased with the positive results, we are disappointed that comp sales were below our guidance. This miss was driven by several factors. The combination of inflation and deflation across multiple categories affected comp sales. Inflation in some categories led members to trade down. Deflation in other categories came faster and deeper late in the quarter with October being the lowest inflation we have seen in some time. Finally, our business members continue to experience economic pressure and uncertainty, which led to slower growth in business member traffic. We anticipate this softening could remain a headwind in the fourth quarter.

This quarter, we accelerated price investments in traffic-driving categories, which led to strong unit growth. Because of timing of these price investments, we expect them to have a greater impact on our fourth quarter margin rate than they did in the third quarter.

In October, we announced the introduction of our new membership benefit and fee pilot program to all Texas clubs, which account for approximately 12% of our club base. The pilot includes a fee increase, our first since 2006 and simplifies our cardholder and fee structure. It also provides instant savings and cash rewards for qualifying purchases.

We are encouraged by the member response thus far in Texas.

I also mentioned we opened 7 new clubs in the third quarter, totaling 9 new clubs this fiscal year. This is the most openings we've had in a single year since fiscal 2009. We opened our first new club in the greater Chicagoland area in 12 years in Elgin, Illinois. Together, all 7 clubs provide almost 1 million additional square feet for Sam's Club.

So let's cover our reported results, which include fuel sales. Net sales were $13.9 billion, a 4.7% increase over last year's third quarter. Fuel prices were up 6% compared to last year and gallons sold were up 7.2%, thus creating a boost to overall sales of 1.1%. Gross profit rate was down 5 basis points. Operating expenses as a percentage of net sales decreased by 31 basis points. Operating income increased 12.7% to $435 million.

Now the remainder of our discussion today is focused on our core business, which excludes fuel for comparative purposes, unless otherwise noted. Net sales were $12.2 billion, up 3.6% from last year. Our strongest divisional performance was in the West with our strongest regional performance in the Great Plains, Mid-South and Mid-Atlantic.

Now I'd like to turn your attention to merchandising. There were 3 major themes during the third quarter: price investment, moderation of inflation and new product introduction. In line with our company's core mission, Sam's Club is stepping up investments to drive lower prices and values on key traffic-driving items. One example was rotisserie chicken, which has long been one of the most popular items of our home meal solutions. When there's a rotisserie chicken in the basket, ticket is larger, and we're seeing significant increases in units sold since we lowered the price.

Additionally, we have reduced prices in several varieties of apples, multiple products in beauty and in baby. To help address the specific needs of our business member, we have lowered prices on products critical to them such as condiments, cooking oils and paper products.

Inflation is quickly moderating across the club, and the effect was most pronounced later in the quarter. In last year's third quarter, we estimated retail inflation across the club was approximately 325 to 375 basis points while this year it was only 70 to 100 basis points. This was down significantly also from our second quarter estimates of 175 to 225 basis points.

However, we have seen sharper inflation continue in some categories, most notably in meat. Because price increases for beef are inflating mid-single digits, members are switching to different proteins, particularly pork, which is deflationary. Protein-related trade down has impacted comp sales. Key categories like milk, cheese and eggs are also experiencing deflation, which is a headwind for our top line results. Although units are increasing, the deflation has proven to be challenging to overcome in these categories. Sugar and coffee prices are moderating as well.

Freezer/cooler comp sales increased in the low single digits. Recent introductions in frozen confections and snacks generate excitement with our members. Fresh sales continue to grow low-single digit comps, with produce leading the way. Grocery and beverage comp sales were up low single digits. With the expiration of the K-Cup patent, Sam's private label version, Daily Chef single-serve cups, has been popular with our members.

In consumables, the baby category is up double-digit comps with improvements in distribution. We are improving the assortment and investing in price for diapers, infant formula and baby wipes. Leveraging our marketing programs and communicating our strong assortment at a great value have been keys to success.

Comp sales in technology and entertainment, which continue to experience deflation, were slightly positive this quarter. Wireless, up double-digit comps, performed well and benefited from both the Samsung Galaxy III and the Apple iPhone 5. Television and home theater comps are up low single digits, driven by unit movement and improved availability in large-screen televisions. Average selling prices continue to decrease for TVs, and our inventory position for the holidays is very good. Video games, music and movies continue to experience pressure in the current environment.

