

# FINAL TRANSCRIPT

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**WMT - International Field Trip for Analysts & Investors**

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**PRESENTATION**

**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

Good afternoon. I'm Hector Nunez. I'm the President and CEO of Wal-Mart Brazil, and on behalf of Wal-Mart Stores, Inc. and Wal-Mart Brazil, welcome to Brazil, and welcome to the absolutely beautiful city of Salvador. I hope you enjoy it. We're delighted to be able to host all of you here today.

We're going to spend the next few hours together, not only to talk about Wal-Mart Brazil, but also get an update on Wal-Mart Stores, Inc. from Charles Holley, our Executive Vice President of Finance and Treasury, as well as get an update on the Americas from Craig Herkert, President and CEO of the Americas. So once again, welcome, and I'll ask Charles to kick off for us. Thank you.

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**Charles Holley** - Wal-Mart - EVP Finance and Treasurer - Wal-Mart Stores, Inc.

Good afternoon, everybody. I'm glad to see that you've all made it in safely. We really do appreciate you taking the time out of your very busy schedules to join us here in Brazil.

Before we start the formal presentation, I want to be sure and introduce our IR team. I think everybody knows Carol Schumacher, our VP of Investor Relations. Mike Beckstead, where are you? Are you around here? Mike is new to our team in the last two months. Please take some time to get to know him. I think he's going to be a great addition to our team. He's our new Director of Investor Relations.

And of course, we have [Marsha Cook], and Marsha's somewhere in the back I'm sure. Okay, there's Marsha, our Coordinator and our Analyst, and then of course, [Mary Taylor], our executive support for our team. They worked very hard to put together, I think, a very good program for you for the next two days.

Just some housekeeping, we'll take a formal break at around 5:20. There are beverages and snacks outside, just outside the room. Also, you can use wireless in here if you choose to. I'd ask please turn off, or put on silent your cell phones. We will be webcast. And I think everybody has received a paper copy of the slides. We're going to have one Q&A, and it will be after all the presentations. So there will be a chance for Q&A, but it's going to be at the very end. And of course, we'll -- hopefully, we'll see you tonight.

With that, why don't we begin our webcast? Good afternoon. Boa tarde. That's Brazilian for good afternoon. My name is Charles Holley. I'm the Executive Vice President and Treasurer of Wal-Mart Stores, Inc., and on behalf of Wal-Mart and our Wal-Mart Brazilian team we'd like to welcome everybody here to beautiful Salvador, Brazil and the historic state of Bahia. We think this is a great opportunity to showcase our Brazilian operations, and I think you'll see why we're excited about our investment and our prospects in Brazil.

Before we get started with the presentations, I'd ask you to put your attention to the forward-looking statement on the slide, and please read it. I won't read it for you, but I would ask to remind you that actual results may differ materially from any projections we may make at the conference, and that please refer to our SEC filings and our website for any analysis you do of our company.

Wal-Mart's worldwide mission, saving people money so they can live better, it's not just true in the U.S. It's true all over the world in our operations, and you're going to get a chance to see that. It's alive and well here in Brazil.

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When you think of Wal-Mart, I know -- and if you think of our mission, you probably just think of the banners of Wal-Mart Supercenter and Sam's, but we serve our customers around the world in many banners, not just Wal-Mart and Sam's. You can see whether it's Pali in Central America or Changomas in Argentina, Nacional or Bompreco in Brazil.

As of the end of March, we had 7,323 units across the globe. Just under 4,200 were in the U.S., and just over 3,100 were actually in international. Clearly, international is becoming a more important part of our operations. Back in 1998, international represented 5% of total revenue. Fast-forward to last year, fiscal 2008, represented over 24% and going forward, you will see international growing at a faster pace than our U.S. Wal-Mart and Sam's.

Okay, I want to talk just real briefly about our sales release we had in the U.S. last week. I think everybody saw that our comps without gas in the U.S. were 0.7%. Our Wal-Mart Stores was a 0.9% positive. Sam's Club was a negative 0.7%. Just a couple of comments, one of the things that we called out was our great inventory performance. We continue to see very good performance in inventories at both Sam's and Wal-Mart. We think that's going to be critical to compete in this environment that we're seeing in the U.S.

Also focusing on the U.S. Wal-Mart business, health and wellness, food, entertainment, very solid businesses right now for us. In fact, we even called out I believe, Carol, our triple-digit comps that we had in our flat-panel TVs, which I think speaks very highly of how well we're doing in entertainment.

As far as apparel and home, we're very -- I guess the message would be, we're very encouraged with what we're seeing. We are not where we want to be and can be, but we're far away from where we were last year. We fell very encouraged about that business. Also, we provide a guidance for comps for April, positive 1% to 3%, and also, we were able to raise our EPS guidance. Originally for the first quarter, it was \$0.70 to \$0.74, we have raised it to \$0.74 to \$0.76.

Talk just a little bit about returns and free cash flow -- we've been very focused in the last 18 months or so in stabilizing our returns. And how we do that, we want to really focus on free cash flow. In October, Tom Schoewe told you about the five operating metrics that we're focusing on right now as a company, and we did better on those in the back half of last year than the first half.

Coming into this year, we feel very good about those metrics, except for a couple of things I want to make sure that you're aware of. Corporate expenses growing slower than sales, we feel very good about our core -- our ability to that in our core overhead expense, except for one area, and that's the systems implementations that we have for our finance systems transformation, HR systems transformation, and merchandising systems transformation. Those will be weighing in on -- pretty heavy, I think, on corporate expense.

Then operating income growing faster than property, plant and equipment. We are very encouraged with our progress there. It's not something that we can change overnight. Obviously, we have to have good increases in operating income, and we have to moderate our property, plant and equipment, which we have moderated our CapEx for next year, \$13.5 billion to \$15.2 billion if you remember. Right now, we feel very confident that -- and very comfortable that we can stay within that range.

If we can achieve in those metrics, we know it's going to provide additional free cash flow. Last year, we were able to provide \$5.4 billion of free cash flow. That's a 25% increase year-on-year. Also if you remember, we returned to shareholders about \$11 billion in the way of dividends and share repurchase. So the more that we can achieve on those five metrics, the more of those kind of things we can do.

Okay, let's talk just briefly about international. When I joined the company, I started as a CFO of International, and I was there for eight and a half years. I left at the end of 2002. In 2002, International's revenues were \$42.7 billion. I think it's amazing, fast-forward to this last year, and Craig's going to talk about it in a minute, but our revenues in the Americas are far more than just the International revenue was in 2002.

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Focus on three strategies, portfolio optimization, global leverage, planning for winning in each market. And just briefly, portfolio optimization, you're going to see a lot of that I think in Salvador. You're going to see very different formats that serve the customer very well, but we want to have the optimal formats for each market.

The second one, global leverage. Of course, I think the obvious one there is global procurement. You're going to hear a lot about that, but there are some others you may not think of. The first one I think of is people. Vincente Trius was the CEO of Brazil for a long time. Vincente was just promoted recently from Brazil to be the CEO of our Asia operations. So, that's one way I think that we're going to be leveraging our people.

Another one is format leverage. We have a lot of banners, a lot of formats, outside of the U.S. that we can leverage. Craig Herkert and I were down in Salta, Argentina earlier this week, and we go to see a new Changomas format. Now if you've been to Mexico, we have a format called Bodega, very, very successful and it's probably the highest return, Craig, that we have of the formats in Mexico. It's a 50,000-square-foot warehouse-type grocery format.

Well, this Changomas was developed by the Argentine team but with a lot of help from the Mexico Bodega team. And it's well above plan, and if you walked into it, you would definitely be thinking of Bodega. It's a very good format. So, also leveraging formats is one way.

Plan for winning in each market. What does that mean? Well, I think Mike Duke and his team have a plan over the next few years to make sure that we have some path of leadership and share of that market, there's a path for growth, and there's a path to have good, solid returns in a country.

Real quickly, I'd like to talk about our ASDA business. Our sales release last week highlight, I think, International sales increase was 18.7% total sales increase, highlighted China, Canada, Brazil and ASDA. I think about 18 months ago, you saw ASDA's team really get serious about rollbacks, EDLP, and you've seen them kind of create a gap with the total market on market share increase.

The slide I have in front of you is based on the TNS public data, and it really compares ASDA's year-on-year growth in the market compared to the market growth itself. You can see it's -- that gap has been maintained very nicely. They were ahead of plan last month. I think they're doing very well.

Turning to Japan, I think you know that we did our tender offer in December. We will close out and acquire the rest of the shares sometime in the second quarter. Japan is a longer-term investment, and we're talking at least five years.

It's not a one-year turnaround, but with people like Vincente over there and the team that we're assembling in merchandise, supply chain operations, we feel very good about our future. Still early days, our comps were positive in the first quarter. They were north of 1.5%, clearly an -- they do need to be better than that, but I do think we're off to a good start.

Turning to China. Of course, we have two operations in China, the original Wal-Mart operation, which is mostly Wal-Mart stores and Sam's Clubs and then, we did the acquisition of Trust-Mart last year, total units about 205 units. That'd be approximately 104, I believe, in Wal-Mart. It'd be about 101 in Trust-Mart. We're very, very pleased with those operations and the growth.

We're increasing ticket and traffic on both sides of that business. Our comps are double digit, have been for several months, and if you compare to our foreign competitor, our comps have been at least double or more than double our near -- our foreign competitor.

Okay. One of the things I want to talk about real briefly before I close, you saw that our partner in India opened up their first three stores in India. Bharti opened a store called Easy Day. Just to give you a little bit of information, these are some slides from the opening that we obtained yesterday. The format's about 2,500 to 4,500 square feet, obviously convenience, quality items

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for the neighborhood -- the surrounding neighborhoods, and from my understanding, Bharti's very, very pleased with the opening.

Just as a reminder, foreign retailers are precluded from owning a retail in India. However, we can have a joint venture for sourcing and technology, which we do with Bharti. But -- and we also can open Cash and Carry together. We do have plans to open a Cash and Carry somewhere around the end of the year.

With that, I'd like to turn it over to Craig Herkert. Craig, if you don't mind, Craig started with Wal-Mart in the year 2000 as our COO of International, and then in 2004, he was promoted to be the CEO of the Americas. Craig?

