FINAL TRANSCRIPT

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WMT - Wal-Mart Stores, Inc. International Field Trip at ASDA

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PRESENTATION

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Good afternoon, everyone, and it is afternoon in Leeds, in the UK. Many of you might also be listening on the webcast, we appreciate your patience and we're ready to get the program underway. I'm Carol Schumacher, Vice President of Investor Relations at Wal-Mart and we have a really exciting agenda for you this afternoon. We're going to kick it off with a couple of announcements and that is first, as you know the meeting is being webcast.

We will be showing you a video webcast which means you will also be able to see the presenters as well as all of the slides. We do archive as a matter of policy our presentations for a year on our website, and that means both the video and the slides will be available for one year from today.

And then in addition to that, we also post the transcript and the transcript will most likely not be available until Monday, and that's Monday, April 19th. So, please feel free to refer back to the presentation material or any of the transcript information once it is posted.

On the screen you see a couple of key dates that we would like to point out. For those of you located in the United States, particularly in the New York area, we are sponsoring a tour of a brand new Wal-Mart Supercenter that opened up in North Bergen, New Jersey, in late January. That tour is April 26th, and we do have registration open for that until close of business Bentonville time tomorrow.

The other dates that you see on the screen, we announce our first quarter of fiscal year 2011 results and our earnings news on Tuesday, May 18th. That will be followed up by our annual shareholders' meeting, which I know many of you know for not only its informational value but also its entertainment value. It will again be in Fayetteville at the Bud Walton Arena early in the morning at 7 a.m. We do plan a program similar to what we had last year.

Our Q2 earnings are on August 17th, and if you'd like the rest of the dates, unlike some companies, we do issue our earnings schedule for the full year and you can find that on our website at walmartstores.com/investors.

The last meeting I'd like to point your attention to is our annual update for the investment community, and that is going to be a change in format from what we've done in the past. We normally have had in the past a meeting that lasted day and a half. This year we're condensing that meeting to one day, and that is going to be on October 13th. We will have a dinner the evening before, and the dinner will include probably some information from management. So if you'd like to come to that, please mark your calendars for late in the day October 12th and then most of the day on October 13th.

No meeting of this kind would be any kind of meeting if we didn't have our legal statement up here. And I remind you that more than likely we will be making some forward-looking statements today, and when you think about that if you have any further information please refer to our website for additional information.

I would like to now welcome for the first time at one of our international field trips, Tom Schoewe, our Chief Financial Officer of Wal-Mart Stores, Inc., and Tom is going to get the presentations underway. Tom?

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

Hey. Thank you. Well, welcome to all of you to Leeds and here to the Tomato Room. It's a shame that the folks on the webcast aren't privileged to the grand entrance and the color of the chairs that we're seeing here. I'm assuming that's what's led to the name here, Andy, of the Tomato Room.

What I'd like to do is just start the conversation with what's going on with the corporation and place that in the context of the conversation we would have had last October at the Annual Investor Conference that Carol just talked about.

At that meeting, there would have been a pretty significant shift in the communication of our strategy as a corporation. What we told you at that time was that there were three kind of major pillars or priorities that were important to us and that everything that we were going to do strategically would fall under that umbrella. That would be growth, leverage and returns. And before we get started, I thought I'd just give a little bit of a report card on just how well we did in fiscal 2010, the year that ended January 2010. Bottom line is I think we did very, very well.

In terms of growth, in the fourth quarter we did not meet our own expectations on comps for sales in the US but overall the sales number that we reported was very, very respectable, and included in that number would have been the benefit of adding 34 million square feet during the course of fiscal 2011. 34 million square feet would be a reasonably large enterprise in itself. That would be our growth in the retail footprint during fiscal '11.

I'd -- as you look out into the future beyond fiscal 2010, clearly we have the opportunity to grow the existing footprint, to add with comp store sales, to add to that footprint with new stores and clubs. But in addition to that, we can still acquire our way into geographic locations where we wouldn't have a presence today.