Early availability of toys in our clubs has driven double-digit comp sales. Apparel was up low-single digit comps, and home achieved high-single digit comps. The continued introduction of new national brands and better assortment have driven sales growth.

Recent innovations in mattresses are helping sales as well, and we continue to be a destination for this category.

Health and Wellness remains a growth category, with comps up mid-single digits. Sales of over-the-counter products are benefiting from the introduction of new diet trend products.

E-commerce continues to help members access Sam's Club anywhere, anytime. During the third quarter, traffic was up, and more members are utilizing our e-commerce solutions. Online sales of electronics and baby care are growing.

Membership and other income was up 2.3% for the quarter. Sam's continues to recognize a profit-sharing arrangement with our credit card provider quarterly. Last year, we recognized this benefit in full at year end. Membership income is up 0.8%, and our renewal rate remains steady.

Gross profit rate increased by 11 basis points compared to the third quarter last year. The rate improvement is due to shifts in merchandise mix. Pharmacy brand-to-generic conversions and shifts away from lower margin categories such as tobacco benefited margin rate. Nonmerchandise-related activities such as supplier funds received for the health and wellness magazine also drove the rate increase.

As I mentioned earlier, we expect that as we step up price investments, there will be a greater impact on our margin rate in the fourth quarter. Our operations team continues to balance expense leverage with improving member service. Driven by in-club efficiencies gained through innovation, we reduced third quarter operating expenses as a percentage of sales by 24 basis points and have seen units per labor hour increase 3.6%.

We completed fewer remodels this quarter, which led to expense reduction. Additionally, we received a credit related to overpayment of state excise taxes in prior years.

Looking at the bottom line, our third quarter operating income increased to $427 million, a 14.2% increase over third quarter last year. We are pleased with this increase but recognize it is driven by both successful initiatives such as better expense leverage, as well as nonoperating benefits that I previously mentioned.

Our members continue to raise their rating of us in the member experience survey, and we continue to benefit from the strong program put in place last year. Members love our self-checkout now in over half of our clubs. In these clubs, approximately 40% of our members have used these quicker lanes. Our new club in Kansas City represents a step change in the way we hope to operate our clubs in the future. This is our first club that will have all registers set to be fully convertible, meaning they can either operate in self-checkout mode or in cashier mode. This is the first test of this concept and will help us understand the member reaction, as well as our ability to manage shrink control and member service.

Inventory increased 10.8% over last year. While we intentionally built inventory for the holiday season, we find this current level of inventory unacceptable to our business model. Because significant portions of this inventory are highly consumable, we feel certain that any exposure is at a minimum.

Similar to Walmart and other retailers, we were impacted by superstorm Sandy. We were able to reopen 37 of our 41 impacted clubs within 24 hours and the remaining within 3 days. I'm proud of our associates and the work they are doing to help our members recover from the destruction left in the wake of the storm.

Looking toward the future, we are excited about the long-term position for the clubs as we add new square footage, invest in price and learn from our membership pilot in Texas. The clubs are well positioned for the fourth quarter, and we announced our Black Friday details last week. Our holiday selling season starts the 2 weeks prior to Thanksgiving with our Holiday Taste of Sam's and an invitation-only event for select members.

However, operating income growth will be challenged in the fourth quarter. Many of the initiatives that will benefit Sam's long term like price investment and the membership pilot will impact operating income in the short term. Additionally, the timing change in recognition of our credit card provider profit-sharing arrangement versus last year along with recent trends of moderating inflation and business member traffic are additional headwinds.

We expect to deliver a club comp sales increase, without fuel, of 1.5% to 3.5% for the 13-week period ending January 25, 2013. Last year, comp sales, excluding fuel, increased 5.4% for the comparable 13-week period.

Now I'll turn the program over to Charles for a wrap-up and guidance. Charles?

Charles M. Holley

Thanks, Roz. We had a very good third quarter, once again highlighting both the value we offer our customers and the discipline we continue to drive in how we operate. Granted, the economies where we currently operate are still challenging, but our ability to drive productivity and Every Day Low Costs allow us to generate good returns in our businesses.