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**Craig Herkert - Wal-Mart - President and CEO Americas - Wal-Mart Stores, Inc.**

Thanks, Charles. Well, good afternoon. I am, in fact, Craig Herkert, but before I do my presentation, I'd like to introduce our President of Wal-Mart Argentina who is with us today as well, Ezequiel Gomez if you could stand, and he'll be available this evening if you want to ask him some questions.

What I'd like to do is take just a few minutes to share with you an overview of Wal-Mart in the Americas. The story I'll tell you is that the role of Wal-Mart in the Americas is a fine balance between sales, growth and profit. Wal-Mart's presence in the Americas is a mix of both mature and emerging markets. We have over 2,100 units in nine countries and Puerto Rico, with over 350,000 Wal-Mart associates who helped deliver nearly \$47 billion in sales in FY '08.

Over a ten-year period, we've had a compound annual growth rate of stores at 15%, sales at 18%, and I would note that we grew continually, even in years where we did not do any acquisitions. Over the same ten-year period, operating income increased faster than unit growth and sales. There's a compound annual growth rate of 20%. So, here's the numbers, three, four and five. Store count tripled. Sales quadrupled and most importantly, we increased income fivefold.

Over the same ten-year period, we significantly diversified our portfolio formats. While we continued to grow all of our formats including the more traditional formats such as Supercenters, Sam's Club, we are accelerating the growth of our small formats, serving neighborhoods in the lower-income customers. I'm pleased to say that in FY '09, we'll add at least 248 more stores. That will bring our total store count in the Americas to over 2,400 by the end of this fiscal year.

You heard from Charles Holley about our International strategies, which are portfolio optimization, leveraging our global strengths and having a plan for winning in each market. Here in the Americas, the plan for winning is a laser-like focus on serving the underserved. Here's why. 300 million people in Latin America are considered low-income consumers in this -- in the low-income socioeconomic group, and many of these consumers are underserved by the formal retail market.

In fact, roughly 50% of the market in Latin America is informal today. Serving the underserved fits perfectly with Wal-Mart's global mission of saving people money so that they can live better. Just as Sam Walton brought high-quality, low-cost goods and services to the underserved, rural communities in the United States, we're striving to do just that throughout the hemisphere.

Now that I've outlined our plan for winning, let me share how we're leveraging our global strengths. We utilize our global leverage to achieve our goal to win in each of the markets in the Americas. Let me cover some of the detail here. Everyday low price, it is in the DNA of the 350,000 associates that I spoke of a moment ago. It's who we are.

We are the price leader in every market, and in countries like Brazil and throughout the Americas, our managers check prices daily, sometimes several times a day, to ensure that in fact we are living up to our commitment to our customers to save them money.

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We learned in the U.S. that there was a great unmet need for affordable prescription drugs, the \$4 generic prescription drug program. The same holds true for our markets in Latin America. As such, we aligned with the U.S., and we brought this program to Mexico, Puerto Rico and here in Brazil.

What you see on the slide now is a picture of our program in Mexico called Medi-Mart. This is under MXN39, everything for under MXN39. Last year, this program saved Mexican consumers \$57 million.

Charles talked about the great opportunity we have to save people money with global procurement. We have offices in 20 countries with a dedicated team of over 1,800 global procurement associates, and they source product from over 55 countries around the world including here in Brazil in order to offer the best products and the best prices to our customers.

I wanted to share some examples. As you see on the slide here, we just had a global meeting only a few weeks ago with our global procurement team, called it Great Global Items. Each of the markets in the Americas took advantage of the Great Global Items.

So we have this Mainstay towel, not in the stores yet here in Brazil, but it will be because Brazil bought this item. And it's the same item that was bought everywhere. And a great toaster, not in the stores yet here in Brazil, but it will be and it will save people money. We're doing a better job today than we ever have of leveraging our global procurement. I wanted to talk -- I think some of you would have seen this one before, but I love this story, the tree.

This tree was \$1. Talk about serving the underserved, and allowing people to enjoy Christmas a little bit maybe who couldn't before. Seven markets in the Americas took advantage of buying this tree last year. And here in Brazil, here in Brazil, we sold out two weeks before Christmas. We didn't buy enough, great opportunity, great item, and I'm confident there's more to come.

We also leverage our global sustainability practices. In Canada, we recently rolled out For the Greener Good, which promotes products that are certified and environmentally friendly, part of a broader initiative in Canada aimed at reducing waste, cutting energy use, being a good neighbor.

In Central America, we launched an alliance just last month with a global relief organization, Mercy Corps and USAID to improve the lives of small-scale farmers in Guatemala. The name of this program is [IMARE]. IMARE helps farmers build to capacity to provide high-quality products to our customers. It brings economic opportunity to the poorest rural communities in Guatemala. And most importantly, it is sound business. It delivers quality products that our customers deserve and demand.

In Mexico, we support a community initiative to help women in the Mazahua zone. We support them in marketing and selling their handicrafts in our stores. We also support a landmark rain water collection and water treatment project that addresses their most critical need, a consistent, ready supply of potable, safe water. You'll hear more -- you will hear more a little later from Daniela about we're doing here in Brazil.

To quote Sam Walton, You can't just keep doing things that work one time when everything around you is changing. You have to stay out in front of change. We formalized this in a program in the Americas. We call it Ideas Con Impacto, ideas with impact.

We have dedicated individuals in Miami and in each market that are bringing forward ideas from the 350,000 associates, a way to bring all those ideas up and then to find those that really add value to our consumers, by either lowering costs, making us more efficient, adding some kind of value or service to our customers and then quickly getting that out to the stores.

Here, just two examples, a training program in Mexico in the electronics department, with this ever-changing electronics industry, how do you make sure that your associates know how to talk to your customers? We now have that rolled throughout Mexico.

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Here in Brazil, one of our store associates devised a way to save some time to clean fish by simply pushing some holes in the bin so that you can clean the fish more quickly, rolled that out across Brazil. We have a diverse team of talented associates throughout the Americas and, as Charles said, our people do in fact make the difference.

We're leveraging our success with multi-formats, Supercenters, as Charles talked about, general merchandise stores in Canada and Puerto Rico, Sam's Club, Cash and Carry here in Brazil, small stores, soft discount stores in every single country in Latin America and other formats such as apparel and restaurants.

We are always thinking of ways to save people money so they can live better. In Latin America, we have small discount formats. Here, you see some of the banners that strive to deliver on this promise. These small formats offer quality goods and fresh foods at everyday low Wal-Mart prices in the very communities where our customers live. We strive to place our stores in the most convenient locations where people live and work. Here's an example with the Despensa Familiar in Honduras right near the bus stop.

What we want to do is bring safe, fresh, affordable foods to customers. Here's an example of a fresh market anywhere in Latin America. Now, go to the next one. This is a Pali in Costa Rica. What a difference in the offering to the consumer.

Likewise, if you look at the next slide, you'll see a typical meat market. And now, look at Mi Bodega Express in Mexico, fresh, quality, refrigerated meat products for them, and we offer bread and tortillas where it's appropriate and maybe even footballs for the children. In closing, we're going to continue to focus on delivering profitable growth by saving people money so that they can live better in every single market.

And now, I'd like to welcome our President and CEO of Wal-Mart Brazil, Hector Nunez.

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

Thank you, Craig. I'd like to take this opportunity to introduce my entire management team that some of them will present to you today. As I introduce them, I'd like for them to please stand up.

Our Chief Financial Officer, Antonio Guimaraes, will give us an economic overview. Willie Wagner, our Chief Administrative Officer will talk about retail and customer trends. Marcos Samaha, our COO for the Retail side of the business will talk about how we have built a winning business. We also have Daniela de Fiori, our Vice President of Corporate Affairs and Sustainability, who will discuss some of the sustainability and social responsibility initiatives.

Jose Eduardo Cabral, our Chief Merchandising and Marketing Officer, will share with you our winning strategies for the customer. Marcos Ambrosano, our Vice President of Operations here in the northeast, will share with you our exciting strategies focused around the low-income consumer and the soft discount format, Todo Dia.

We also have here Marcelo Vienna, our Chief Operating Officer for the Wholesale side of the business, [Alejandro Pardecido], our Internal Audit Director, [Paulo Palezzi], our Asset Protection Vice President, [Marcos Sprospodor], our Human Capital Vice President, Fernando Menezes, Vice President for General Merchandise and [Darrel Fillipo], Vice President for Food and Consumables.

[Rafael Mendez Gomez], our Vice President and General Counsel, Carlos Fernandez, our Specialty Divisions Vice President, [Manuela Viada], Vice President of the Southeast Region, [Hosval de Lavis], Vice President of the Southern Region, [Jose Asantos], Vice President of Finance and [Eduardo el Cardo], Vice President of Treasury, Tax and M&A.

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But before we begin with the presentations, I want to share the headline in Brazil. Our strategies and price leadership, global procurement, shopping experience, cost reductions, and most importantly, the development of our people have delivered a growth rate based on calendar year consistently greater than the market and our main competitors.

But now, I'd like to invite Antonio to come up and talk about the Brazilian economy.

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**Antonio Guimaraes - Wal-Mart - CFO - Wal-Mart Brazil**

Thank you, Hector, good afternoon. I'm Antonio Guimaraes. I'm the Chief Financial Officer for Wal-Mart Brazil, and today I'm going to talk about the Brazilian economic scenario. Economic fundamentals for Brazil remains very strong, and in spite of the world scenario affected by the U.S. subprime crisis, the future is very promising for the country.

Going back to 1994 when Brazil implemented its [Plan Real] measures were taken to put it under control the root cause of inflation. Since then, significant improvements from the [past] -- the higher inflationary period has been achieved. Inflation has been reduced to 4.5% in 2007, and the forecast for this year is still below this level. As a consequence, interest rates over the last couple years are gradually reducing, and the credit for individuals shows significant expansion.

On the labor and the wage front, unemployment trends down to single digits. Household income is steadily increasing, rising consumption and the consequently, there are great opportunities for retail sales.

On the side of government finance, we also show improvement. Primary surplus has increased in the range of 3.5% to 4.5% of GDP. Public sector debt has decreased to 43% of the GDP from 51% over the last five years. External sector presents positive performance for annual reserves is approaching to the \$200 billion mark, and the Brazil is becoming a net creditor nation. Total risk is reducing and the local currency appreciating against U.S. dollar.

