Operator

Welcome to the Wal-Mart Earnings Call for the Fourth Quarter of Fiscal Year 2011. The date of this call is February 22, 2011. This call is the property of Wal-Mart Stores, Inc. and intended solely for the use of Walmart shareholders. It should not be reproduced in any way. [Operator Instructions].

This call will contain statements that Wal-Mart believes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and intended to enjoy the protection of the Safe Harbor for forward-looking statements provided by that Act. These forward-looking statements generally are identified by the use of the words or phrases anticipate, are expecting, are forecasting, assume, believe, continue to expect, expect, expectations, guidance, guiding, look forward, may affect, may contribute, our goal, plan, should begin, will allow, will be, will be extended, will change, will complete, will continue, will deliver, will grow, will have, will help, will improve, will invest, will leverage, will move forward, will not, will occur, will position, will provide, will reinforce, will set up and will support, 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 Wal-Mart's objectives, plans, goals, targets, or expectations are forward-looking statements. The forward-looking statements made in this call discuss, among other matters, management's forecasts of Wal-Mart's diluted earnings per share from continuing operations attributable to Wal-Mart for the quarter ending April 30, 2011 and the year ending January 31, 2012, and the assumption underlying those forecasts that currency exchange rates will remain at current levels, the anticipated capital expenditures, Wal-Mart and by each of its operating segments in fiscal 2012, the anticipated growth in square footage and in new, expanded and relocated stores and clubs for Wal-Mart as a whole and for its operating segments in fiscal 2012, the anticipated comparable store sales of the Wal-Mart U.S. operating segment and comparable club sales of the Sam's Club operating segment for the 13-week period ending April 29, 2011, and the anticipated effective tax rate for fiscal 2012, quarterly fluctuations in that tax rate, and factors that will affect that tax rate.

The forward-looking statements also include statements that discuss management's expectations: that Wal-Mart will continue to address headwinds such as inflation and higher prices; that Wal-Mart will not waver in its commitment to its customers; that Wal-Mart will grow sales and increase comparable store sales; that Wal-Mart will continue to maximize returns to its shareholders through dividends, share repurchase and a stable return on investment, that if opportunities to invest in emerging markets arise, Wal-Mart will do so; that Wal-Mart will continue to leverage its operating expenses through the productivity loop; that Wal-Mart will continue to add square footage and new formats; that the conversion of Wal-Mart's financial systems to SAP will provide Wal-Mart a common platform to better integrate acquisitions in the future; that planned investments in Global eCommerce will be reflected in unallocated corporate overhead and may contribute to growth of its unallocated corporate expenses; that quarterly fluctuations in ROI will occur based on Wal-Mart's operations, concerning Wal-Mart's mid-to-long term goal to maintain a stable ROI; that leveraging expenses will continue to be an important focal point for Wal-Mart in fiscal 2012; and that Wal-Mart will continue to focus on leveraging its cost structure and global footprint along with driving the right balance between growth and returns.

Those forward-looking statements also discuss management's expectations that the Wal-Mart U.S. segment will: reinforce its commitment to deliver Every Day Low Price; deliver a merchandise assortment and presentation relevant to its customers; continue to grow through supercenters and additional formats; move forward with even greater urgency in opening small stores; complete the segment's new modular sets in the first quarter of fiscal 2012; have integrated, targeted plans to present a more compelling presentation and product offering for its customers of seasonal merchandise for certain holidays; work throughout fiscal 2012 on reassorting its general merchandise categories; adding back deleted items and categories and making space allocation changes; make meaningful progress on growth as it expands its store format portfolio to continue to grow through supercenters and launch a small format, which will be a new format for both rural and urban locations; continue to convert discount stores to supercenters; and work with suppliers to reduce inflationary pressure where possible and only pass on price increases when they cannot be avoided.

Those forward-looking statements also discuss management's forecasts for the Wal-Mart U.S. segment regarding gross margin in the first fiscal quarter of fiscal 2012, as well as management's expectations regarding the Wal-Mart U.S. segment for continued inflation in fresh food categories; that increases in store standards will position the Wal-Mart U.S. segment to enhance its merchandise assortment and implement merchandising initiatives regarding its goal of gaining traction through changes in product cycle times, modular changes and department space allocations before the fourth quarter of fiscal 2012; that eCommerce and multi-channel will play an increasingly important role across the segment's business; that the segment's new modular sets will help the segment highlight opening price points and recapture traffic lost to competitors; that average unit retail prices will continue to decrease in electronics, particularly for TVs, hardware and gaming; that the segment will begin to see the sales declines in these categories abate as the segment progresses through the second and third quarters of fiscal 2012, as to the manner in which Wal-Mart U.S. can mitigate such price pressure; that the segment will open its first Wal-Mart Express in the second quarter of fiscal 2012; that the segment's productivity initiatives can help mitigate higher fuel prices and further increase efficiencies in fiscal 2012; that productivity initiatives can help leverage expenses in the first fiscal quarter of 2012, even on lower sales, and that the segment's inventory levels will remain higher than in fiscal 2011 through the first half of fiscal 2012.

Those forward-looking statements also discuss management's expectation that the Wal-Mart U.S. segment's four-point plan will improve performance in existing stores and in connection with that plan, the Wal-Mart U.S. segment will deliver consistent every day low price on a basket of goods, support the Wal-Mart U.S. messaging with targeted marketing in store and with a variety of media, provide relevant assortment solutions for the segment's customers, work with its suppliers to deliver the broadest assortment possible at the lowest price in the market, change its remodeling program to right-size merchandise categories and eliminate remodel disruptions, drive efficiencies through its remodeling program to reduce capital costs and expenses, and leverage the Wal-Mart U.S. segment's strengths to expand multi-channel initiatives.

Those forward-looking statements also discuss management's expectations that Wal-Mart's Sam's Club segment will: have a strategy of meeting members' needs in delivering on the Sam's Club segment's brand promise of simplifying members' lives and helping them make smart choices; have a plan on delivering on the priorities of growth, leverage and returns; have strength in comp sales in the first quarter of fiscal 2012; make attracting new members its top priority for fiscal 2012; see pressure on business members through late fiscal 2012; experience continued softness in business member sign-ups; continue the trend of period-over-period inventory growth into the first quarter of fiscal 2012; grow its existing fleet of U.S. clubs; complete remodels on 60 to 70 clubs in fiscal 2012; drive its strategic initiatives by insights, quality and innovations; provide its members the best prices on their everyday needs and purchases; leverage fresh foods and grocery to feed its members' families; invest in areas like technology services; expand on the segment's progress in making Sam's Club a destination for its members' health and wellness needs; step up its efforts to attract new members; and focus on building relationships with existing members across a variety of touch points.

Those forward-looking statements also discuss management's expectations that the Wal-Mart International segment will: experience accelerated growth, grow through acquisitions, see some sales pressure in Brazil, see continued impact of Every Day Low Price in Japan, extend ASDA's mid-tier private label "Chosen By You" to certain categories in the first quarter of next year and remain committed to sales growth and growing the segment's operating income faster than sales each quarter. Those forward-looking statements for the Wal-Mart International segment also discuss management's expectations that: ASDA's commitment to Saving Customers Money Every Day will be more important in 2011; EDLP in Brazil will increase sales volume and reduce operating costs; the segment's Canadian bank will be profitable in fiscal 2012; 40 new supercenters will open in key regions around Canada; and organic growth will include significant investments in soft discount formats in Mexico and Brazil, and larger formats in China and Canada. 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, commodities prices, 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, availability of acceptable sites for the development of new or relocated stores and clubs, regulatory and other legal restrictions on such developments, the availability of qualified personnel in various markets, developments in litigation to which Wal-Mart is a party, weather conditions, the resolution of uncertain tax positions, damage to Wal-Mart's facilities resulting from natural disasters, regulatory matters, and other risks. We discuss certain of these matters more fully in Wal-Mart's filings with the SEC, including its most recent Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, and the information on this call should be read in conjunction with that Annual Report on Form 10-K and Quarterly Report on Form 10-Q, and together with all its other filings, including Current Reports on Form 8-K, which we have made with the SEC through the date of this call.