If you look down into leverage, one of the key takeaways I'd like for you to have here today is that leverage means more than just SG&A. It has to do with how we've leveraging knowledge in addition to how we're leveraging expenses. But, when you get the behind the numbers what you saw in fiscal 2010 was a very healthy gross margin. And then, when you got to the fourth quarter, there was a very significant change overall in our SG&A productivity.

For the first time in a long time, and certainly in years, each of our three segments had their selling, general and administrative expenses growing at a slower rate than sales. This was -- this is a landmark for us, and I think what you saw in the fourth quarter is an indication of what's to come. I think if Mike Duke were here, he would tell you that he's committed to really emphasizing the benefits of the productivity loop.

We'll continue, as we'll talk here in a minute, to share best practices and emphasize what I refer to as process discipline. Another important takeaway that you ought to have here today is how far along Wal-Mart has come in standardizing and leveraging process discipline across the enterprise, not just in the US but across all of the 15 countries that we operate in.

It gets us to returns. The one way that we look at that is return on invested capital. We share that number with you each and every quarter. We tried to manage our expectations at the October meeting that that number was going to be coming down just a little bit in fiscal 2010. It did not. In fact, we came in at 19.3. That number is flat to the prior year and therefore ahead of our own expectations. I'm really proud of the progress.

What that meant is we were able to generate as a corporation a little over $14 billion in free cash flow. So, if you're taking the $24 billion or so worth of operating cash flow, subtracting out the CapEx of $12 billion, you get to that $26 billion minus $12 billion equals the $14 billion of free cash flow -- very, very impressive results.

I told you that if Mike Duke were here, he'd be talking about productivity. He'd be talking about the productivity loop. You've seen this only several times today in the store tours. Would this be true? I think it is. It really is the basis for not how we -- just to how we run ASDA but also how we aspire to run the Company going forward.

Let's step back and look at each one of the three segments. Inside Wal-Mart we have Wal-Mart US, Wal-Mart International and Sam's Club. And what I'll do is I'll refer back to the statements that would have been made last October by each one of the segment CEOs, the same slides that they would have presented in terms of summaries.

In Wal-Mart US, everything that we're doing there is under a strategic umbrella that Eduardo Castro-Wright would refer to as Project Impact, okay? A lot going on, many of you would think of Project Impact as just through our models that are going on inside of our stores. That's not the case. There's a lot more than that going on. Across that strategic kind of initiative is our ambition to lead on price. We're doing a good job of that. We're probably not communicating it as well as we should. We'll talk more about that in a minute.

Everything that we're doing in Wal-Mart US, as indicated here, revolves around what the customer wants, what mom or the customer needs. That's driving everything. So as you look at our performance in Wal-Mart US throughout the year, it was exceptional. There are a couple of things, though, looking back, if we had the benefit of knowing what was going to happen we probably would have moderated our plan just a little bit.

You heard us talk about the clarity of the merchandise assortment. If John Fleming were here, routinely he would talk to you about rationalizing that to ensure that we had just exactly what the customer was looking for. As it turns out, not with the benefit of hindsight, we probably turned back the assortment, limited the assortment more than we should have. It's not going to surprise you, we're fixing that as we speak.

Now, it's not like we're making changes in tens of thousands of products. It's more like hundreds of products, Carol. But still, it's important to the customer and that's what's driving the decisions that we're making.

We talked about communicating price. You'll hear today the importance of rollbacks, not just in Wal-Mart US, we're talking about Wal-Mart US now, but also the importance, Andy Bond, of rollbacks here in the UK or rollbacks in Mexico or elsewhere around the world. We're being very aggressive right now in the United States.

You'll see more in the more of national media on our rollback campaign. You'll see it in the store, and you'll see thousands and thousands of products being rolled back to communicate that price image that we want to have with our customer.

When you think about what's going on in the operations, part of Project Impact does have to do with the remodels that are going on in the store. That is impacting, no pun intended, many of the stores in the enterprise. It was probably more impactful on the customer than we had expected, negatively impacting traffic. That's one of the things that happened early on in the fourth quarter and clearly did impact our traffic.