With the favorable investment climate, capital marketing is obtaining record highs and the foreign investments has showed increasing flows. The result is that the economy continues to grow, and in this decade has showed positive GDP growth rates. For 2007, GDP growth achieved the level of 5.4% and for the coming years, growth rates are expected to be above this 4%, which is above the expected world average rates.

This expectation has reinforced the consumer confidence, and the confidence index is reaching record levels. GDP growth is evenly distributed between the major sectors of the economy, agriculture, industry and services.

Brazil has not been impacted by U.S.' slowdown. Expectations are that economy is shielded to some extent. And, why? Diverse portfolio of trading partners where U.S. represents less than one-quarter of the exports. Other main trading partners are Europe, Argentina and the China. The export [base] is well diversified between commodities, agricultural products and manufactured goods.

The strength of internal demand is a second reason. Household income is growing yearly at almost double digits. Credit for consumers is expanding even at the higher rates, and the Brazil is a leading, ranking consumption country in diverse industries. Other factors are the high level of our reserves, the strong commodity world prices, the self-sufficiency in oil, a solid banking sector with low subprime risk exposure and a new round of privatizations. With that, Brazil is at the verge of becoming investment grade.

Thank you very much, and now I will pass for Willie Wagner.

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**Willie Wagner - Wal-Mart - CAO - Wal-Mart Brazil**

Thanks, Antonio. Good afternoon, and welcome. I'm Willie Wagner. I'm the Chief Administrative Officer for Wal-Mart Brazil, and in this segment I intend to cover the Retail sector, recent developments, opportunities, future prospectus and its outlook.

Brazil, as all you are aware, is a country with near continental proportions in terms of land mass, but it also is a very -- it's a consumer opportunity, a consumer market opportunity. It has the population, neighboring 190 million inhabitants, which is growing.

Additionally, even though its GDP per capita is in the emerging market ranges, it is growing solidly as well. Our consumption component of GDP now represents two-thirds and is also growing. And if you look at credit penetrations individual, it's still small fraction [steepened] 12% but over the last three years, it has grown at nearly a 34% per year.

The economic growth that Antonio spoke of late -- earlier has spilled over into the Retail sector. Here in the slide, you've got the major components of Retail and all across in the last four years some real growth rates in all sectors. Where we operate, the bottom box, that has grown on average over the last four years over 6% each year.

And there's plenty of room -- there's plenty of room for improvement on the Retail sector. If you look at the left side, it just says that in Brazil, 40% of the market is in informality. And in Retail, it says that 50% is in the informal sector, plenty room for the organized rates to increase. On the right-hand side, we've got the pyramid of socioeconomic levels. And you see a growing middle class. The B and C classes now are approaching two-thirds of total households.

But, this hasn't happened by chance, it has been evolving over the last ten years. And we take as a measure the minimum wage increases over the last ten years, it has grown double digits, 13% per year-end on an accumulative basis, while the basic basket of groceries has grown 7%, a 6% gap that has increased the affordability of the lower-income levels.

And if you look at the composition of the socioeconomic levels, the B and C classes since the beginning of this decade have [engrossed] their ranks by 27% and 28% at the expense of the lower levels, the D and E classes, and basically eradicating the lower level, the E class.

What trends do you -- we see going into the future? We see a doubling of the consumer base, and we measure consumer as somebody -- someone earning 500 reais, or the equivalent of \$300 a month. Right now, that's currently sits about 60 million Brazilians, and that could grow as high as 120 million by the year 2015. The increased credit penetration that has evolved over the last few years will continue expanding and will improve also the affordability and the available income to the consumers.

On a regional basis, we see the northeast expanding, which is the most undeveloped area of the country, quickly expanding. And the growth is also expanding out of this southeast to the south and to the [center-west], a new frontier for Brazil. And if we look at the different type of format, we see that the small and medium supermarkets are growing in terms of sales at the expense of the larger supermarkets with hypermarkets remaining relatively stable. But, this shows the consumer's preference for proximity and convenience.

If we look -- take a look at the structure, the organized trade, and here we have the ranking -- the recently released ranking of the major players, a few things are striking. First, the first four are owned by multi-nationals. The top three are almost ten times the size of the second tier players. The top three hold even less than 40% of the total organized market, and you see that the press there -- the presence of the top three is basically in the major macro regions of the country and expanding.

Taking a look at the evolution of our growth over the last three years, we have grown since 2005 at 13% per annum, and this is on a comparable basis, not including our positions. It's faster than the competition. It would take it on a like-for-like basis.

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How does the consumer go into the future? This increase in affordability will continue the upward mobility, the consumer [will] be faced with time pressure, and the need for convenience and proximity will be prevailing factors.

As the income improves, there'll be more a need for share of life, not only for basic goods, but for other goods and services in attending the needs of the population. We will exhibit the aging of the -- of our population, and we will see the explosion of eCommerce. There will be a growing sensibility for environmental sustainability and social responsibility.

And, how do we expect the Retail sector going forward? There will be continued consolidation. As I explained, we have regional players that will be folding into the major players. There'll be a focus on the low-income consumer. Most definitely, we see the move of the main players acquiring cash and carry as an entry into low-income segments.

There will be expansion of new categories with this improved affordability, luxury items, high-valued goods, construction, do-it-yourself, and we see the expansion of new formats whether it be convenience, [need], new channels, eCommerce and new entrants we've seen in the past. In closing, as you can see, there's plenty going on in the Retail sector in Brazil for the benefit not only for us to develop opportunity, but also for the Brazilian consumer to save money and live better. Thank you, very much.

Now, I'd like to introduce Marcos Samaha to talk on how we're winning in Brazil.

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**Marcos Samaha - Wal-Mart - COO Retail - Wal-Mart Brazil**

Thank you, Willie. Good afternoon. Again, welcome to Bahia. My name is Marcos Samaha. I'm responsible for the Retail side of the business. And today, I will talk -- I'll talk to you a little bit about Wal-Mart's history in Brazil.

We opened our first stores in San Paulo in 1995, and Brazil along with Argentina and China was the first greenfield operation after Wal-Mart's joint ventures in Mexico and Canada. Those first years were very important for us, because we learned how to served the Brazilian consumer, and those learnings also allowed us to prepare ourselves for the future growth and organic growth and also M&A.

And to 2003, we were present in the southeast region of Brazil with 30 stores and clubs. But then in 2004, we acquired Bompreco from the Dutch retailer, Royal Ahold. Those were 118 supermarkets and hypermarkets [real] here in the northeast region of the country. Then in 2005, we acquired 140 stores from Sonae, the Portuguese retailer, with stores located in the southern region of Brazil. Both acquisitions were very positive for us, even in geographic -- as a geographical fit, and also as a perfect match to our format portfolio.

As this map shows, we are present today in 17 states in the three most important macro regions of the country, and our format portfolio is very strong with five formats and nine different brands. In 11 years of operation in Brazil, we achieved important scale in terms of number of stores, total gross sales, and our associates now are more than 67,000 people all over the country. As you can see in this slide, between dry and perishable operations, we have today 15 distribution centers, and they are all strategically located nearby our stores.

The Retail consolidation experienced by the Brazilian market over the last ten years has had mixed results for different players. In the case of Wal-Mart Brazil, our M&A story has been very successful. By taking our price leadership focus, our everyday low-cost culture to the stores in the south and the northeast regions, we have turned around the two acquired companies with comp sales growing annually in double digits and value creation in terms of EBITDA growing in the 300 and 400 basis points range.

Our strong focus on the productivity cycle enables a sustainable and increasing price differential against competitive across all formats and by reducing expenses, we can transfer the savings to our customers driving more traffic and more sales to our stores. As an example of this process is the pricing differential of hypermarkets and supermarkets that you can see in the graph and that we have been attaining over the past years.

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These pictures show some examples of best practices and learnings taken to and from our acquisitions. We have remodeled a large number of stores. Our store-within-a-store concept was especially designed to provide our customers with an exciting shopping experience and also increasing customer loyalty. You'll be able to see that in our visit tomorrow. By leveraging our global procurement department with the best products from all over the world, we provide a differentiation, quality and affordable assortment to our customers.

Our associate base is the driving force of the success of our business. We have a regional structure that serves our customer in a very distinctive way with focus to the local preferences. We have a policy of cross-pollination and transfer people from all regions in order to spread the corporate knowledge and best practices. Our associates are inspired to adopt a winning attitude about their jobs and their career development, and that is translated in their commitment to dedication to our customers.

This is a summary of our story in Brazil and is a result of our consistency in price, shopping experience, global procurement and associate engagement. We are continuously increasing our market share, maintaining a year-on-year growth in comp sales more than doubling that from other market key players.

Now, I'd like to invite Hector Nunez to come back to talk about our strategy and how we envision our future. So far, we have had a great story to be told. Thank you, very much.

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

Thank you, Marcos. Well, we've heard what has made us successful until now. I would like to take you through our strategies and our plans that we are confident will allow us to continue to win in Brazil.

But before we review our plans and our strategies, I would like to state that at Wal-Mart Brazil, our message is very simple. We save people money so that they can live better, and this message is embedded throughout all of our strategies and our plans.

And we live and deliver our mission every day at every moment when we serve our customers, when we pioneer the introduction of over 400 generic drugs for under [9 reais and \$0.90], when Sam's Club offers products at less than 15% than its competitors, when TVs are always less expensive at Wal-Mart, and when at Bompreco and at Wal-Mart stores we have been recognized as a change agent in lowering the cost of living. Now, that's living our values.

A key to our success has been the consistent application of our strategies to win the hearts and minds of our customers and become their retailer of choice, six strategic corridors where all stakeholders are represented and that run through shopping experience at competitive prices, driving everyday low cost, grow profitably in core formats, new businesses and low-income consumers, engage and develop our associates, become a game changer in corporate social responsibility and sustainability and be the preferred channel for supplier development.

Our shopping experience has various dimensions. Key and central is our price leadership across all formats with an engrained, everyday low price philosophy. Our pricing is to be lower than the key competitors in the immediate trade areas, and this is measured through our daily pricing survey of over 3,000 items.

On relevant assortment, as Eduardo de Cabral, which will expand much later, but it's all about having the right product at the right price in that right format for that right customer. In addition, we have a very active private-label program to offer top brand quality products at significant discounts to the customer. Our loyalty program of earning credits against purchases for goods has a pervasive presence in the northeast, and we plan to expand it nationally in the year 2008 and 2009.