Gross leverage and returns remain our consistent financial priorities. Our strong balance sheet and free cash flow provide flexibility to invest in both growth opportunities and new initiatives like eCommerce. We remain steadfast in our drive to reduce operating expenses as a percentage of sales by at least 100 basis points over the next 5 years. We'll do this by reducing costs and improving productivity to invest in lower prices in Walmart U.S. and Sam's Club and to achieve greater profitability in Walmart International. And last, of course, we strive to deliver strong returns for our shareholders.

Let's start with the details on growth. In the third quarter, we added approximately $3.7 billion in net sales. This growth includes a negative impact from currency exchange rate fluctuations of approximately $1.7 billion. On a constant currency basis, our net sales growth would have approached $5.5 billion. Part of that growth came from the nearly 13 million retail square feet that we added for the quarter. Your takeaway should be that despite softness in the global economy, Walmart is still delivering very meaningful growth from a combination of stores and eCommerce.

Year-to-date, net sales of $339 billion were 5.4% above last year. We remain on track to deliver consolidated net sales growth of around 5% for the full year. Remember, this includes a negative impact of approximately $5.2 billion from currency exchange rate fluctuations. We will grow through a variety of formats in all of our markets. And as you heard me say at our October Analyst Meeting, our capital forecast is between $12.6 billion and $13.5 billion for the current fiscal year.

Now let's turn to leverage. We have now levered our expenses for over 2 consecutive years and we aren't done. We fully expect to lever expenses in the fourth quarter despite headwinds from growth and Global eCommerce initiatives, expenses related to FCPA matters and increased spending associated with our leverage activities.

In fact, let me highlight some of the examples that Rollin Ford and his team are having success with. We are driving significant savings in goods not for resale by leveraging our global buys across the markets. We are increasing the volume of direct imports across markets, lowering our cost of goods sold and enhancing the quality of many products on our shelves. And we are standardizing a global replenishment system and improving inventory flow across our international markets.

Let's move on to returns. Operating income grew 4% in the third quarter, which outpaced sales growth. This led to operating cash flow of nearly $16 billion. And earnings per share increased 11.3% over last year. The combination of our strong operating cash flow and our disciplined capital allocation resulted in about $7 billion of free cash flow at the end of the quarter, a $3.6 billion improvement versus the same period last year. The strength of our free cash flow allows us to continue to provide good returns to our shareholders through dividends and share repurchases.

Return on investment for the trailing 12 months ended October 31, 2012, was 18% compared to 18.2% from last year and continues to be one of the highest in retail. As Jeff mentioned earlier, on a constant currency basis, the improvement in ROI driven by capital discipline was offset by currency rate fluctuations.

Now let's talk about guidance. As I mentioned, we expect to finish the year with net sales growth of around 5%, which is about $20 billion on our sales base. Bill and Roz outlined their 13-week comp sales estimates for the fourth quarter, 1% to 3% for Walmart U.S. and 1.5% to 3.5% for Sam's Club.

While we are optimistic about sales, we are also realistic. Current macroeconomic conditions continue to pressure our customers. The holiday season is predicted to be very competitive, but we are very well prepared to deliver on the value and low prices our customers expect. In fact, both Walmart U.S. and Sam's Club are ready with excellent plans. And in our key international markets, holiday planning is expected to drive sales growth as well.

When providing quarterly guidance, we normally consider a number of factors, including the macroeconomic environment and the competitive landscape. We expect currency exchange rates to remain at the current levels and our full year effective tax rate to be at the low end of our range between 32.5% and 33.5%. Our investments in Global eCommerce and global leverage services along with the FCPA-related expenses will continue to be headwinds.

Based on these considerations, we expect fourth quarter fiscal year 2013 earnings per share to range between $1.53 and $1.58, which compares to $1.51 reported last year. However, let me remind you that last year, fourth quarter earnings per share benefited by $0.07 from certain items. Net of these items, the underlying comparison should be made to $1.44.

For the full year, we are tightening our earnings per share guidance to be in the range of $4.88 to $4.93. This compares to our previous guidance of $4.83 to $4.93 and last year's earnings per share of $4.54.

Our company delivers consistent strong financial results. The strength of our balance sheet allows us to invest in innovation and growth initiatives that will lay groundwork for an even brighter future.

Thank you for listening today and for your interest in our company. We hope you have a great holiday.