We urge you to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements we make in this call. Because of these factors, changes in facts, assumptions not being realized or other circumstances, Wal-Mart'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 we undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

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 earnings call to review both the fourth quarter and the full year of fiscal 2011.

All information for this quarter including updated unit counts, square footage and financial metrics, including ROI, are available on our website at walmartstores.com/investors. A full transcript of the call will be available on the website as well around 7:00 a.m. Central Time today, February 22, 2011.

Today, you'll hear from key Wal-Mart leaders, starting with Mike Duke, President and CEO of Wal-Mart Stores, Inc., for the opening comments and key highlights of the quarter and the year; Jeff Davis, in his first call as Wal-Mart's Treasurer, will cover the consolidated financial details. As you'll see from our press release, we do have some noise with our numbers. Then we'll go to the operating segments. First up this time will be Brian Cornell, President and CEO of Sam's Club; Doug McMillon, President and CEO of Wal-Mart International, will also have highlights on our largest countries within international. We will close the segment discussion with Bill Simon, President and CEO of Wal-Mart U.S. Finally, our CFO, Charles Holley, will cover our financial report card and a variety of points on guidance.

Before we start to discuss our performance for the quarter, there are a few items to keep in mind as you listen to the results. First, we had certain items that affected our fourth quarter EPS last year, as well as an accounting change in fiscal 2011 that affected last year. These items need to be considered for comparison purposes. Second, as a reminder, we had a tax benefit from the third quarter, which we reported in November. The tax benefits from the third quarter and the fourth quarter that we're reporting today affect our full year and quarterly results.

Third, I'd also like to point out that during the quarter, we had income from discontinued operations. This income resulted from the recognition of a previously unrecognized tax benefit related to the disposition of our German operations in fiscal year 2007. Including this tax benefit, diluted net income per share attributable to Wal-Mart was $1.70 for the fourth quarter and $4.47 for the full year.

Fourth, this is the last quarter that we'll remind you about our adjusted P&Ls and balance sheets that are available on the Wal-Mart website under Financial Information. Effective with the second quarter of fiscal 2011, Wal-Mart changed the methodology for valuing our inventory. The retrospective application of this accounting change resulted in adjustments to reported amounts. The adjusted financial statements I mentioned earlier cover all of fiscal year 2010 as well as the first quarter of fiscal 2011, and they're on our website. Throughout this call, all earnings and earnings per share amounts reflect the amounts for FY '10 adjusted for this accounting change.

I'd also like to mention that we're discontinuing our discussion of consolidated membership and other income beginning in fiscal 2012. This line item is most relevant for Sam's Club and they'll continue to discuss it going forward. You'll also note that in today's discussion, as well as in the accompanying press release, we provide disclosure on both reported and underlying earnings per share. The reported EPS takes into consideration all the items, including tax benefits and restructuring charges. The underlying EPS is based on our pure operating performance. You'll hear these terms throughout the discussion today.

Now Mike, let's get started with our Q4 and our full year results. Mike?

Mike Duke

Thank you, Carol, and thank you all for joining us. We are pleased with our strong earnings performance for both the quarter and the full year across our three operating segments. At the same time, we are disappointed by our Wal-Mart U.S. fourth quarter sales. Earnings per share for both the fourth quarter and the full year exceeded the guidance we provided last quarter. We are reporting $1.41 per share for the quarter and $4.18 per share for the full year. These numbers include certain tax benefits that positively impacted EPS, and Jeff will cover this shortly.

Based on the underlying performance of the company, our earnings per share were $1.34 for the fourth quarter, which exceeded First Call consensus and our guidance. Wal-Mart increased net sales from the previous year by almost $14 billion to $419 billion. As a company, we leveraged the expenses for the quarter and the year, reinforcing our commitment to the productivity loop and EDLC.

Operating income rose to more than $25 billion for the full year, a 6.4% increase over what we reported this time last year. We continue to deliver strong free cash flow, closing the year with almost $11 billion. We met our goal to deliver stable return on investment, and finished the year again with ROI above 19%.

For the year, we returned a record $19.2 billion to shareholders through both dividends and share repurchase. Let me pause for a moment. $19.2 billion return to shareholders. Now that was worth repeating. However, as I said, sales for Wal-Mart U.S. were below our expectations for the fourth quarter. The team did manage expenses well during the quarter and contributed operating income growth of almost 5%. Bill has a clear vision today of the underlying issues, and his action plan addresses the areas critical to the sales turnaround. Some of the pricing and merchandising issues in Wal-Mart U.S. ran deeper than we initially expected, and they require response that will take time to see results. Price leadership is critical to our success. We will reinforce our commitment to deliver EDLP. This is what Wal-Mart was built on.

We will deliver a merchandise assortment and presentation relevant to our customers. As Bill will share with you, many of the fourth quarter problems stem from merchandise assortment and presentation issues that contributed to customer traffic declines, as well as some of the issues related to the remodeling program. I believe Bill is on the right track to see sales improvement throughout the year. Let me be direct on this point. There is no greater priority for me or for Bill than getting sales back into positive territory.

Wal-Mart U.S. will also continue to grow through our supercenters and additional formats. We will move forward with even greater urgency in opening small stores. I'm encouraged by the response we're seeing in urban markets like Chicago, Washington, D.C., San Diego and New York.

It's no surprise that we see growing opportunities in online shopping. I am pleased with the sales results of Walmart.com during the fourth quarter and expect e-commerce and multichannel to play an increasingly important role across our business. Sam's Club now has annual sales just shy of $50 billion. I'm pleased that the Sam's organization is really contributing to our shareholder value. Sam's Club turned in a strong performance for the year, delivering comp sales near the top end of guidance. Brian and his team grew net sales 4.4% for the quarter and 3.5% for the year. Sam's comp sales, without fuel, improved sequentially every quarter, with fourth quarter being the strongest. We're seeing the comp sales momentum continue and expect strength in the first quarter. Attracting new members will continue to be the top priority for the year ahead.

Wal-Mart International continued to be our growth engine and we expect accelerated growth ahead. International net sales exceeded $109 billion this year, an increase of more than 12%. Every market contributed a sales increase in fiscal 2011 compared to the prior year. For the full year, International grew operating income faster than sales.

We added 458 net units this year and almost 8% more selling space in our international markets. Almost 70% of the additional square footage came in two important emerging markets: Mexico and China. I've told our international leaders that I'd like to see them accelerate organic growth in our emerging markets.

We also will grow through acquisitions. We look forward to closing the Massmart transaction in South Africa and expanding our presence in many sub-Saharan African markets. In the U.K., we continue to work towards finalizing the acquisition of the Netto stores.

I'd like to specifically recognize our business in Japan, where our Seiyu stores continued their strong focus on Every Day Low Price and operational efficiencies. As a result, Wal-Mart Japan has grown full year profits for each of the past three years, with this fiscal year being the best of the three years.