Kind of good news and bad news there, yes, it had a negative influence on the quarter. But we're starting to cycle now those remodels, so we'll be comparing ourselves more apples-to-apples now to the prior year once we get into the first quarter.

And we have those stores that have been remodeled, and those that have been remodeled are performing better, generally about 1 percentage point or 1.5 percentage points better than the control group, those that haven't been remodeled yet. So, remodels have impacted our performance.

The field structure, the field structure under Bill Simon, who runs all of our stores in the United States has changed, a program that he refers to as One Team, and it's really an important change and it's working well. What we have moved to -- moved away from is a total centralization of functions like real estate and logistics and now have dedicated some resources into the three geographic business units that we have, in the north, the south and in the west. That's working well for both logistics and real estate.

The last thing I would mention is that in looking forward, Carol, forward-looking statement, as we talk or think about our first quarter, probably our most difficult comparison, especially for Wal-Mart US, is going to be this first fiscal quarter. We had rock-solid resource -- results last year. Those will be difficult to compare to when we move into next year.

Move on, talk about Sam's Club. This is Sam's US, relatively new CEO here, Brian Cornell. In many ways, what's going on at Sam's is similar structurally to what happened at Wal-Mart, a new CEO coming in, developing a new strategy, assembling a new team, and then the strategy that's in place is summarized in the slide that you see here.

But, what I would tell you is things are settling down and there has been a lot that has taken place just since that meeting that we had in October. If you think about, we have closed ten underperforming clubs. We've actually outsourced 10,000 jobs that we had inside Sam's Club, the folks that were inside the clubs that were doing in-store, mainly food demonstrations.

We've also changed our approach to our sales associates that were dedicated to generating new sales leads in the clubs, dedicated that from more of a regional situation to something that's more dedicated in-club. The Sam's Club home office, which had been kind of smattered around northwest Arkansas is now all consolidated into one facility, still in Bentonville -- I think it is Bentonville, isn't it? It's not Rogers, but still Brian has the luxury of having his team all in one place. What that tells you is there is a lot going on, relatively new strategic direction and we're seeing some very, very good early results.

Shift to International, really three planks here to the platform. Number one is smart growth. We'll see in a minute just what the influence of growth in International has been over the last three years. It has been dramatic.

Increasing profitability, one of the fastest growing segments that we have inside the Company, and those earnings improvement are widespread, widespread from ASDA here in the UK to Canada. Mexico had spectacular performance.

But, our job when you step back and say Doug McMillan as the segment CEO or Wal-Mart Corporate, our job is to balance the growth and the returns that we're getting inside that market. What I can tell you is we're making good progress at improving the overall returns from International.

So, what has happened from a growth standpoint? Well, if you look back and look back at 2006, International represented about 19% of the enterprise. Fast-forward to 2010, the first year we reported $100 billion in sales for Wal-Mart International and now over 25% of sales. Now, this is on a reported dollar basis.

If you think about it, currency had an impact on us, currency translation during this period, of just under $10 billion. So, our sales in International would have been $10 billion higher on a constant currency basis. So, the 25% that you see here in the pie chart, if calculated on a constant currency basis, would have actually been something north of 26%. So, in a relatively short period of time you can see that that International footprint has changed and changed dramatically.

One of the many things that's made that possible is the multiple kind of formats that we have across the globe. We reported $405 billion in sales last year, full fiscal year, a little over $100 billion in International. We have 55 formats in all of the countries that you see around the world. This was 55 different formats that our customers relate to.

Here in the United Kingdom it's ASDA or ASDA Living, Andy, that they relate to way more than they would to a Wal-Mart. Or in Bodega -- I'm sorry. In Mexico, it might be the Bodega format or Suburbia or Superama. What you can see is that's different across the globe. What dictates what we do is what the customer wants and what the customer understands.

In addition to all of the above, we talked about Sam's and the way they're running their business. Doug McMillan, in the way he's running International from northwest Arkansas, we have a small group in the International headquarters, something that we refer to as the Mitchell Building in northwest Arkansas, probably 150 people in that group, something like that, if you look back the way that group was organized traditionally, or historically, would have been a very traditional organization.