Our credit program with Hypercard in partnership with Unibanco is the only one that does not charge an annuity. It is widely accepted by other merchants and offers the lowest interest rates in the market, and we currently have over 8 million cards. Other financial services include personal loans, bill payment, mobile phone charge -- credit recharge, and we have plans to

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expand to other areas such as extended warranty. Store layouts, fixtures, signage and merchandise is customized for local customers as we can see here at this [A/B] class supermarket.

To measure customer satisfaction, we adopted the Net Promoter Score methodology through which we survey on a weekly basis all of our stores, and all of our competitors within trade area to the extent to which they will recommend our store to a friend or a family member. We correlate these scores against drivers for preference, which include price perception, speed at checkout and broad assortment. Needless to say, we monitor and take actions to beat our competitors in all indicators.

Our second strategy is to drive everyday low cost, and this involves ensuring the best margins with cost reductions from suppliers, in-store productivity, shrink reduction, leveraging marketing and home office expenses, optimizing the use of our asset base. These are fundamental tools to ensure our price leadership.

Our growth strategy hinges on the five formats we currently operate cutting across all socioeconomic levels to capture the variety of purchasing occasions and customer needs. These formats also include additional services and shopping opportunities that include pharmacies, restaurants and gas stations. We're also entering into new channels, the most important being eCommerce, that we will launch in the second half of this year and unfortunately at this point, I'm unable to expand more on this initiative.

Our hypermarkets are intended for the one-stop shopping, focusing on all categories and regional assortment, serving a broad customer base. We have three brands, Supercenters in the southeast, Big in the south of Brazil, and Hiper Bompreco here in the northeast. While we are maintaining the three brand names, given the specific and significant regional brand equities with subtle regional differences, the hypermarkets all carry the same value propositions, merchandise and look and feel. And as of the end of December, we operated 98 units.

For our customer convenience and proximity needs and based on higher-income group locations, we have the supermarkets. Assortment is focused in perishables, groceries and beverages, and we operated at the end of December 149 units under three brand names, Mercadorama in Parana State (audio gap) and private label. We currently operate 21 units, primarily in the southeast, and we're expanding in the northeast and the south.

Serving the needs of the low-income consumer, we have the Maxxi Cash and Carry and our soft discounts concept under the banner Todo Dia, which Marcos Ambrosano will address later. The Maxxi was a format developed by Sonae and was part of our acquisition. It is a format with tremendous potential to serve the small reseller and low-income consumer by selling in wholesale quantities, as well as single units at 50% discount against our traditional retail.

We have developed three prototypes to expand this format, a 2,000, 3,000 and 5,000-square-meter store. We operate 13 units as of December '07 of which two were opened late last year and have been a tremendous success. Maxxi is commodity focused with distinctive perishable and fresh areas also offering private label for small retailers -- resellers and transformers, as well as a focuses general merchandise assortment catering to that small reseller.

We will continue aggressively expanding all of our formats. This year, we project to open up 36 new units in all formats, all regions and all brands, almost doubling last year's growth rate. Our total investments will be 1.2 billion reals in infrastructure, which include new stores, continued investment in remodeling our stores including right here in Salvador, which we haven't completed yet, and expansion of our distribution network.

Engaging and developing our associates is essential to our continued success. Diversity is a key focus as our objective is to have our associate population matching the makeup of Brazilian ethnicity. We have internal programs to drive consciousness on diversity, not to include not only women and race but also those physically challenges and of diverse sexual orientation. Our performance to date has been good. While we are still below as a percent of the total population, we are well ahead of other Brazilian companies.

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We do invest on training and promote internal recruiting, and have specific programs for leadership training at all levels. Our recognition and rewards mechanisms are tailored to reflect our values. And as a result of all this, our engagement continues to improve year-on-year, and this year, our objective is ambitious, growing significantly versus last year.

In regards to the community environment, we are very active in social responsibility and environmental sustainability, and Daniela will expand on these themes later on. We have embraced our corporate goals of leveraging relationship with communities, driving ambitious targets in terms of energy, waste and sustainable products, and we will open our first eco-efficient stores this year in San Paulo and right here in Salvador.

Finally, as far as our relationship with our supplier and vendor base, our commitment is to maintain a win-win relationship. We understand that we depend on each other and we can jointly create value. Our relationship is pillared on three principles, trust, transparency and true partnership. We have the local scale, and we also leverage our global reach. With this relationship, we conduct top-to-top meetings twice a year with our top suppliers to discuss plans and review progress across all functional areas.

With that, we are going to take about a 20-minute break for coffee, water, rest rooms and/or Blackberrys. So, we'll come back and upon our return, Daniela will talk a little bit about our sustainability and social responsibility initiatives. Thank you.

(BREAK)

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**Carol Schumacher - Wal-Mart - VP, Investor Relations**

We're going to get started again, so if you could all please take your seats. Also, I do want to let you know one announcement, that after the Q&A, we're going to wrap everything up, and then Hector will say that the webcast is ending and we'll turn it off. But please stay seated because we do have some other announcements that are applicable for you, but not for people on the webcast, regarding the store tours and the logistics for tomorrow. So we do have a few housekeeping announcements that we'll have to go over at the end of the meeting.

But with that, we'll get underway with the second part of our meeting. I'll turn it over to Daniela.

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**Daniela de Fiori - Wal-Mart - VP Corporate Affairs Sustainability - Wal-Mart Brazil**

Well, good afternoon. My name is Daniela de Fiori. I'm Vice President for Corporate Affairs and Sustainability, and I'm going to spend the next few minutes with you talking about our social responsibilities and sustainability initiatives in Brazil.

Before I start, just -- let me just remind that this is a carbon-free event. So Wal-Mart is planting 762 trees to neutralize this meeting. So, the awareness of environmental matters in Brazil, as you can see in this graphic, is quite impressive. And even though this still not translates into customer behavior, there is definitely a trend.

Anyone who follows Wal-Mart at all knows that sustainability is a key focus. And as Hector said, we are engaged with our global goals as a company, so we have the vision of becoming a company 100% powered by renewable energy, of becoming a company that generates zero wastes, and also we intend to be a world leader in providing sustainable products. So in Brazil we are addressing these goals through ten sustainability platforms, each of them led by a member of our executive team.

We also have already conducted our annual inventory of carbon emissions. This is quite important for us, because it allows us to have a comprehensive vision of the real impact of our operations, and also to make sure that our sustainability platforms in Brazil are well positioned to really minimize the impact of our business.

I'm going to share now a few key initiatives in each of those three areas, energy, waste elimination and sustainable products. So, energy. 55% of Wal-Mart Brazil carbon emissions come from the use of electric energy. So this is a key area in our program.

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We have already developed 58 sustainability initiatives in ten construction categories, as you can see in the slide, and some of those initiatives have been already been implemented in our new and remodeled stores since 2005.

As Hector has just mentioned, we are opening our eco-efficient store this year in the second semester, and this store will have all those 58 initiatives implemented. So it will work really as an experimental laboratory of new technologies and alternative materials for future use at other units.

Waste is also a key priority. 11% of our carbon emissions come from our organic waste. And as for the Brazilian social issues, recycling has been an income source for many people in the country. So our operation has been recycling paper, plastic, glass and many other residues, almost since we started operations in Brazil back in 1995. So the main focus for us in Brazil is to develop a way to reutilize our organic waste. And we have been doing a couple of things in order to do that.

The first thing is partnership with Food Banks. We have been partnering with Food Banks around Brazil. Only last year, we have donated more than 2,000 tons of food through these kinds of partnerships. But this still represents a very small piece of our organic waste.

We also have been working in two different stores in the south region, one of the stores is the hypermarket, Big [Cristal] that you can see in the picture. And what we are doing in those stores is the implementation of a broad project to guarantee the correct destination of all the materials. So the organic waste in this store is being forwarded to a composting plant and transformed into fertilizer.

So this is -- what we are doing is setting the right procedures and roll out these initiatives now to all our stores in Brazil. And we have also been innovating in this area by implementing recycling stations in our stores since 2005, and we have contributing -- we have been contributing with collector comparatives that have in recycling their income source.

So one of our goals for 2008, and we are doing this in partnership with one of our suppliers, Coca-Cola, is to implement recycling stations in 235 stores, generating also social inclusions for hundreds of former garbage diggers.

So sustainable products. Wal-Mart Brazil offers today more than 1,500 items in this category. Organic items led the category with 1,300 products. But there are several other examples in other departments, from textiles to chemicals. And our goal this year is to implement at least one sustainable item in each category, so that it will be possible to supply to customers that already value these kinds of products, an option.

In the southwest region, for example, we are having a very good response from our customers. If we take a look at the comp sales of organic items last year, it was around 119%, so this quite impressive. And we are also working a lot in the packaging area. So we are reducing the packaging of our private label brands, we are working with our suppliers for them, in order to do that. And we are also looking for alternative materials that are more eco-friendly in terms of packaging.

We are hosting, this year, our first Wal-Mart Brazil major packaging summit to our suppliers. And another initiative I would like to highlight in this area is what we call the Producers Club. I think you heard in the beginning of our meeting, Craig Herkert talking about a partnership with local producers in Central America.

This is a very similar program, and we have been working in Brazil with 1,300 families, only in the three states of the south region, Rio Grande do Sul, Santa Catarina and Parana and those families, those small producers, they are integrated in the supply chain. And what we are doing is we are giving technical support, and on the other hand we are providing high-quality products to our customers and also respecting the environment. So our goal for this year is to also implement this program in the northeast region of the country. And we are starting this by the state of Bahia.

Well Brazil is a country, with one of the most unequal income distributions in the world. So in account of social challenges and power, we decided to position our foundation, Wal-Mart Institute, in Brazil in investing in sustainable development projects.

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So what does that mean? We are generating income for communities in risk situation and also helping them in the educational and cultural side.

So we are currently supporting more than 40 sustainable development projects. I don't know if you had a chance in our break to see some of the pictures and some information we have available on our projects outside. And we have more than 3,400 people living from the income generated by those projects.