You're familiar with our company mission of helping our customers save money so they can live better. Our engagement on the "live better" societal issues continues to have a meaningful impact in our communities. Doug and I had the opportunity to share some of our experiences with leaders from companies and countries around the world at the World Economic Forum in Davos, Switzerland last month.

We found there's a lot of interest in our global commitment to sustainable agriculture and our new initiative in the U.S. to make the food we sell healthier, and healthier foods more affordable for our customers. We were honored that First Lady Michelle Obama joined Bill Simon to launch this initiative last month.

We recognize that around the world, there is growing concern about inflation and higher prices, particularly in food and energy. I believe that Wal-Mart is one of the best positioned retailers around the world to handle these kinds of headwinds, because of our commitment to EDLC and EDLP. This is something we will continue to address. You'll hear more about this from our business leaders.

As I look ahead for this fiscal year, I am confident that no retailer is better positioned to win globally than Wal-Mart. We will not waver in our commitment to our customers. Our financial priorities of growth, leverage and returns guide us in our decisions and strategies. We will continue to add square footage and new formats. We will grow sales and increase comps. We will continue to leverage operating expenses through the productivity loop and we will continue to maximize our returns to the shareholders through dividends, share repurchase and a stable ROI.

Now Jeff will cover the details on our consolidated financial results. Jeff?

Jeff Davis

Thanks, Mike. For the fourth quarter of fiscal 2011, Wal-Mart delivered income from continuing operations of $5 billion, an increase of 4.3% from last year. Reported earnings per share from continuing operations attributable to Wal-Mart were $1.41, an increase of 11.9% compared to $1.26 for the fourth quarter last year.

We have some noise in both this year's and last year's earnings per share numbers that I would like to explain further. This year, we recorded $243 million of net tax benefits, primarily from the repatriation of certain non-U.S. earnings that increased U.S. foreign tax credits. This net tax benefit added approximately $0.07 to our reported EPS of $1.41 for the fourth quarter.

By comparison, last year's $1.26 per share had both a benefit and a charge in the fourth quarter. First, we incurred charges for several business restructurings in the amount of $260 million, or $162 million after-tax. These charges reduced our reported EPS by approximately $0.04 per share. Second, we recorded $372 million of net tax benefits primarily from the repatriation of certain non-U.S. earnings that increased U.S. foreign tax credits. These net tax benefit added approximately $0.09 to our reported EPS.

In summary, our fourth quarter underlying EPS grew 10.7% from $1.21 last year to $1.34 this year, which was above our guidance of $1.29 to $1.33 per share. The $1.34 earnings per share points to the strength of our consolidated business.

For the full year, earnings from continuing operations attributable to Wal-Mart were $15.4 billion, an increase of 6.3% over last year. For the fiscal year, reported earnings per share and underlying earnings per share from continuing operations were $4.18 and $4.07, respectively versus our adjusted EPS of $3.73 and underlying EPS of $3.67 last year. The underlying $4.07 excluded certain tax benefits recorded in the third and fourth quarters that aggregate to approximately $0.11 per share for the fiscal year.

Earlier, Carol mentioned an important point. In the fourth quarter, the company recognized in discontinued operations an approximately $1 billion tax benefit in connection with the disposition of our German operation in fiscal 2007. This matter was resolved with the United States Internal Revenue Service during the fourth quarter of this fiscal year. Now let's dive into the fourth quarter and the fiscal year results.

Consolidated net sales for the fourth quarter increased 2.5% or almost $2.8 billion to $115.6 billion. Net sales included a currency exchange rate benefit of $664 million. On a constant currency basis, sales grew 1.9%. The 13-week U.S. comp sales, without fuel, declined 1.1%. You'll hear more details on the Wal-Mart U.S. and Sam's comp sales from Bill and Brian.

Gross margin for the quarter was flat to last year at 24.6% of sales. Fourth quarter consolidated operating income was $8 billion, up 7.3% or $546 million from last year. This includes a currency exchange rate benefit of $58 million. On a constant currency basis, consolidated operating income grew 6.5%.

Operating income grew faster than sales by leveraging operating expenses. The productivity loop is a priority focus throughout the company. Expenses grew approximately 50 basis points on sales growth of 2.5%, which is the fifth consecutive quarter that expenses grew slower than sales.

Unallocated corporate overhead grew 9.1% to $505 million for the quarter. What we classify as core within our corporate overhead expense actually decreased 3% for the quarter. The mark-to-market of several unallocated foreign currency derivative positions was the primary driver of the increase. It is important to note that unallocated corporate overhead decreased 2% to about $1.7 billion for the year.

On a consolidated basis, membership and other income declined 4.5% or $36 million this quarter compared to last year. For the year, membership and other income was down 1.9% or $56 million. As Carol remarked, membership and other income continues to be an important part of the Sam's Club business but to a lesser degree for the other segments.

Net interest expense for the quarter increased 13.4% to $532 million. For the fiscal year, net interest expense was $2 billion, an increase of 6.4%. This was driven by higher debt levels but partially offset by lower interest rates. Our AA credit rating allowed us to access low-cost debt. As a reminder, earlier this year, we issued $5 billion of debt at some of the lowest corporate rates on record at the time. We continue to have ample access to the credit markets. At the end of the year, our debt-to-total capitalization ratio was 42.1% compared to 37% at the end of last year.

The effective tax rate for the fourth quarter was 30.7% and 32.2% for the year. This was due to the net tax benefits we previously discussed. These items reduced our effective tax rate by approximately 320 basis points for the quarter and approximately 180 basis points for the fiscal year.

Net sales were approximately $419 billion for the year, which is an increase of 3.4% or $13.8 billion over last year. Net sales included a currency exchange benefit of $4.5 billion. On a constant currency basis, our net sales for fiscal 2011 grew 2.3%. As a reminder, currency translation negatively impacted sales by $9.8 billion in fiscal 2010. For the 52-week period ended January 28, 2011, U.S. comp sales without fuel declined 1.1%.

Consolidated operating income was $25.5 billion, an increase of 6.4% from last year, and included $231 million from currency rate fluctuations. On a constant currency basis, consolidated operating income grew 5.5% to $25.3 billion. Consistent with our quarterly results, operating income grew faster than sales for the year as we leveraged expenses. Expenses as a percentage of sales decreased 32 basis points.

This year was another strong year for cash flow generation. We closed the year with free cash flow of $10.9 billion. Recall last year, free cash flow was $14.1 billion, enhanced by the artificially low inventory position at year end. Annual CapEx spend was $12.7 billion, which was lower than our most recent guidance of $13 billion to $14 billion. This resulted from lower spending and timing associated with the Wal-Mart U.S. segment. CapEx spend for the fourth quarter was $3.4 billion.

We paid almost $1.1 billion in dividends this quarter and $4.4 billion for the year. As a reminder, we increased our dividends per share 11% to $1.21 from $1.09 in fiscal year 2010.

Wal-Mart repurchased approximately $3.8 billion of shares during the fourth quarter and $14.8 billion for the year, which is the most we ever repurchased. This represents nearly 70 million and 280 million shares, respectively. We have approximately $4.8 billion remaining on our $15 billion share repurchase authorization announced in June of 2010.

In summary, Wal-Mart returned $19.2 billion to our shareholders through dividends and share repurchase for the fiscal year. As Mike noted, this is truly a record return to our shareholders. Payables as a percentage of inventories for the company were 92.4%, relatively stable from 93.1% last year. Although inventory levels increased 11%, consolidated inventory turns were flat with the prior year. In addition, we effectively manage payables.