There would have been folks in operations. There would have been folks in merchandising, in marketing, et cetera. What Doug has done is shifted the emphasis. He kind of wiped that slate clean and said, what do we really want to see change, or how do we want to impact the collective set of countries?

The first thing has to do with integration. You all know that we've been aggressive over time on acquiring businesses. Some of those, Chile would be a good example of our most recent larger acquisition, that integration is going far better than some of the ones in the past, like a China or like Brazil. We need for those businesses, the Chinas and the Brazils, to be fully integrated if we want to leverage those businesses as much as we had assumed when they were justified initially.

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We have something called Project Forge that we're using internally as kind of a best practice, a set of best practices, on how we can integrate new countries when they are acquired, new country operations. So, there's a team of people now that are dedicated to just figuring out how we can better integrate new acquisitions.

In addition to that, there's something called innovation and process. This is something that actually was started under Eduardo Castro-Wright's leadership in Wal-Mart US. He started something called the Innovations Group.

And in fact, last year, if you were at the Annual Meeting, our Annual Meeting at Wal-Mart, the one individual that won the highest award inside of Wal-Mart at the Sam Walton Entrepreneur of the Year Award was a fellow by the name of Rick Webb. He runs the Innovations Group for Wal-Mart US.

What is innovations? It's all about process discipline. They look at every important aspect of how we run a store and say, how can we take waste out of that equation? How can we improve the quality of the process, take cost out and pass that along to our customer so that she can save money and live better?

We're doing the same thing in Sam's. And what this would tell you is we're doing the same thing in International. We're trying to improve the processes there. And then finally, you are all aware of what's underway today. You'll hear a lot today from ASDA here in the UK about how we can better leverage the purchasing that Wal-Mart, Wal-Mart International and globally is doing around the world.

So, when you step back and you think about Wal-Mart International or even Wal-Mart in total, for that matter, you see that leverage means a lot more than just having SG&A growing at a slower rate than sales. It's about process discipline. It's about SG&A. At the end of that day, it's about running an efficient operation, a low-cost, an everyday low-cost operation that can provide everyday low prices inside of our stores.

I think one of the things that's probably not as well understood by this community as I would like is how far we have evolved in process discipline and the impact that evolution of process discipline is having on our corporation. If you step back and say, what really is at the heart of the rollbacks that are taking place in Wal-Mart US or, Andy, here in the UK, it's our ability to be that low-cost producer, to have good, solid process discipline and pass that saving on to our customer. It's a very, very big deal.

And finally, at the end of the day, we've got to figure out exactly how we balance the great growth opportunities that we have in so many of the emerging markets, probably the best example would be Brazil and China, with returns. I'm proud.

If you look back and you look at fiscal 2010, we did exactly that. We grew smartly, and our returns were maintained at a very, very high level. If you think about it, a pretax return on investment of 19.3% is really very, very respectable, something that we're all proud of. It's achieving this balance every single day in the decisions that we make that I think is our job inside the Company.

Well, if you look at the globe and you look at where we are or where we're going, you can see kind of where we are today. What's obvious from this map is -- where we aren't is probably more important than where we are. We've got great opportunities.

What you also notice on this chart is, well, Tom, where's Puerto Rico? We didn't forget about Puerto Rico, just wanted to remind you that in the realignment that took place in fiscal 2010 Puerto Rico has now been integrated into the Wal-Mart US and the Sam's US business and not part of the Wal-Mart International business.

Now, before I transition from this opportunity slide and give things over to Andy Bond, I want to take just a couple of seconds and chat about the announcement that was made on Monday of this week that relates to Andy, a lot of questions from you and -- in fact, a lot of you wondering well, Tom, why did you show up at this meeting? Does that have something to do with it? No. Carol will tell you, unfortunately, that six months ago we made this decision for me to be at this meeting.

What I can tell you is if you think about the decision that only one person can make, and that's Andy, it was his decision. He decided that it was time for a change, and that resulted in the release that we issued on Monday. Now if you think about it, that news release, I've kind of dissected it here, it's almost impossible for you to see so I'm going to look down and I'm going to read what the headline says here.