The numbers are quite impressive, because only in the social programs we have more than 900,000 families already participating and benefiting from those programs. This is a part of social investment, more for mid-long term, but we also have a program at store level. So it's a program that we call Good Work and this is a very interesting program. Because it allows each store to address its own community needs.

So we have all kinds of work going on at local level, vaccination campaigns, donation collections, a calendar of social actions, and this has been a very strong program in terms of engaging our stores into the community and also helping to engage our associates themselves.

Well, we are just getting started in the social responsibility and sustainability area in Brazil. We know there is still a lot to do, but we are already having a lot of recognition from different NGOs, public opinion, authorities, opinion makers, and we are very proud of what we have accomplished so far. We have more than 1 million Brazilians benefiting from our social and sustainability programs, which is quite [impressive], but there is still many things to do.

And the good thing is that we are not only donating things, but we are really investing in the communities to help them build their future. You will have a chance tonight, at our reception, to meet a group of women from a project called [Dias]. We have pictures of them in the outside. So this is the group of what we call Brazilian African women, and most of them, from -- came from really very risk areas.

They didn't have a chance to go to school to study. And through a cultural project they have today, their income, their dignity and also happiness. You will, you will meet them tonight. And there is also a video that you are going to see. It's a TV commercial actually, in the next presentation, and they will appear, you will get a chance to see.

So before I finish, I just wanted to share with you a few words from some young men and women that have been participating in one of the social programs we have here in Bahia. And today they work for Wal-Mart. We were able to hire them and they work in some of our stores. Let's just hear them, please. The video please.

(VIDEO PLAYS AND RESUMPTION OF SESSION)

Well, we are very proud of having those associates working at our stores, and we are truly committed [with] our social responsibility and sustainability initiatives, because it's good for the environment, it's good for the community and it's good for our business.

So thank you very much and I will now pass on to Jose Eduardo Cabral. Thank you.

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**Jose Eduardo Cabral - Wal-Mart - CMO - Wal-Mart Brazil**

Well, good afternoon. As she said, I'm Jose Eduardo Cabral, Chief Marketing and Merchandising Officer for the Retail business in Brazil. Thanks for being here with us. What I'm going to do in this segment is to share with you the basic pillars of our marketing and merchandising strategy to make sure we continue to deliver on our promise to save our customers money and so they can live better over time, also in the coming years.

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What I'll be doing my presentation is to fill this [part of it], so you understand the basic pillars of the strategy and how we keep this engine running. Of course, everything starts with the customer, and as we said, our primary target focus is the emerging customer, because that's where it is the key growth opportunity for us in this country. Some comments about this, we have to acknowledge first that we have two formats, two brands specifically, that are tailored for this customer. These are Maxxi and Todo Dia. But of course, these customers shop in all of our formats, in all of our stores too. And in this, we have to make sure we capture this opportunity throughout our brands.

Second comment, this is not the only customer, this is the primary focus for growth. But we also have to understand that we have A and B target customers for some of our formats, like the Sam's Club and some supermarkets. And we have to deliver our promise to also continuously save their money, so they can live better.

And the third thing you have to understand about Brazil is the customer profile throughout Brazil is very different in all the regions. So when you think, not only from the social, demographic standpoint, but from the psychographic standpoint too.

Having said that, that we have a primary target, but there are other targets we have to focus too, we have in Wal-Mart one only value proposition, that's save money, live better. No matter what the format, no matter what the brand.

We have made a decision in the past not to migrate our brands into Wal-Mart brands. We have some brands that are national, if you take Todo Dia, would be a national brand. Maxxi is a national brand, Sam's is a national brand. But if you take the formats, Hypermarket and Supermarket, where you have all those brands that Hector showed in his presentation, we have made a decision to keep them and not to convert them to Wal-Mart, and there are good reasons for this.

First, the brands we acquired have an excellent franchise and equity. And second, there is no return to do that. So it just doesn't [pay] investments. There's no point in trying to do that. So the challenge then is how do we keep the same value proposition, and how do we translate this into every format and every brand in the most -- to deliver the best return and the best shopping experience to our customers?

What I'll do now is to explain through two different advertising commercials how we translate the same value proposition -- to different formats and different brands. Please bear in mind when you see these commercials that Wal-Mart Supercenter is the brand in the southeast of the country, that's a more modern customer, a higher income one. And when you talk about Bompreco, this is in the northeast, where you are. The average customer is a lower income customer, it is a very traditional customer and very attached to his -- to its culture here. So the way we translate our value proposition is different and I'd like to show you two examples with the commercials, please.

(VIDEO PLAYS AND RESUMPTION OF SESSION)

This is [basically] the social project that Daniela just mentioned. They are very much attached to the culture of Bahia here.

So once we have won on the value proposition, the question is how do we do with the merchandising strategy to make sure we can continue to decrease the costs and deliver better value to our customers? And there are four big pillars to this. The first is the category strategy. And the secret is to deal with the complexity of brands and formats and different customers. We have to make sure first that we assign clear roles to the different categories in which we operate so that we can selectively place our resources and our focus to deliver the better results.

So let me try and explain to you how we do that. As I said, everything starts with the customer and the customer is very close to them to understand, given the economic scenario you just heard about, given the evolution of our customers, which are the categories there that we believe will be the key trends in Brazil? We have a five-year plan for this, where we track and -- sorry, where we plan which are the key categories in terms of the growth and let me show an example of trends we see for 2008.

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For instance there are always those categories mostly related to innovations that bring new waves of consumption. This is clearly the case, for instance, of the mobile, with the 3G technology arriving in Brazil, a good source of growth opportunity.

If you think about durable, semi-durables, furniture, what is happening is there's a growth in housing in Brazil, and attached to the housing comes from the lower interest rates, higher credits, long-term credit, this -- all these categories attaches to these opportunities will certainly grow, substantially -- are growing and will continue to grow in the coming years.

Other categories have very low penetration. If you take laptops, they are very low penetration in Brazil. At the same time, the decrease or the favorable exchange rate for us is allowing us to decrease continuously the price of this category, and the government also helped with some tax incentives for this category. So this is obviously a category that is going to explode in Brazil too. And so on.

You take those -- in Brazil, it's happening also, the same trend that happens worldwide in terms of vitality, in terms of health and wellness. So if you take functional foods, juices, water, cosmetics, all these things are also categories that are growing substantially here. And organic and sustainable products, the awareness is there with the customer and continuously growing, and we have already a very good assortment for supplying to customers and this is starting to grow at very high rates.

So this is to say how to start a category strategy? We start with understanding clearly what kind of categories will be the driver of growth for the target customers we have? Second, then what we do is to assign clear roles for the category. Broadly speaking, a role of a category comes from three dimensions.

First, as I mentioned, what is the growth potential? Second, which is the assessment of our competitive advantage, and I'll explain that to you a little bit more about this. And third, do we have or can we build credibility with the customer to make sure he understands and has Wal-Mart as one of the preferred choices when he thinks about buying in that category?

The first role we could assign to a category is a win role. What we mean by win role? I mean, we have [ticketed] the three dimensions, let me give you an example. Technology, electronics. We have very important competitive advantage to play in this country. For instance, when you go to Sam's Club tomorrow, you're going to see brands that in our channel, we only have.

And this is leveraged by the relationship we have globally with our vendors. For instance, if you go to Sam's Club, you're going to find Bose speakers. Though in our channel, we only have that, and that's because we leverage this globally. We also have -- if you take our global procurement, we are able to bring great quality electronics at a low price as entry points -- entry price points, opening price points for our customers. So there are several things that give us a lot of good competitive advantage in these kind of categories.

A second role we could assign to a category is a play role. A play role means -- if you could take apparel for instance. Apparel will grow. Yes, it will grow. Will it explode? Well, not necessarily in our opinion. It is a growth opportunity, but we can build [short] term competitive advantage in this category. And we have a project right now where we are reshaping our supply chain to make sure we deliver great quality, low price of basic apparel.

And this will allow us, in a market that is not going to explode, will allow us to get share, a stake of share, and grow and deliver good results to in this kind of category. This project is ongoing today.

And the third possible role to a category is a show role. Show means, if you take a Hypermarket for instance, where you have the concept of one-stop shop, there are some categories just want to give convenience to our customer, but we don't want to make a bold statement in terms of our ability to play in that category. If you take hardware, for instance, if our customer wants to buy a hammer, he's going to find that hammer there at a very good price, but [we don't] want really to grow that category today.

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So once we have a clear growth vision on what categories are going to for our target customers, we assign clear roles for them within our company, based on our capabilities and our competitive advantage. Then we have to take this category where we need to evolve substantially our shopping experience, where we're going to win or we are going play, and then have a growth platform development over time. Development means we're going to reshape completely the shopping experience of this category.

We have done movements, we are going to see in the store tomorrow, in some first categories last year. For instance, wine was one of the big trends here in Brazil. We reshaped the category of wines. Electronics, we did some first movement. And as I say reshaping the shopping experience. We go from the credit we offer our customers, to the assortment, to the equipment, to the signs we have in store, to what we do with our salesman in store. So we reshaped completely the entire shopping experience.

And the same in health and beauty and fresh. So these categories are the categories we already did last year that we reshaped. We do have a road map over time [from last] years, which are the categories, based on the strategy where we want to make a bold statement to our customer that are going to develop and increase substantially the shopping experience.

Once we have a clear category strategy, what we do is -- is an assortment strategy. Assortment strategy is critical, because if we're going to keep this engine moving in terms of continuously putting pressure to decrease our prices over time and save our customers money, it is critically important that we keep a balanced mix so that we can have price aggressiveness and increase our value to the shareholders.

What we mean by assortment? There are four big pillars for assortment. But of course, if you take it on a category-by-category basis, this is going to vary a lot. But relatively speaking, our customers wants brands, and they want the national brands, advertised big brands, important brands.

Here, we're not going to differentiate, again our customers, because they are national -- they are -- our competitors. They are national brands, but I have to make sure that given our supply relations that Hector mentioned, given the global leverage with Wal-Mart we have, we make sure we have the best terms from the industry from our -- for our vendors to deliver outstanding prices in these national brands.

However, we can differentiate from our customers and deliver price leadership with our three pillars. The first are the regional brands. And regional brands are very important. If you take some categories, if you take coffee for instance, you may have one brand leader in one specific city that has 50% of the market. So it's critically important that we have the sensibility to adapt the mix of that city or that region using very effectively the regional brands to do that.