We continue to produce a consistently high and stable ROI. We finished the year with 19.2% return on investment compared to 19.3% at the end of last year.

Now, let's move on to a discussion of our operating segments. We'll start with Sam's Club. Brian?

Brian Cornell

Thank you, Jeff. As I've shared with you during the fiscal year, our strategy is to meet our members' needs and deliver on the Sam's Club brand promise of simplifying our members' lives by helping them make smart choices. We achieved that promise by understanding what our members want and providing the merchandise they want at the quality and value they expect. It's important to remember that in last year's fourth quarter, we took a charge for restructuring our operations related to the closure of 10 clubs. Our discussion today therefore excludes that charge of $174 million for comparative purposes.

I am very excited to share our results with you today. As they indicate, Sam's members are responding to the offering and experience in our clubs. We had a strong quarter and are very pleased with our club performance. Thanks to the efforts of our dedicated managers and associates, we grew sales and operating profit, as well as leveraged expenses for the quarter and the fiscal year. Let's start with the fourth quarter results.

Comp club sales, excluding fuel, increased 2.7% for the 13-week period ending January 28, 2011. I am very pleased to share with you that we were at the top end of our guidance of a comp club increase of 1% to 3% for the fourth quarter. As Mike mentioned, Sam's reported sequential comp improvement quarter-by-quarter throughout the year.

Overall, comp ticket and traffic, excluding fuel, increased for the 13-week period by 210 and 70 basis points, respectively. We are also pleased that our members, both Business and Advantage, visited with us more often and put more items in their basket and flat beds during the quarter. Sales during the quarter were particularly strong in fresh foods and grocery, health and wellness, home and apparel categories.

Sam's Club operating income for the fourth quarter increased slightly versus last year to $487 million. Excluding fuel, operating income for the fourth quarter was flat versus last year. And now, highlights for Sam's for the full year.

Comp club sales, excluding fuel, increased 1.7% for the 52-week period. Overall comp ticket, excluding fuel, increased for the 52-week period by 180 basis points. While overall comp traffic declined slightly, we did see increases in frequency of visit by both our Advantage and Business members.

Operating income grew 1.3% to $1.7 billion versus last year. We opened four new clubs during the fiscal year, with the most recent opening in January in Sharpsburg, Georgia. We are investing more aggressively in member acquisition ahead of club openings and are seeing positive results.

We continue to see growth in the Sam's Club brand in our international markets as Doug and his team opened 14 new Sam's Clubs this fiscal year. We continue to work with the international team to share best practices across the organization to ensure we are meeting our members' needs, both in the U.S. and around the world.

We also continue to improve our member experience by updating our older clubs. We completed 65 club remodels, expanded two clubs and relocated three clubs during the fiscal year. Now let's turn to the detailed financial results.

For the fourth quarter, net sales for Sam's Club, excluding fuel, increased to $11.9 billion which is a 2.5% increase over last year's fourth quarter. Including fuel, fourth quarter sales were $13.1 billion, which is a 4.4% increase versus last year. Price and volume of fuel contributed almost equally to the increase in fuel sales.

For the fiscal year, net sales for Sam's Club, excluding fuel, increased 1.4% versus last year to $45.2 billion. Including fuel, net sales for the fiscal year were $49.5 billion, which is an increase of 3.5% versus last year. Fuel increases were driven by 17% increases in fuel prices and a 12% increase in gallons sold for the full year versus last year. Including fuel, comp club sales increased 4.5% and 3.7% for both the 13-week and 52-week period, respectively.

Comp ticket, excluding fuel, increased for both Business and Advantage members for both the 13-week and the 52-week period. Comp traffic, excluding fuel for both the 13-week and the 52-week period, increased for our Advantage members and declined for our Business members. Additionally, we saw our frequency improve for both Business and Advantage members, for the quarter and the fiscal year. So our members are shopping with us more often and putting more items in their baskets and flat beds. While traffic may be down with our Business members, frequency and ticket are up. We expect to continue to see pressure on Business members through late fiscal 2012.

During the holidays, we focused our messaging on feeding the family and home entertaining, and these messages delivered strong sales in fresh foods, grocery and beverages. We introduced approximately 100 new fresh foods, including bakery programs for cookies, cake and artisan breads. The new product launches all drove mid-double-digit comp sales. And in our Freezer/Cooler category, we introduced a new high-quality appetizer program, which also drove mid-double-digit comps. Inflation in selected meat, produce and dairy categories aided increases in average unit price, partially offset by downward unit pressure.

We also had a very successful holiday season in key discretionary categories, such as home, domestics and apparel. The team did a great job providing high-quality merchandise and preferred brands at a tremendous value to our members. We transitioned well from holiday season, minimizing markdowns and ending the year in a strong inventory position.

Relative to the industry, we are very pleased with the sales of our electronics and technology categories in the fourth quarter and grew market share over the fiscal year. Members responded well to our strong brand offering, including LG and the Apple iPhone and iPad. We continue to experience price pressure in electronics, especially in televisions, but had positive unit sales growth of TVs for the quarter. Our expanded health and wellness offering continues to drive strong sales performance. Tobacco and fuel sales also continue to deliver strong comps.

Sam's gross margin rate, excluding fuel, increased by eight basis points during the fourth quarter, primarily driven by the continued [ph] shift in merchandising mix towards higher margin fresh products, very effective management of seasonal merchandise to minimize markdowns and improved global sourcing. Through improved sourcing, we decreased our damage rates throughout the year. Including fuel, the gross margin rate for the quarter decreased 11 basis points compared to last year.

Recall that last year's inventory levels were lower than our historic levels due to inventory management initiatives. It's not surprising that our inventory is up. We closed the year with inventory up 14% compared to this time last year. We feel we've returned to a more comfortable inventory level that provides a good balance of flow and availability. We anticipate this trend of period-over-period inventory growth to continue into the first quarter. Additionally, we have shifted shipping volume forward into the year to meet our earlier club seasonal transition dates. Due to these items, our inventory turns were down slightly in the fourth quarter.

Operating expenses for the fourth quarter grew 3.4% versus last year. During the fourth quarter, we incurred charges for certain assets that were taken out of service, including the temporary closure of a club in Rhode Island we plan to rebuild, as well as costs associated with continued restructuring of our field organization. If you exclude these items, we leveraged operating expenses by approximately six basis points.

For the fiscal year, operating expenses grew 2.5%, driven by credit card interchange fees, remodeling, and higher marketing investments that drive traffic. Despite this, we were still able to leverage expenses for the fiscal year. For the quarter, sales per labor hour increased 223 basis points. Units per labor hour increased 27 basis points for the fourth quarter versus last year. For the fiscal year, sales per labor hour increased 198 basis points and units per labor hour increased 172 basis points.

Membership and other income for the fourth quarter decreased 1.9% from last year. Membership income, the primary driver, was flat for the fourth quarter versus last year. Other income decreased 15% due to last year's results being favorably impacted by a number of miscellaneous items, none of which was individually significant to the financial statement. For the fiscal year, membership and other income decreased 2.2% driven in part by a favorable accounting adjustment in the third quarter of last year to membership income. Excluding the effects of the accounting adjustment last year, membership income, the primary driver, increased approximately 80 basis points compared to last year. The increase was driven by strength in our Plus membership upgrades, as well as the number of new members joining at the Plus level.