It says, Andy Bond leaving --. That's where you all stopped. Okay? Even though there words that followed that in the press release and, in fact, there were lots of words that followed that afterwards, I'm not so sure all of you paid attention to that. Yes, he's leaving or transitioning from the CEO role. He's assuming a new and a different role, that of Chairman of ASDA's Executive Committee.

This is a new role and a very, very important role, and it speaks to how highly Andy regards the organization and the importance that he places on getting the replacement CEO in place and doing it the right way. I have a lot of respect for Andy in the way he's handled this.

Well another one of the rumors is, well, Tom, you said that the results for ASDA in fiscal 2010 were really, really good. That's an understatement. They were outstanding. But as we got to the end of the year, the trading results weren't as good as we would have liked and, that's the reason why a change is taking place. That is wrong. As I had mentioned earlier, this was Andy's decision. It had nothing to do with the operating performance, whether it be the full year or how we exited the year, Andy. It was Andy's decision.

Why did we do it the Monday before this meeting? Why, because that's when we knew about it. Could we have waited until next week? Well we could have done that, and I feel that might have been just a little bit of disingenuous, rock and roll through this entire meeting and then -- and then next Tuesday come out? Well that -- that isn't the way we do business. We knew about it. We're sharing it with you. We shared it with you before the meeting. And with that uplifting note, we're going to ask Andy Bond, the Chairman of ASDA's Executive Committee, to join us here. Thank you, Andy.

Andy Bond - *ASDA - President, CEO*

Thanks, Tom. Thank you. It does seem a bit self-indulgent, but I'll make my own remarks on the release as well, not hopefully to be self-indulgent. But, I think it is important that we clarify this and instill the confidence in you that we have in the business and what we're doing.

As Tom said, this is absolutely my decision. Why have I taken it? I guess it's as simple as I've been at ASDA for 16 years. I've been Chief Exec for five and myself, Doug and a number of others at Wal-Mart discussed for some time, well, what next? And in making my mind up about what next, obviously, I was thinking about myself but more importantly my family as well, obviously, as the Company. The Company is very important to me.

And a number of discussions were had they really didn't allow me to align all of those three things, what's best for the Company, for my family and for me, and the Company's been hugely generous throughout all that. It's only recently, as Tom said, that we've created what I think is a -- an ideal solution for everyone.

And I'm going to stay on as Chairman of the Company. I will be part of the process to recruit and induct a new Chief Exec, and I will be doing some other projects for Wal-Mart. And who knows? If it works out for everyone, I'll be around for a long time. And we'll have to see because it is a new role, and we'll have to see how it goes.

And the other aspect of this is I want the chance to at least look outside to see what else there is for me to do, and there's nothing sinister in that. It's also going to be very professionally managed. There'll be no conflict of interest. I might just spend a day a week cycling rather than working. But, who knows how it's going to go?

But there's nothing more to it than that, and I'm hugely respectful and grateful to the Company to be giving this chance. And it's also to an extent somewhat my obligation, I think, to make sure there's a smooth transition to a new Chief Exec but, also to the point Tom made, I don't want to be seen to be the guy who runs off when trading's not quite as good as we'd like it to be.

So, there are all the reasons we're doing this, and there is nothing more to it than that, despite the fact that you came here to -- you'd probably like there to be more than that. There isn't. I'll answer any further questions you have at the end on that, but that's where are.

Okay. Let me talk a little bit about what we're going to talk about this afternoon. First of all, there are four simple, powerful takeaways from what you're going here this afternoon. First of all, we're going to demonstrate the fact that we have had a very strong performance over the last number of years, that last four years.

We have a very clear, confident plan to continue good sales growth, even better profit growth and, in that sense, enhancing our ROI as we move forward. The third point is we want to demonstrate the reality of what is becoming a very exciting step change in global leverage about ASDA being part of the Wal-Mart family.