Our merchandise organization is organized in a way that we have people in the northeast, in the southeast. And if you talk about products, fresh product -- produce, you may have people in each city to make sure we have the right assortment and right quality of products for that store.

The third pillar is the private label. Wherever there's a space in the market that we can deliver a customer a better value and we can retain a good value for the shareholders, [we're] going to have private label. Not going to have private label everywhere. But we're going to have it where there's a clear space in the market. And tomorrow in the visit you have a better clarity on the private label strategy, looking at the shelf and understand how we position ourselves.

And that, last but definitely not least, important goods play a critical role. And again, as it has been said before, global procurements attaching to the global procurement organization and process of Wal-Mart gives a very important competitive advantage in several categories. We do tag on to U.S. [merchants], we do tag on with other countries from international, in some cases Central America, Argentina, Mexico.

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If we need some OPP items, we will make sure we leverage the opportunity to operate together with Wal-Mart. And in many categories, this has been playing a significant role. So the combination of these four pillars is what keeps us -- the engine to keep delivering in each category -- delivering in each category, great value to our customers.

These are examples of where do we bring products from, we today bring products from 17 different countries to Brazil, being from Asia, several countries from Asia, Americas, Latin America a lot. Food from Chile. From Europe, mainly food, many times higher end products from each category. So we make sure we always have innovation and differentiation in the market, and at the same time, with good bargains.

Let me give you one example, specifically one category decided to go for global procurement, and try and realize what kind of opportunity we have. There's two plastic [beans], these and these. They're both 19 liters, plastic beans. When we went to global procurement and we found this one -- let me take the note here because I just can't remember it all, we reduced this consumer price from 31.98 to 14.98, which is a 53% price reduction, keeping the same margin.

So in some categories, when we go for the opportunities of global procurement selectively, we're not going to buy everything. When we go selectively, we can really reduce the cost of living for our customers. So in many categories, global procurement is one of these four pillars. It's a critical pillar for us to continue to deliver on that.

Now this is what we do with merchandising and how we basically built our strategy in merchandising. But we can do more than that. There are several different opportunities that have been mentioned here. And they play a role in the whole mix on how we continue to deliver value proposition.

We're talking mainly about services here and financial services [gala] and gas stations, pharmacies and what Hector mentioned before, entering eCommerce in the second half. There are clearly new sources of opportunities we have that will continue to deliver both a better shopping experience and new source of revenues for us.

And finally, what we do in in-store experience is critical. We said we must build credibility in the categories, that we want to make a clear statement to our customers. For these categories, what we do is to make sure that from the equipment, signage and mainly the mass merchandise display, we're massive enough to make sure we make bold statements to our customers and they understand how we build -- how our credentials to play in that category heavily, which is our intention.

For instance, one of the categories, which is a win category for us, is we see the seasonality or the seasonalities, like Christmas, Mother's Day we are like some weeks before Mother's Day now, so the first picture in the top is every Hypermarket has an entrance corridor where we make a bold statement about now you're going to see in stores more about Mother's Day. And we are exchanging that into new seasonality we have.

If you take the other picture, that's Sam's, Sam's [making] statement, you're going to see more about electronics. Fresh products is key for all the formats, but if you take the smaller formats, supermarkets, Todo Dia, very, very critical, it's more of a daily shopping. And we also are making very clear statements in terms of the relationship of quality and price in this category. And soft lines of the category, we're going to evolve progressively over time, when we make sure we have the right supply chain to deliver the great quality and price to our customers.

So my intention here today was just to give you a broad perspective. I'm sure tomorrow at the stores we'll have the opportunity to discuss in more detail about this. But how we build this kind of strategy, this engine to continue to deliver to our customers this better value.

Everything starts with the customer, one value proposition across the country adapted to the specific brands and then four pillars, a clear category strategy, assortment strategy, finding new opportunities to make sure we deliver on execution in our stores. That's what I had to say. Thanks for the attention.

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I'd like then to hand over to Marcos Ambrosano, who is going to talk about -- he's the Vice President here in the Northeast. He's going to talk about (inaudible). Thank you.

**Marcos Ambrosano - Wal-Mart - VP Operations Northeast Region - Wal-Mart Brazil**

Thank you, Cabral. Good afternoon. My name is Marcos Ambrosano, and I'm the Vice President of the Northeast operation. As we saw previously, the positive economic moment of the country is increasing the purchasing power of the low-income consumer, targeting that customer, we have the Todo Dia format.

Let me give you an overview of the low-income consumer. The low-income consumer lives in the periphery, which means in Brazil the lowest organized area, as we will see tomorrow on the store visit, without basic public utilities and services, which directly affects their quality of living.

Our customers are mainly housewives, who are responsible for taking care of the house and purchasing for the family well being. The community is where their life takes place. They shop, they enjoy their family and friends, children go to school. They practice their religion. The community represents their universe, their psychological border.

The possibility of buying gives them a sense of power and control over their lives. The supermarket is more than a place to shop. It offers them an opportunity to be together with their family, have fun and spend their savings. They appreciate modernity, efficiency, organization and hygiene. Usually, they spend all their money they earn and credit is an important service to them.

Having said that, Todo Dia was developed based on two successful Wal-Mart experiences with that customer. In Central America, with brand Pali and in Mexico with Mi Bodega brand. We have learned that as a high percentage of those customers reach the store on foot or by public transportation, these stores are located in the main commercial streets of the local community.

In order to fit those stores in those locations, we developed two prototypes, a 600 square meter store for metro areas, and 1,000 square meter store for small and mid-sized markets. Currently, we operate 21 Todo Dias, primarily in the northeast.

When you look to the Company's mission, we save people's money so they can live better. Todo Dia plays a critical role in accomplishing that. Just because the value proposition of the Todo Dia is access and affordability to the low-income consumer. The assortment of Todo Dia, which is limited to 3,800 SKUs, is tailored to provide customer daily needs, focusing on groceries and perishables.

Many of those customers enjoy buying branded items. So we will find tomorrow small bags of some of those brands at the store. We also provide affordability to the low-income consumer with a limited assortment of non-food goods. The pictures on this slide illustrate some good examples of affordable items, some desirable ones like the DVDs that are sold by \$50 and others for daily needs, such as the drinking glass that is sold by amazing \$0.30 of [dollar].

To do this, we leverage our global procurement, bringing products with the best price in the market. That became a winning practice, relating Todo Dia's brand to affordability of those durable goods. Those items are managed as non-replenishable items, creating a new and refreshing experience to the customer.

Let's talk about price. Price is a critical variable of the soft discount. On this matter, we can make a difference, since lowering the cost of living is in our DNA. We have a list of 800 items that every store compared to the local competition, on a daily basis. And due to this program, we have been successful in reaching a price gap of almost 10% of that basket by the end of 2007.

This image, for example, illustrates our Dare to Compare Program, showing a price difference of 6.9% from competition for sardines. Offering the lowest price in the market is a result of two other lows, if I can say that. Low operating costs and low level

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of investment. Low operating costs is achieved by initiatives like stocking merchandise on the top of the racks, taking advantage of our daily shipments from the distribution centers.

Another example to increase productivity is using palette-ready and display boxes to reduce handling at the store level. The operational execute of Todo Dia is a standardized and very simple. Low investment level is reflected in our buildings. They are simple and effective. We use concrete floors, skylight lighting, natural ventilation, and simple and practical fixtures. The environment is clean and organized.

Last, but not least, awhile ago, we heard Hector talking about associate engagement. It's relevant to say that Todo Dia is presenting the highest engagement level of the Company, regardless of the obvious challenges that those associates might face in their personal lives. One of the main reasons is Todo Dia's integration to the local community. Besides our active participation in local events, we hire labor from the community pool, as Daniela presented to us.

Very few of those associates have experienced the benefits of formal employment, healthcare benefits, career opportunities and diversity (inaudible) before. When we teach them that our mission is to provide access to those communities, they show pride of being part of that. And show a real engagement to accomplish that mission.

So the point here is Todo Dia is positioned to serve the emerging consumer, providing quality and affordability, reflecting its community and supporting the local development around the store. Because all of this, it is a fantastic format to grow. Not only in the northeast, but throughout Brazil.

I appreciate your attention, now I'd like to turn to Hector. Thank you.

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

Thank you, Marcos. We're just so excited about this Todo Dia format, and so confident that this will really satisfy the needs of our low-end consumers. In closing, 190 million people represent a huge opportunity to continue growing and winning here at Wal-Mart Brazil. We are very optimistic with the economic outlook.

Brazil is living historic times of growth and confidence with a dynamic and growing retail market. Wal-Mart Brazil has a solid foundation to accelerate our growth with consistent and focused strategies in place, investing behind formats that deliver the absolute best returns.

We will continue to localized our merchandise, to leverage our global procurements, with a continued laser focus to serving the underserved. I hope you're as confident as we are that Wal-Mart Brazil will continue to grow profitably and sustainably.

We've heard a lot about our business today. We've heard a lot about our strategies. We've heard a lot about our initiatives. We've heard a lot about how we're going to grow this business. I am absolutely confident that we will continue growing our business. And the main reason is that we have the absolute best talent working at Wal-Mart Brazil, as you have seen here today. Thank you very much.

Okay. We are ready to start the question-and-answer session now. I'm going to invite all of the presenters to the stage for this part of our meeting. Before we start, let me cover some reminders. Please raise your hand if you have a question. One of our associates will bring you a microphone so that everyone can hear the question, including those listening on the webcast. Please state your name, the firm, before you ask the question. Thanks. Let's now get underway.

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## QUESTIONS AND ANSWERS

**Gustavo Rivera** - Citigroup Investment Research - Analyst

Hello. My name is [Gustavo Rivera] and Citigroup Investment Research. Congratulations for the presentation. Very clear, very good, well thought. Thank you. First question is what percentage of your products are actually sourced in Brazil? What percentage is sourced outside? And what percentage of your sales are actually made of products that are outsourced? That are imported?

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

We continue to expand our import operation of products. Today, I would say that it is about 5%, the total amount of products that we import from abroad of our total assortment. We really focus, as Cabral said, on our national brands and our regional brands as well.

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**Gustavo Rivera** - Citigroup Investment Research - Analyst

And is this in line with the sales as well?