We continue to be pleased with the progress of our eValues program for Plus members, as we enhanced the program to make it even more meaningful for our members. Additionally, we are further simplifying the way we communicate value offered to our Plus member. For example, we've always offered a discount to our Plus members on their prescriptions, but the discount varied across prescriptions. Now it's a simplified program, with an 8% discount on branded prescriptions and a 40% discount on generics, not part of our $4 and $10 generic prescription plan. Our members understand it clearly and it's paying off with upgrades.

Our membership renewal rates remained steady throughout the year. Our win back program targeted to inactive members also contributed to our improved membership rates. We expect small businesses to continue to be under pressure throughout fiscal 2012 and anticipate continued softness in business member sign-ups.

For the fiscal year, operating income increased 1.3% versus last year. Fiscal 2012 is underway. Our plan is focused on delivering the financial priorities of growth, leverage and return. Our existing fleet of U.S. clubs will grow. As we shared with you in October, we plan to add between seven and 12 new, expanded or relocated clubs next year in the United States. Sam's Club has committed a significant portion of our capital spend to remodels. We expect to complete remodels on 60 to 70 clubs this year. Our CapEx plan for the fiscal year remains the same at approximately $1 billion.

Our strategic initiatives will continue to be driven by insights, quality and innovation. In merchandising, we continue to provide our members the best prices on everyday need purchases, leverage fresh foods and grocery to feed our members' family, continue investing in areas like technology services and expand our progress in making Sam's Club a destination for our members' health and wellness needs.

In membership, we will step up our efforts to attract new members and continue to focus on building relationships with existing members across a variety of touch points, including eValues, wireless network access in clubs, our smartphone application and an improved .com site to allow for easier member interaction, and operations we are focused on driving member experiences that are efficient and engaging.

Our sales momentum for fiscal 2011 is carrying over into the first few weeks of the new fiscal year. We expect comp sales, without fuel, for the current 13-week period from January 29, 2011 through April 29, 2011, to increase between 1% and 3%. Last year, Sam's Club comp, without fuel, for the first quarter comparable 13-week period rose 70 basis points.

Now I'll turn it over to Doug to tell you about Wal-Mart International. Doug?

Doug McMillon

Thanks, Brian. This year has been another one of meaningful achievement for the team in Wal-Mart International, both in financial terms and in our positive impact in the communities we serve around the world. Our financial goals remain grounded in growth, leverage and returns, and Wal-Mart International continues to have strong growth in both net sales and operating income. On the topic of growth, I'm pleased to say that we've met our goals of opening locally relevant formats as we discussed in the October meeting for the investment community. In fiscal 2011, our organic growth included 458 net new stores, representing an 11.2% increase in store count and a 7.8% increase in square footage. This growth includes 282 new stores in smaller formats, each less than 40,000 square feet.

In addition to comp store sales growth and the delivery of our new stores, we are excited about our pending investment in South Africa and the sub-Saharan region of Africa. In addition, we continue to work towards completion of our acquisition of the Netto stores in the U.K.

Given that we're recapping the end of the year, please allow me to take just a minute and highlight some of the successes our teams have delivered beyond the quarterly financial results. For the second year in a row, Wal-Mart Central America was named the Most Admired Multinational Company in Central America. Wal-Mart China received several honors including the Best Retail Place to Work and a China Best Employer. Our ASDA team in the U.K. was selected as Britain's Best Value Retailer for the 12th consecutive year. In addition, Wal-Mart Mexico's foundation received the prestigious 2010 World Business and Development Award granted by the United Nations development program, the International Chamber of Commerce and the International Business Leaders Forum. The award recognized the foundation's indigenous product commercialization program, which offers training and funding to boost the production processes of marginalized communities and indigenous groups living in isolated regions to improve their income and quality of life.

And in India, we opened our second training center to teach our associate candidates the skills of being a successful Wal-Mart retailer. Enabling our associates in India is a critical part of our success. You can imagine the students' surprise when, while he was in India recently, Mike Duke stopped by the classroom to answer their questions. To date, more than 3,000 students have been certified and 1,050 have been placed in various jobs, out of which nearly 200 are placed in our best priced modern wholesale cash and carry stores. These are the associates that will help us fuel our growth in the country.

Now let's get to the numbers. For the full year, our business achieved constant currency sales of $104.8 billion or 7.6% growth over fiscal 2010. Our constant currency operating income of $5.4 billion grew even faster at 9.7%. I'm also pleased to say that we leveraged operating expenses for the year. All markets grew full year constant currency sales over last year, with some of the highest increases coming from Brazil, China and Mexico. On a constant currency basis, operating expenses grew slower than sales at 5.8% due to strong expense management in Japan and the United Kingdom. On a constant currency basis, gross margin as a percentage of sales was flat to last year.

On a reported basis, Wal-Mart International's net sales were $109.2 billion in fiscal 2011, growing 12.1% over fiscal 2010. This includes a $4.5 billion benefit from changes in currency exchange rates. Operating income was $5.6 billion, including a benefit of $231 million from changes in currency exchange rates.

Now turning to our fourth quarter results. Fourth quarter constant currency sales were $30.7 billion, growing 6.6% over last year. On a constant currency basis, operating income was $1.9 billion in the fourth quarter. The fourth quarter constant currency operating income growth of 4% was slower than sales growth. While gross profit margin and expenses remain constant as a percentage of sales, this year's constant currency operating income did not have the benefits of real estate sales in Canada that we had last year.

Constant currency operating expenses as a percentage of sales were flat to last year as expense leverage in Mexico and the U.K. offset pressures in our other markets. On a reported basis, fourth quarter net sales were $31.4

billion, growing 8.9% from last year. Net sales for the fourth quarter include a $664 million benefit from changes in currency exchange rates. Fourth quarter operating income was $2 billion, including a $58 million benefit from changes in currency exchange rates.

For the quarter, we did not meet our goal of growing inventory at less than half the rate of sales and we're intent on making improvements here. On a constant currency basis, inventory grew at 12.6%. Days-on-hand increased 0.4 days over last year. Adding many of this year's new stores in the fourth quarter had a significant effect on this metric.

Now let's get into the results for several of our larger markets. As a reminder, we hold country management accountable for their results on a local currency basis without the impact of potential swings and exchange rates. The following discussion of country results excludes the impact of currency and unless otherwise stated, sales and comps are presented in nominal rates. In Mexico, Walmex continues to deliver great results, growing sales in the fourth quarter and growing operating income faster than sales. Until Walmex has annualized its March 2010 acquisition of Central American operations, the following discussion will include only Walmex's results in Mexico. While the following results are on a U.S. GAAP basis, Walmex separately reports its earnings under Mexican GAAP, so some of the numbers may be different.

Walmex's net sales for the fourth quarter were up 9.2% and comparable store sales were up 2.9%. The sales growth at Walmex is driven by the 255 stores and six restaurants that have opened since the fourth quarter of last year, positive comp growth in all Walmex formats and good holiday sales. Customer traffic increased 10 basis points and average ticket increased 2.9% in comparable stores. For the fourth quarter, Walmex comp store sales for self-service formats grew by 2.5%, while ANTAD's comp store sales report for the rest of the industry excluding Walmex showed only 1.3% growth.

Walmex's fourth quarter operating income grew faster than sales at 15.2% on a higher gross profit margin and expense leverage. Fourth quarter gross profit margin as a percentage of sales increased 79 basis points from last year, and discipline in expenses allowed for expenses as a percentage of sales to decline by 27 basis points.