And finally, and this would always be important but particularly in the transition to new Chief Exec, I want to demonstrate that fact that those results we have achieved and the results we will achieve are down to the fact that we have a very strong depth of management here at ASDA.

There are some villainous shots there of people. A number of the people there will be talking to you this afternoon. That is my Board, the top two rows there, and then the other two people are senior managers who will be talking to you this afternoon. There's only two people I'll mention, simply because they won't be speaking. One is Darren Blackhurst, who is our Trade Director. He's not here simply because he's on a family holiday. Easter is a big family holiday time here in the UK, so he's away unfortunately.

And the other one is Chet, Chet Kuchinand who you see there, who is our People Director. He doesn't have the chance to speak this afternoon. Chet has recently joined us, from the US actually, 28-year veteran of a number of different senior people roles, most recently the Executive Vice President for Starbucks globally in the people role.

And it's been an interesting transition for both Chet and us, because he's actually had to go to a -- an English cultural immersion course to actually get to understand English, so a few highlights of that. He now actually drives on the correct side of the road rather than on the right side of the road. He now wears his pants on the inside -- those of you in the room who have done that, and the only problem is that he still goes to the Tomato Room. So --

Okay. The agenda for this afternoon really follow those four key takeaways. First of all, Judith's going to give you a bit of context about ASDA and the UK market, how the market's made up. Then, I will talk about the progress we've made over the last four years, where we are today just in very short, and then finally I'll give you a view of the future growth of the Company.

Then we'll have a break, as Carol said, time to stretch your legs, and then we'll move into a different phase of the presentation. We're going to use George as a case study, both of how our business is changing in its shape but also how there is this leverage between ASDA and the Wal-Mart business. And then, we're going to talk very specifically in a number of presentations about global leverage, and we'll have time at the end for Q&A. With that, I'll hand over to Judith, who's going to give the market update.

Judith McKenna - *ASDA - CFO*

Thank you, Andy. Good afternoon. As Andy said, my name is Judith McKenna. I'm ASDA's Chief Financial Officer, been with the Company around about 14 years. My job today is twofold for this section. The first is to give you a brief overview of ASDA, some key statistics and a shape of the business, and then secondly just to do a little bit on the UK market and some of the trading conditions, the economic environment, that we're currently trading in.

So, first of all to the business overview, we're currently trading as of today out of 374 stores across the UK. Tomorrow, that will be 375 as we open our first ASDA Living of the year in Telford. We operate out of 23 distribution centers, and we have two home offices, the main home office here in Leeds and a second home office down in Lutterworth where our George colleagues are based.

Our 2009 sales to the 31st of December were GBP19.9 billion, which is just over $30 billion, and we welcome through our doors every day -- or every week over 18 million customers, which we're delighted to serve.

Our market share is registered at 17.1%. Now, we can see from the map of Britain there that we are nationwide, but that 17.1% represents quite a change when you look at regionally. So, in some regions such as parts of the north we're at almost 30% market share whereas in some parts such as the southeast we're only at around 10%, and we recognize that that gives us a great opportunity.

We do have great colleagues. We have 170,000 colleagues across all of those facilities that I talked about, and actually we believe we have some of the longest-serving colleagues in retailing in the UK and that does give us an advantage.

What about our sales mix? So, how does that GBP19.9 billion break down? Well, the first thing to note from this is we are primarily a food business with food, health and beauty and non-edible making up almost 75% of our total business, which is different to I think some of the other international markets.

Home and leisure at 9% and clothing at 7%, while less in sales terms, are still important economic drivers within our business as they contribute not only from a sales perspective, but they're a very important part of our economic model from a profit perspective as well.

And for the purposes of this, we've broken out fuel for you so you can see just how much of our total sales come from fuel. But, what I would point out is whenever we quote our year-on-year sales figures, or our comp figures, we exclude fuel from those figures in our quarterly results because it's just too volatile to get a true underlying position for the business.

So, where have we come to and got to in terms of our store formats, our physical stores? If I concentrate on the right-hand side of the slide first, what you can see from that is this four formats that we currently operate in.