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

No, sales would be probably a little bit more, given that the products that we bring in are at a higher rate, given that we have technology and other type of items that probably generate a little bit more of sales. So it will be skewed a little bit higher.

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**Gustavo Rivera** - Citigroup Investment Research - Analyst

okay. My second question is in regards to your relationship with Unibanco. Do you take the credit risk on that operation, and/or do you also gain on net income from that operation? Could you give us a little bit more details on that?

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

First of all, we have a very good relationship and we're very satisfied with our relationship with Unibanco. Our agreement that we have is that we do not have any credit risk whatsoever on the credit.

The second part of your question?

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**Gustavo Rivera** - Citigroup Investment Research - Analyst

Is it a joint venture? How have you structured that?

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

It's totally owned by Unibanco. It's a commercial agreement that we have with Unibanco.

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**Gustavo Rivera** - Citigroup Investment Research - Analyst

So when you sale -- [with] your card in your stores, do you also have any financial gains on the credit that you're charging?

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

When we sell on Hypercard, we gain from the commercial side of the transaction. Hypercard is in all of our stores where we emit and accept all of the Hypercard credit cards from other merchants, we receive participation.

**Gustavo Rivera** - Citigroup Investment Research - Analyst

Thank you.

**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

We have a question right here --.

**Lore Serra** - Morgan Stanley - Analyst

Thanks. Lore Serra, Morgan Stanley. Since you've primarily grown through acquisitions in Brazil, you have a very strong position in the northeast and a very strong position in the southeast. You put a lot of emphasis on the Todo Dia format, which seems very interesting, but it's 21 stores in the country, as you say, of 190 million people.

So if we take a five-year view, can you give us a sense of is the expansion program, is it 10% per year over the next five years? And should we see you put a greater percentage of your expansion into the central or southeastern part of Brazil? And particularly grow more aggressively? I mean, how big should Todo Dia be five years from now? Thanks.

**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

Okay. Todo Dia is an incredibly huge opportunity for us in Brazil. The format's focused around the low-income consumer, like Todo Dia, Maxxi will have explosive growth over the years -- over the next few years.

When you look at our growth plan, we have doubled our growth rate from the prior year, and we will grow more over the next years. So, we will grow more next year than we grew this year, and we doubled.

When you look at the country, it's certainly a huge country, with huge opportunities, and we will continue to invest in the areas where today we have a solid base, particularly with Todo Dia and Maxxi, and [when] we begin going outside of the 17 states where today we operate. We have clarity that we want to expand into 26 states of Brazil and we will do so.

There's -- David Strasser. Lore, did you want to say something else?

**Lore Serra** - Morgan Stanley - Analyst

(inaudible) grow more -- you're talking -- when you're saying you're going to grow more, are you talking in percentage terms or just in square meters?

**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

We will continue to grow very aggressively a number of units over the next five years. This year, we will grow at a double rate than we grew last year. Next year and the years to follow, we will grow at a faster rate than we were growing today. I'm sorry.

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**David Strasser - Banc of America - Analyst**

David Strasser from Banc of America. She made me jump, [you did]. How -- when you look at a \$50 billion business today, I think you said in -- Central and South America? Is that right?

**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

Yes. 46 --

**Unidentified Company Representative**

\$47 billion would be inclusive of Canada, Mexico, Central America, Puerto Rico, Brazil, Argentina.

**David Strasser - Banc of America - Analyst**

How big -- when you sort of take a step back, how big can that be, you think, in a five or ten-year period? Can it at some point get to the size of the U.S. or maybe that's still excessive. But how big do you think? Can you double it (inaudible)?

**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

I know the answer.

**David Strasser - Banc of America - Analyst**

And --?

**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

I mean, obviously I don't want to project what might be in five years. We believe that we have a significant opportunity to grow. There are many customers that are not able to have access to a Wal-Mart store in all of the markets we're in today. But we believe just through organic growth we have a nice opportunity to continue growing for a very long time.

I wouldn't want to speculate where that number is, and when it might cross some kind of curve with the U.S. I think it's sufficient to say we have a huge opportunity to continue growing.

**David Strasser - Banc of America - Analyst**

I'm just -- I mean, from a margin standpoint, and I know it's faster growth than the U.S. But where do the margins, without giving maybe specific numbers, can you -- is it a high -- where are you relative to the U.S. on margins? And do you think -- and how much further expansion do you have there? Maybe without giving specific numbers, but how much further opportunities are on the margin side?

**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

Well, I wouldn't want to compare us to the U.S. nor any other market. I think as we continue to grow, we can be more efficient. You've heard a lot today about our zeal to be an every day low-cost operator in every country. We continue to work on [fi] -- on

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ways to reduce our costs and to procure better. So I believe that our opportunity is to continue to both reduce expenses and to procure better, so that we can offer a better value to our customers.

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**Greg Melich** - Morgan Stanley - Analyst

Hi. It's Greg Melich with Morgan Stanley. It's a natural follow-on to that, which is you showed some good slides here as to the 300 or 400 basis points of improvement in EBITDA margin from Bompreco and Sonae after acquisition. How much of that came from sourcing, and how much of it came from leveraging distribution or leveraging Wal-Mart? If you were to split it into those three buckets. And how much of what you sell today do you self-distribute? In other words, it goes through one of your DCs as opposed to the -- go straight to the store?

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

Yes. From the [CC]-DC standpoint, a great majority of our business goes through our DC. We do very little DSD or direct store delivery. The 300 to 400 basis point improvement is a significant improvement from the base of the acquisition, and without getting into big details, certainly global procurement, our price leadership initiatives and certainly how we have ingrained an everyday low cost focus in this acquisitions, have really been able to deliver these fantastic returns and EBITDA improvements.

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**Adrienne Shapira** - Goldman Sachs - Analyst

Adrienne Shapira from Goldman Sachs. You mentioned portfolio optimization. Could you share with us perhaps the return dynamics across the five formats? If you could rank order them? And since it seems as if you're focusing on the smaller formats, what the implications are for overall returns.

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

Again, without getting into detail of numbers, when you look at our portfolio, certainly there are certain formats, such as Maxxi and such as Todo Dia that just deliver a very promising return, a very satisfactory return.

When you look at Supermarkets and Hypermarkets, again, they deliver very good returns. So as we look at our portfolio and you look at it throughout Brazil and as we expand it, we believe we've got a really balanced approach to improving our ROI as we expand in Todo Dia, as we expand Maxxi, as we will continue to expand with Sam's, the Hypermarkets as well as the Supermarkets.

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**Adrienne Shapira** - Goldman Sachs - Analyst

And then a follow-up, perhaps could you share with us the returns of the remodel efforts?

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

The remodels do great. Fantastic returns. We have done a remodel project -- program for the last couple of years, and without exception, all of our remodels have returned above our expectations in each one of these stores. Our transactions grow, our sale and comp sales continue to grow at very, very aggressive rates.

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**Daniela Bretthauer** - Goldman Sachs - Analyst

Daniela Bretthauer from Goldman Sachs as well. We've seen your two main competitors made important acquisitions or joint ventures in the cash-and-carry wholesaler format. How is Wal-Mart thinking about that [state]? I know Maxxi is one of the formats, but you only have 13 stores and they made significant investments or foray into that format, so how do you plan to respond? That's the first question.

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

Well, I think they made significant payment investments. We have a portfolio of formats and brands that I believe, truly believe, can compare and beat how we will compete in this market. So when they -- you look at their acquisitions, we have the Maxxi concept, which will go toe-to-toe, which will go head-to-head and we have, we believe, the proper and the right value proposition to be able to win in that space.

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**Daniela Bretthauer** - Goldman Sachs - Analyst

So you -- also plan to open a lot more stores in that format?

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

Absolutely. We will continue to grow aggressively in that format, as well as in the other formats.

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**Daniela Bretthauer** - Goldman Sachs - Analyst

Throughout Brazil or in specific --?

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

Throughout Brazil.

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**Daniela Bretthauer** - Goldman Sachs - Analyst

And the second question is what percentage of your sales do private label represent? If you could break it down for Wal-Mart Brazil as a whole and per format? Because I feel that in some formats it's much higher than for the company as a whole.

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**Hector Nunez** - Wal-Mart - President, CEO - Wal-Mart Brazil

And you're right. And without getting into details, certain formats do hold a higher percentage of private label brands, such as Todo Dia, such as Maxxi, even Sam's has a very significant percentage of private label in their mix. Private label is a strategic tool that we have and we will continue to invest behind it, and we will continue to grow in those important categories and sub-categories throughout all of our formats.

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**Unidentified Audience Member**

(inaudible) with Jefferies. A couple of questions. Of the formats that you have today, which are the most transportable to the U.S. and do you see them arriving there any time soon? Also I think you talked about a loyalty program that you have in this

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market. Is that something that you could bring to the U.S.? And then lastly, on the global sourcing, just about 5% of the goods today, where do you see that in the next year or two?

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**Unidentified Company Representative**

Let me see if I can take those in order, if I can remember all three. The Company worked together on almost everything that you saw here today -- or probably everything that you saw here today. So without speculating if and when the U.S. would look at some of these formats to be appropriate, I will tell you they -- we work hand in hand on everything we do. And obviously, if they felt that there was an appropriate market and an opportunity, they would look at that. And so, great best practice sharing happens today, I believe, better than ever in our history, between all of our markets.

The second question was --?

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**Unidentified Audience Member**

(Inaudible- microphone inaccessible)

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**Unidentified Company Representative**

Loyalty program is specific to Brazil right now, Brazil has the support of the entire corporation to continue this. It's a great program here in Brazil and again, I don't know whether we would speculate it being used elsewhere. Right now, it is specific for this country and we like it in this country.

And then finally on global procurement, we don't have anywhere specific targets on what percent or what categories we need to get globally procured. As I think Cabral said really well, it is wherever we can offer a better value for our customer. We will do it. And our global procurement team, led by [Jeff Makehouse] is doing a great job supporting this. But there is no goal -- Cabral does not have a percentage that he has to hit. He just looks at it and says, I have an opportunity to buy better using GP, in which case, I will do so.

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**John de Frank - UBS Pactual - Analyst**

[John de Frank], UBS Pactual. Two questions. The first question, could you give us a breakdown by region for your [36] store openings in '08?

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

We will be opening up all of our brands in all of our regions this year. I cannot tell you what those will be.