Moving on to Brazil. Net sales grew in the fourth quarter amid some exciting changes that are happening in our operations there. However, we did not grow operating income faster than sales. Although we are disappointed with this year's results in Brazil, we've already begun the changes to see business improvement. In January, Brazil began implementing EDLP. Shelf prices on more than 2,000 items were reduced the week of the launch and additional items are being moved to EDLP every week. Over the long term, we expect the EDLP in Brazil to increase sales volume and reduce operating costs as we've seen in Japan. During this period of change, however, we expect some sales pressure in Brazil.

In real terms, Brazil's fourth quarter sales growth was 7.8% and comparable store sales were flat. Customer traffic at comparable stores declined 5.2% and average ticket increased 5.5%, both in real terms. Sales at our cash and carry and supermarket formats performed well during the fourth quarter. Fourth quarter gross profit margin as a percentage of sales increased 93 basis points over last year due to margin pressure last year. Expenses as a percentage of sales increased 161 basis points, primarily due to adding many of this year's new stores in the fourth quarter. This increase in expenses caused Brazil's operating income to decline by 41.7% from last year. In the past 12 months, we have opened 45 new stores in Brazil, bringing our total store count to 479. This includes 27 new stores in the fourth quarter of this year.

Moving to Asia. Wal-Mart Japan has seen success from its implementation of EDLP, growing sales in the fourth quarter. However, operating income did not grow faster than sales. The results are showing that customers prefer EDLP. Based on information from the Japanese Ministry of the Economy, Trade and Industry or METI, our performance continues to stay ahead of other large-scale retailers in Japan and we are increasing our market share in a deflationary environment.

Fourth quarter net sales and comparable store sales increased approximately 3.1%, both in real terms. Wal-Mart Japan's traffic increased 2% over last year as the newly remodeled stores continue to attract customers, and average ticket in real terms increased 1.5%. Wal-Mart Japan sales of food, consumables and general merchandise each showed a strong performance, while apparel sales were down. Gross profit margin as a percentage of sales increased slightly by 19 basis points from last year and expenses as a percentage of sales increased 63 basis points from last year. As with last year, fourth quarter operations were again profitable. As Mike mentioned earlier, Wal-Mart Japan has grown full year profits for each of the past three years, with this fiscal year being the best of the three years. We look forward to the continued impact of EDLP there.

Overall, China sales grew in the fourth quarter as well, but operating income did not grow faster than sales. Net sales for the fourth quarter in Wal-Mart China grew 9.6% over last year and comparable stores growth was 1.8%. Average ticket grew 9.6% in China but traffic declined 7.2%. The primary traffic decline resulted from Trust-Mart finalizing its merchandising transition to Wal-Mart assortments. Fourth quarter gross profit as a percentage of sales increased 96 basis points over last year, primarily due to purchasing efficiencies from growing sales and a reduction in the low-margin assortments at Trust-Mart. Expenses as a percentage of sales grew 197 basis points primarily due to the lower sales during the Trust-Mart merchandising transition to Wal-Mart's assortments. Fourth quarter operating income declined approximately 8%.

In the past 12 months, we opened 49 new stores including 45 supercenters and that brings our China store count to 328 stores. Wal-Mart and the selling shareholder of Trust-Mart have mutually agreed to extend the closing of the remaining Trust-Mart stores to May 26, 2011, while certain conditions of the contract are completed.

Before moving on, let's give a brief update on India. As you know, we support Bharti Retail and their new store growth in India. Bharti Retail, whose stores are excluded from our store counts, opened 30 new stores in the fourth quarter of this year and now operates 118 supermarkets and 10 compact hypermarkets. In our separate joint venture with Bharti, we've increased the number of cash and carry stores to five. Fourth quarter comparable sales at our cash and carry stores increased 11.3% over last year.

Turning now to the United Kingdom. ASDA continued to grow sales and operating income in the fourth quarter of this year. However, operating income grew at a slower rate than sales as ASDA increased price investments during the holiday season. In the fourth quarter of this year, comparable sales, excluding fuel, increased 1.6% with overall sales growth in the low single digits. Average ticket grew 3% and traffic declined 1.4% in the fourth quarter as customers made larger purchases and shopped less frequently in the U.K.'s record December snowstorm. Sales were strong in clothing, toys and sports, and grocery.

ASDA launched its price guarantee last April where customers can go online and with a few clicks, check their basket price against competitors. Over 1 million customers checked their baskets in 2010. Recently, ASDA strengthened its commitment to price, guaranteeing to be 10% cheaper than its competitors and an additional 800,000 baskets have already been checked under the 10% program. Gross profit as a percentage of sales declined slightly in the fourth quarter. Expenses as a percentage of sales were slightly lower than last year under ASDA's "We Operate for Less" program. However, the expense performance was not enough to offset the decline in gross margin.

ASDA continues to broaden its appeal and sales of ASDA's premium brand "Extra Special" performed strongly over the Christmas period. According to Kantar Worldpanel, "Extra Special" was the fastest growing premium brand of the major retailers. Chosen By You, ASDA's mid-tier private label continues to perform well, and in the first quarter of next year will be extended to grocery, meal solutions and chilled foods.

ASDA opened six new stores during the fourth quarter, including four superstores and two supermarkets. ASDA's commitment to Saving Customers Money Every Day will be more important in 2011 as VAT taxes in the U.K. have risen to 20% compared to 17.5% at this time last year and fuel prices rise to record levels.

And finally with Canada. Wal-Mart Canada sales grew in the fourth quarter of this year. However, operating income did not grow faster than sales. Net sales grew 4.8% in the fourth quarter compared to last year, primarily due to the supercenter expansion program and strong sales in food, hardlines and health and wellness. This translated into fourth quarter comparable sales growth of 40 basis points. As a percentage of sales, gross margin was relatively unchanged from last year's higher rate and expenses were relatively unchanged from last year as strong cost controls in our retail operations offset the costs from our new bank.

Operating income declined as last year's results included the gains from sales of some of our real estate properties. Excluding these gains, operating income would have increased from the fourth quarter of last year. While operating income from our retail operations grew in line with sales, this growth was offset by the startup costs of our new bank. Average ticket increased 60 basis points for the fourth quarter and traffic declined 20 basis points.

In the past 12 months, we opened eight new stores in Canada, bringing our store count to 325 stores. In fiscal 2012, we expect to open 40 new supercenters in key regions around the country. Canada continues to offer significant opportunity and we have a winning strategy to capture a greater share of this market. Building on our long track record of growth and performance, we are confident in our ability to expand and we see a long-term opportunity to serve our customers in more ways.

I'd also like to mention that in the beginning of the fourth quarter, Canada opened the first sustainable fresh food distribution center estimated to be 60% more energy-efficient than traditional refrigerated centers and saving approximately $4.8 million in energy costs over five years. The 400,000-square-foot Balzac facility is among the most energy-efficient distribution centers in North America.

Looking forward into fiscal 2012, we remain committed to sales growth and growing our operating income faster than sales each quarter. Our expectations for organic growth include 23 million to 24 million new square feet in our current markets, including significant investments in soft discount formats in Mexico and Brazil, and larger formats in China and Canada. We expect our capital expenditures to continue to range between $4 billion and $4.5 billion for the fiscal year.

Our focus on price leadership, customer service and productivity have produced good results for fiscal 2011 and we're well prepared to meet our fiscal goals in 2012 in more than 4,550 stores.

Now I'll turn it over to Bill for the update on Wal-Mart U.S. Bill?

William Simon

Thank you, Doug. As Mike said, we were disappointed with our sales performance. Our 1.8% comp decline for the fourth quarter didn't meet anyone's expectations. They certainly didn't meet mine, period. For the fourth quarter and the full year, we again delivered strong operating income and we continue to leverage operating expenses. The P&L is in excellent shape, all we need is top line growth.

Let me start with the fourth quarter recap of merchandising and I'll get into financial results for the quarter and the full year and wrap up with a look at our expectations going forward.

Certainly as others have reported, whether an individual tax refund loan delays or headwinds for the fourth quarter sales, but the primary factor for our negative comp sales performance was General Merchandise and more specifically, electronics. It's no surprise that General Merchandise makes up a larger percentage of our sales mix for the fourth quarter, and electronics, which comprises the largest portion of the overall General Merchandise sales mix, had continued price deflation. Despite the price pressure on TVs, we still had positive unit growth and we grew market share.

There are some bright spots in electronics. Though you may not have seen it on the sales line, we again had very strong sales of our prepaid wireless products in the fourth quarter. But recall, that we can only account for commission on sales of prepaid wireless products and services, as well as third-party gift cards. Had we been able to account for the full sale, we would have added 60 basis points to the fourth quarter comps.

I'm pleased with our sales performance in Food and Health and Wellness businesses. Food, our largest business, delivered positive low single-digit comps in the fourth quarter. We believe the additional assortment we put in the grocery increased our relevancy for customers. We brought back many opening price point items that were important to our core customers to help generate traffic and loyalty. The modular changes for SKU add-backs in Food were mostly completed by November and contributed to better sales. The quality improvements we've made in our Produce business are also taking hold with our customers.

Health and Wellness comp sales were positive, driven by improvements in both pharmacy and over-the-counter categories. This came despite supply headwinds in OTC, driven by ongoing issues as a result of recalls by key suppliers and a larger-than-expected generic mix. We see many encouraging trends in our Health and Wellness business. First, our new Humana drug program enrolled more people than we expected. This provided some tailwind toward the end of the fourth quarter and will continue to do so this fiscal year. Second, the cold and cough season is picking up traction and we're well prepared.

Our Consumables business had low single-digit negative comps for the quarter. We'll complete our new modular sets in the first quarter, which will help us highlight opening price points and recapture traffic loss to competitors. However, in categories where we've already made modular changes such as paper products, we're seeing positive sales momentum, driven by improved customer conversion and offsetting commodity-driven deflation.

We posted mid-single-digit negative comps in apparel. We have seen improving sales trends in Men's, Ladies' Plus and Women's offset by a pullback in Juniors. Customers are also buying closer to need, particularly in seasonal apparel. I'm encouraged by recent trends as we add back assortment in key apparel categories including shoes and accessories.

Home comps were low single-digit negative, though winter weather helped drive sales in snow removal and bedding. Promotional and new items as well as home management, floor care and dining did well for the holidays. Home decor continues to face headwinds.

Sales in our seasonal category were slightly below projections in the fourth quarter. We lost sales by having seasonal merchandise spread across too many areas of the store during the fourth quarter. Going forward, our seasonal merchandise for holidays such as Easter, Halloween and Christmas will have integrated targeted plans to present a more compelling presentation and product offering for our customers.

Our In-store Toy business was slightly negative over the holiday season. However, combined with tremendous online Toy growth, our overall Toy sales met our expectations this holiday season. Our last General Merchandise category, hardlines, had a comp decline in low single digits. Sales growth of course sporting goods and automotive categories where we started to add back assortment, offset softer sales in large exercise equipment, crafts, stationery and books.

I shared with you last quarter that we began reassorting our General Merchandise categories, adding back deleted items and categories and making space allocation changes. This process will take longer than it did in the Food side of the business. With the longer lead times in General Merchandise, we will be working on this throughout the year. Product cycle times, modular changes and department space allocations are scheduled to change throughout the year. Our goal is to gain traction on these before we get into the General Merchandise-rich fourth quarter.

We know the power of online shopping, which industry reports said grew by 11% during the fourth quarter. Walmart.com's fourth quarter sales growth exceeded the industry and were on par with the industry leaders, and this too is a competitive advantage as we offer customers the opportunity to shop on their terms.

Now let us get into the financial details for the fourth quarter and the full year. As I mentioned, comp sales for the 13-week period were negative 1.8%. Slower traffic was a major factor in the comp decline, and average ticket was up slightly versus the prior year. For the full year, comps on a 4-5-4 basis declined 1.6%. For the 52-week period, average ticket was up slightly, traffic drove the majority of the comp decline. All financial details beyond comp are provided on the fiscal quarter and the year. For the full year, net sales were up 13 basis points but declined 46 basis points in the fourth quarter.

Inventory was up 8.2% compared to last year. Recall, we ended last year with low inventory levels as a result of our aggressive inventory reduction program. Aside from our sales shortfall in this year's fourth quarter, some of our planned initiatives deliberately increased inventory, namely the addition of merchandise in Action Alley and increased assortment. In fact, these two initiatives contributed approximately 120 basis points of the total growth. At the end of the year, we did not have any significant inventory exposure. In fact, inventory turns in the fourth quarter were flat with last year.

Gross profit dollars improved 15 basis points for the fourth quarter. The sales decline and lower margin electronics merchandise led to a favorable mix. Gross margin rate was up 17 basis points for the quarter as a result of the favorable mix. For the year, gross margin was up $11 million or two basis points over the prior year. Our gross margin rate for the year was basically flat.

We leveraged operating expenses again now for five consecutive quarters. Sales per labor hour or labor productivity were up again for the quarter and even more for the full year. I want to recognize the operational performance of our stores, particularly during the intense winter weather storms in December, January and now February. Our store teams continue to increase store standards and this will position us well as we work to enhance our assortment and implement the merchandising initiatives, including adding merchandising to Action Alley. I would also add that our sales performance resulted in a decrease in the expense for incentive plans. Going forward, that's not how I want to reduce our expenses.

Fourth quarter operating income grew 4.8% to more than $6 billion. For the full year, operating income was up 22 basis points as a percentage of sales increased 3.1% to almost $20 billion. These are very strong results given the state of the economy and the difficulty we had during the fourth quarter on the sales line. I'm confident we can improve sales throughout the rest of the year. We spent the last six months analyzing our assortment and presentation and delving into customer insights about their shopping habits and their preference.

Beginning this month, we're removing the high-capacity end caps to make way for a more robust, proper Action Alley presentation. As I mentioned, space and assortment changes are now underway to improve our merchandise presentation, particularly in apparel, sporting goods, toys and hardlines in most of our U.S. stores.

As we've experienced, average unit retail prices are expected to continue to decrease in electronics particularly for TVs, hardware and gaming. We believe we can mitigate some of this price pressure by increasing our focus on products and categories like iPads and other tablets that offer greater growth opportunities. While we progress in the second and third quarter, we should begin to see the sales declines in these categories abate.

Our team is implementing a four-point plan that we expect will improve performance in our existing stores. First, Every Day Low Price leadership, savings on the basket. Wal-Mart will deliver consistent Every Day Low Price, which is what the Wal-Mart brand stands for, on a basket of goods. We also will support our messaging with targeted marketing in-store and with a variety of media.

Two, broadest assortment possible. Under the leadership of our new chief merchant, Duncan Mac Naughton, we will continue to work with our suppliers to deliver the broadest assortment possible at the lowest price in the market. Three, improve remodel efficiency and returns. We will change our remodeling program to right-size merchandise categories and eliminate remodel disruptions. We will continue to drive efficiencies through our remodeling program to reduce capital costs and expenses. And four, access for our customers. We'll leverage Walmart's strength to expand multi-channel initiatives so our customers can shop on their terms.