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**John de Frank - UBS Pactual - Analyst**

Okay. And second question, could you mention how you're priced, especially for the low-income format, compared to the small players? And there's lots of them in Brazil. The ones that don't collect all the taxes they should. And also, what you see in terms of the tax environment for the next year?

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

Certainly when you look at Todo Dia, they compete in an environment that's a little bit different. They compete in an environment where it's a much more informal market. But we, with the strategies that Marcos Ambrosano mentioned, which is about a low-cost operation, which is about absolutely best terms -- tremendous productivity in the stores. We are able to maintain a significant price gap against our competitors, including those competitors, to the tune of anywhere between 8% and 10%.

Sorry, yes [Michael]?

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**Unidentified Audience Member**

Hi. Three questions. First off, are you capital self-sufficient? Number two, can you give us sort of generically how you're dealing with multinational vendors on a local level and then on a corporate Bentonville level? And third, in the corporate social responsibilities portion of this presentation, there was no mention of the Amazon. And one of the big ecological issues, I think, globally is what's happening in the Amazon. Where is Wal-Mart in terms of an advocacy position or so forth?

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

Okay. Thank you, Michael. And we've got great news there and I'm going to let Daniela talk about that. No, we're not completely 100% capital sufficient at this point.

Your second question was regarding -- sorry?

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**Unidentified Audience Member**

Multinationals, and how you're doing at the local level versus what's going in Bentonville?

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

We have a great relationship with the multinational vendor base here in Brazil. We leverage what is done abroad, whether it's Bentonville or whether it's in any other international country. We have great top-to-top meetings with a lot of candor and a lot of joint initiatives to build our mutual businesses. Our relationship will continue to grow. We'll continue to grow. And we will continue jointly to build our mutual businesses.

Now on the Amazon, I want to let Daniela talk about this. This is great news.

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**Daniela de Fiori - Wal-Mart - VP Corporate Affairs Sustainability - Wal-Mart Brazil**

We have just announced, I think, one month ago in partnership with Conservation International for Wal-Mart is conserving the (inaudible-highly accented language), [a Mopan] national forest, which is in the most preserved part of the Amazon. This is the first project we are actually doing in the Amazon. It's an investment of 5 million reais in five years.

Between Wal-Mart and Conservation International, this is just the first step of our program. But we have also been working through our sustainability platforms in other ways that we can support the Amazon. So we are already working with suppliers of soy beans and meats, in how can we guarantee that we are not carrying products that came from (inaudible) from areas in the forests.

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And also, we have been working and we have been having some meetings in order to develop sustainable products from the Amazon and also carry them on our stores.

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

I would just say, Michael, that this is the largest preserved area of the Amazon in the world. And in conjunction and partnership with Conservation International, we believe we've got a great opportunity to develop a sustainable environment, learn from this, and replicate it throughout the Amazon. We think this is just a great project.

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**Unidentified Audience Member**

When -- and just following up on one question. In terms of self -- capital self-sufficiency, when do you think you'll be there?

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

I am not at liberty to talk about when exactly we will be there. Soon.

I'm sorry, yes --.

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**Laurie Bruner - Horizons Asset Management - Analyst**

Hi. [Laurie Bruner] from [Horizons Asset Management]. I've heard you talk a lot about the low-income consumer. I'm wondering about the high-income consumer. Is she in your stores? How does she shop? Are there categories she favors? Are there categories she ignores? Can you describe that for me please?

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

Sure. I -- our business is we want to take care of all of our customers in Brazil, all 190 million people that live here and all 60 million consumers. The beauty of our portfolio strategy is that we have stores and formats and brands that allow us to cut across socioeconomic levels. So when you look at a Hypermarket, when you look at Sam's Club, these are -- and Supermarkets.

These are formats that allow us to have not only your basic needs, but also different technologies, different brands. We can get into women, which is important and the base of our business. Different health and beauty products. So we'll focus on dermocosmetics that you won't find necessarily in the Todo Dia or in the Maxxi.

So we have the standard base assortment and for these stores then we customize these stores with assortment in various categories, such as health and beauty, including also grocery, a little bit more a high-end imported product at times, chocolates that are a little bit different. So we will customize our formats to be able to take care of the A/B customer.

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**Wayne Hood - BMO - Analyst**

Wayne Hood, BMO. I had a question, I guess as it relates to your sourcing. To what extent does government tariffs put you in a position where you really can't global source to make it competitive because of those tariffs, so you really have one hand tied behind your back?

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And then, I was just thinking, you've been -- the ability to global source, you've had for awhile now, and I'm just wondering how many incremental SKUs do you really think you can move global sourcing on to take advantage of that? And then I had a question about capital spending per store.

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

When you look at the government tariffs, in fact there are certain categories and certain products that carry a greater tariff than others. But that doesn't stop us from bringing them in. And I think plastics was a perfect example. There are tariffs on plastics, because there's plastic manufacturers in Brazil. But our ability and our capability to negotiate on a global basis, with global procurement allows us to have an absolute advantage in costs that even with the tariffs, we can provide our customers products that are imported at higher quality, at still very competitive rates.

But there are other categories that make products much more expensive than we see them, certainly, in the United States, but still much more accessible when you compare them in relative terms, here in Brazil.

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**Wayne Hood - BMO - Analyst**

And my question relates to new store spending. It looks like, in dollars anyway, that up to 18% or 19% or maybe \$18 million a store. Should we be thinking about that that's the spend rate for new stores? That's about 18 million, 19 million a new store, or is it also going to grow over time on a percentage or even an absolute dollar basis?

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**Unidentified Company Representative**

Excuse me. The number that we shared, the 1.2 billion is not only the new stores. It's also our remodel program, as well as this distribution center. So just doing the mathematics, 36 over the 1.2 billion is not really the case.

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**Wayne Hood - BMO - Analyst**

Yes, but you've got 36 stores, 45 remodels and a new DC being built, so just can't --.

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

Yes, it depends on the size of the store.

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**Unidentified Company Representative**

(inaudible) the size the stores out there. 1,000 square meters, that's the sales area, that's about it. 1,200 or 1,500 square feet with a monster (inaudible), which is about 120,000 square feet.

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

Or a little bit more.

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**Unidentified Company Representative**

Or a bigger one than that. So you have those sizes.

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**Unidentified Audience Member**

(inaudible) Santander. About Todo Dia. You mentioned you have right now two kinds of formats, 600 and 1,000 square meters each. Those would be accrual into Bodega Express and Mi Bodega in Mexico, give or take. But are you -- it's in your plans to develop the traditional Bodega format of 4,000 to 5,000 square meters here in Brazil?

**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

We have that, it's called Maxxi. Maxxi is the cash and carry, Bodega-like format here in Brazil, which carry anywhere from 3,000 to 5,000 square meters.

**Unidentified Audience Member**

All right. Thanks.

**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

In the back of the room?

**Susan Anderson - Citigroup - Analyst**

Hi. This is Susan Anderson with Citigroup. Can you talk a little bit about your eCommerce strategy? And your planned roll out given the number of formats? And then also in the future, if you think you'll need to consolidate those formats?

**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

As I mentioned, eCommerce will be launching in the second half of this year. And unfortunately, that's all I can tell you. It will be a fantastic eCommerce site. That's the other thing I could tell you.

I'm sorry, your second question?

**Susan Anderson - Citigroup - Analyst**

Just in the future, if you think that you'll need to consolidate the number of formats.

**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

I don't know that I see that. We made acquisitions in the northeast and in the south of the country of brands and businesses that have a lot of tradition, and a lot of heritage. I don't see the value of losing that equity when we can have the same value proposition customized to each one of those. So I don't see that in the future.

Yes, [Laura]?

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**Unidentified Audience Member**

Thanks. A number of the retailers, particularly that service low-income consumers, have a very close linkage between the merchandising and the credit right? And a number of them have a partial or interest in a credit arm.

So as you are pushing more into non-food, which I think is one of the themes today, and as you focus on lower-income consumers that need that access to financing, does not controlling or having a stake in a financial arm put you at a disadvantage? So strategically, do you think you need to be more directly involved in the credit procedure in order to fulfill your strategic goals?

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

We have a very, very advantageous and very good relationship with Unibanco and the Hypercard. We're going to continue to invest behind that with them. We're going to continue to grow with that -- with that tool that we have. So, we're very happy. We, as I mentioned, this card doesn't have an annuity with the customer, so that gives us an advantage. And from a cost standpoint, for us as well, where there are no [commissions] either. So we have a great advantage in doing this. So we're going to continue developing our relationship with Unibanco.

And you wanted to say something?

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**Bob Drbul - Lehman Brothers - Analyst**

Yes. Bob Drbul from Lehman Brothers. On the price gap, is there big or large variability by format, or by region throughout the entire region of Brazil?

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

I wouldn't say big, but certainly each format carries its price gap differentiation that we would like to have, that drives price perception. And certainly each region and each trade area will have a different price gap because of the demographics around those trade areas. So it's not one-size-fits-all.

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**Paul Trussell - JPMorgan - Analyst**

Paul Trussell with JPMorgan. Just on the top line, you've shown a few years of consecutive double-digit comp growth. Can you just give us some direction or order between the formats, the merchandise categories?

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

We have been growing, I'm happy to say, we have been growing all of our formats, all of our brands in double-digit growth. And we continue to grow aggressively in those formats as well.

Both general merchandise and food also continue to grow at double-digits in all of these formats. So it's a -- we've got great momentum and growth at this point that we've had. Actually, we've been growing double-digit growth for the last seven, eight years. So both general merchandise, electronics, apparel, et cetera, as well as food have been growing at those rates.

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**Unidentified Audience Member**

(Inaudible - microphone inaccessible)

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**Hector Nunez - Wal-Mart - President, CEO - Wal-Mart Brazil**

Well, certainly technology continues to show great opportunities, and we will continue to invest behind that as Cabral talked about. When you look at food, food will always be an important category in a country like Brazil, so that will continue to grow. Value added food will also be important, play an important role, and certainly fresh products and perishables play a fundamental role as those products really develop loyalty with customers. So those are the categories that I would say, among others, but those are the categories that will continue to grow explosively.

Okay. I think we're done. So thank you, again, for your interest in Wal-Mart Brazil. We appreciate your participation in our meeting. And this will conclude our webcast presentation. Thank you very much.

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