We'll also make meaningful progress on growth as we expand our store format portfolio to continue to grow through supercenters which continue to offer us the best return on investment and launching small formats. The development of our small format is progressing ahead of schedule. We expect to open our first Wal-Mart Express stores in the second quarter. This will be a new format for both rural and urban locations. We're very pleased with the reception customers are giving potential Wal-Mart stores in cities such as Chicago, Washington, D.C., New York and San Diego. As I said, we're driving efficiencies in our remodeling program.

In October, we projected a range of $7.5 billion to $8 billion for our capital expenditure budget for fiscal 2012. We're now expecting our capital, including remodeling and logistics, will be between $6.5 billion and $7 billion. We continue to expect to add 11 million square feet of selling space, which will be between 185 and 205 units. We'll also continue to convert discount stores to supercenters.

The first quarter of fiscal 2012 is underway. Pressure from higher energy and commodity costs are factors that we'll watch closely as they affect our own logistics and transportation costs, as well as the prices the customer pays. Rising gas prices and still-high unemployment levels weigh on the minds of our customers. These issues affect discretionary spending and figure into our assessment for guidance. The use of government assistance programs continues to rise and is up about 50 basis points over this time last year. Close to 80% of our payment mix is still made up of some form of cash including debit cards. Credit as a form of payment has dropped from last year and is now less than 14% of our payment tender.

During the fourth quarter, inflation in dairy, meat and produce were somewhat offset by deflation in snacks, beverages and dry grocery. Weather issues have affected crop availability in produce and we expect to see continued inflation in fresh food categories.

Labor and higher cotton prices are affecting apparel and home categories, and softlines were consolidating suppliers to improve purchasing power and leveraging our buying power with raw material suppliers. We continue to work with our suppliers to reduce inflationary pressure where possible and only pass on price increases when they cannot be avoided. Our logistics team continues to increase productivity and efficiency, and I'm happy to report that for the full year, cases per hour were up 5.6% for the year over last year. Our transportation efficiency increase measured in cases per mile improved 4% for the year. We expect that our productivity initiatives can help mitigate higher fuel prices this year and further increase efficiencies in fiscal 2012.

Last year, our 13-week comp for the first quarter declined 1.4%. We expect Wal-Mart U.S. comp sales for the first quarter running from January 29, 2011 through April 29, 2011, to range from negative 2% to flat. Let me remind you, the changes that I outlined will take time before we see positive comp trends.

We expect our productivity initiatives to continue to help us leverage expenses in the first quarter, even on lower sales. We're forecasting our inventory levels to remain somewhat higher than last year through the first half of this year as we implement the changes I've covered. And last, we expect gross margin to be flat to slightly up for the quarter.

Now I'll turn it over to Charles for the rest of the guidance discussion.

Charles Holley

Thanks, Bill. Let's get right into our financial scorecard. First, growth. Despite continued economic headwinds, we grew both sales and square footage. Sales were up 2.5% for the quarter and 3.4% or almost $14 billion for the year. By adding 511 net units this year, we continue to provide access for customers to save money so they can live better. Net square footage increased by approximately 33 million square feet, to almost 985 million square feet at the end of the year. Wal-Mart International alone contributed over 20 million square feet or more than 60% of this year's increase. Much of this growth in International was focused on emerging markets, where we believe there are excellent growth and return prospects.

We plan to deliver square footage growth of 3% to 4% and we were just about in the middle, growing selling space by 3.4% for the year. We continue to expect to increase square footage between 3% to 4% for fiscal 2012, and this takes into account our move in the U.S. towards smaller, more productive supercenters.

Next metric, leverage. Our focus on the productivity loop has been a company priority for just over a year. We are proud that the company leveraged expenses now for five consecutive quarters. All segments contributed to the company leveraging expenses for the year. Their continued focus has helped make a significant contribution to our bottom line. This will continue to be an important focal point.

One area where I can say I'm proud of our progress on leverage is in unallocated corporate overhead. The focus of our corporate support teams paid off with a year-over-year decline in corporate expenses. Looking forward to fiscal 2012, we have some planned investments in global e-commerce which will be reflected in unallocated corporate overhead. These are strategically important to the company but may contribute to higher growth in these unallocated expenses.

As we close the year, I'd also like to recognize the progress that our teams around the world have made on converting our financial systems to SAP. We're not finished yet, but the majority of our business now operates on the new system. We surpassed the largest implementation earlier this year with the transition of our North American operations. The countries still on the list to transition to SAP are all of those in Latin America, China and India. This will provide a common platform to better integrate acquisitions in the future.

Finally, returns. Our commitment, which I mentioned at the October Analyst Meeting, was to keep ROI stable, which we did again this year. Return on investment was relatively flat at 19.2% compared to 19.3% last year. This is a very strong return relative to our competitors. I also mentioned back in October that quarterly fluctuations will occur based on our operations. For example, an acquisition may initially be dilutive to ROI. However, in the mid to long term, our continued goal is to maintain a stable ROI.

Free cash flow for the year was $10.9 billion. This is incredibly strong and gives the company tremendous flexibility. Well, let me remind you that last year, we reduced inventories in Wal-Mart U.S. by approximately $2 billion. This made our inventory artificially low and makes the comparison difficult between last year and this year. We were not expecting to be at last year's level and we are very happy with our operating results to produce another year of strong returns. Now let's move on to guidance.

Based on our views of the economic and sales environment in the U.S. and around the world, we expect first quarter of fiscal 2012's diluted earnings per share to be between $0.91 and $0.96, which compares to last year's EPS of $0.87. The company's expectations for full fiscal 2012 EPS is to be between $4.35 and $4.50, an increase from fiscal 2011 underlying EPS of $4.07. These estimates assume that currency exchange rates remain at current levels. For fiscal 2012, we expect the effective tax rate to be between the range of 33.5% and 34.5%, although we may see some quarterly fluctuations. Factors which may affect our rate include changes in our assessment of certain tax contingencies and the mix of international to domestic income.

In October, we announced our capital expenditure plan of between $13.5 billion and $14.5 billion for the year. Based on where we ended fiscal 2011 and reviewing our capital needs based on efficiencies for new stores and remodels, we are now reducing our guidance to $12.5 billion to $13.5 billion. This lowers the top and bottom of our range by $1 billion. If we have more opportunities to invest in emerging markets like China, we will do so. Let me remind you that this guidance does not include CapEx for any acquisitions.

The new guidance ranges are as follows: Wal-Mart U.S., $6.5 billion to $7 billion, down from $7.5 billion to $8 billion; Wal-Mart International, $4 billion to $4.5 billion, unchanged; Sam's Club, $1 billion, unchanged; and corporate and other will be $1 billion, unchanged.

I am pleased and honored to serve as Wal-Mart's Chief Financial Officer, and I am proud of the finance organization I have the opportunity to lead. We remain committed to driving strong operations with the foundation of a strong financial position. This is key to delivering long-term shareholder growth. This mission is intrinsically linked with our mission to save customers money so they can "live better". As a company, we will continue to focus on leveraging our cost structure and global footprint, along with driving the right balance between growth and returns.

Let me remind you of Wal-Mart's key numbers for this fiscal year of 2011 that just ended. Almost $11 billion in free cash flow; a return on investment of over 19%; over 30 million net new square feet; and over $19 billion return to shareholders through dividends and share repurchase. These numbers represent the commitment and hard work of our associates around the world, the strength of the Wal-Mart business, and the continued execution of our strategic plans.