At the top it's Supercenters, stores over 75,000 square feet. We've got 29 of those. We then have Superstores, which you saw at Morley. Today was a typical example of a Superstore, 296 of those. They average around about 46,000 square feet.

And then our two other formats, the Supermarkets, the example if you were out on store tours today was Pontefract. These range from about 8,500 square feet to around about 25,000 square feet, and we now have 22 of those within our portfolio. And last but by no means least, ASDA Living, and as I say, 24 today but as of tomorrow that will be 25 stores.

Now why I talk about where we've come from, what you can see from here and -- is a evolution in format development. And I recognize some of you from the meeting we held here in 2006, and when we did that we talked a lot about how we'd developed a new store portfolio formats. We were actually trading out of six formats at that time.

Now, we'd come from a place where we'd only had two. We'd done a lot of developed, got to six, and now we've come back down to four. But actually that's really good news for us, because what it means that we've done is we've taken the learnings from those two stores that we've now closed, which is George High Street and Essentials, and you'll hear a bit more about those and what they did from Andy Clarke later, and wrapped all of the learning into the new store portfolio that we've got, particularly Supermarkets and ASDA Livings, so that we can be really confident in our model and we can be confident in the returns we're taking from all of our formats. And you'll hear more about that, as I say, shortly.

So, for those of you that are eagle-eyed, you'll know that that list of stores added up to 271 and -- sorry, 371, if you could do math better than I could to get to that number. And what you'll know is that there's three stores opened at the beginning of this year, so that's what gets us to our 374 stores.

Now, the plan for this year is five Supermarkets, five Superstores and around about five ASDA Livings. What that will give us something like 0.5 million square feet, including extensions of new space. Now, that is slightly below what we'd have liked it to be. Now, the reason for that is that new store openings in the UK are heavily impacted by zoning and what and when you can get zoning. It's very heavily regulated here.

And on average, a store can take between two and four years to get to completion from actually making the original acquisition. And in fact, we have a store that we opened last year that took us 13 years in the planning to get opened so that's how tough it can be, but thankfully that is the exception to the rule. So, the number you see today reflects the pipeline that we had several years ago, and actually what we're very pleased with is the pipeline we've got today and how that sets us up for the future.

Not only have we got physical space for ASDA, we have channel development as well, and Doug Gurr's going to talk to you about this, across a number of different areas. This is something that we've moved on significant. To give you an idea of scale how does that fit in with the numbers I've given you so far, grocery home shopping alone is worth about GBP0.5 billion a year to us. So, you can get an idea against that GBP19.9 billion.

What about the market? Well, the market in the UK is one of the most highly developed, highly condensed probably in the world and one of the most competitive. And I think whilst this chart is not a surprise to anybody, it is when you step back and realize that almost 85% of the grocery market is in the hands of five players. It really does play into why it is so competitive.

So, we have a very competitive market. What about the economic backdrop? There's a lot of graphs on here, and they are directional rather than designed to be specific from a numbers perspective, but what I've tried to do is to show to the UK and to some extent the US context on some of these -- on some of these graphs.

I think it would be fair to say that for the UK this has been a deeper and longer recession than for many countries and the GDP, you can see that to an extent versus the US, who I think are recovering faster than we're seeing our own market.

But a couple on there that really play into consumer behavior, the first is unemployment. Unemployment in the UK is running around about 8% and that's actually having a real impact on how people feel, and also the budget deficit, which feels like a bit of a governmental number. But in the UK, the size of the deficit and the way that it has grown is being played out in the media day in and day out, and it is causing people concern about what is going to happen to pay that deficit back in the future.

But here at ASDA, we don't just look at the official statistics. We go and find out what our customers are really feeling and what's really happening, and we have something called the ASDA Income Tracker. We produce this in conjunction with the -- with a -- an outside party who are specialists in understanding consumer and economic behavior.

And what this looks at is it takes an average family, an ASDA average family in the UK, and says, if I take that average income, knock off all of the taxes and all of the everyday expenses, how much money are they left with at the end of the month? And what this tells you is then month on month and year on year what is the difference to people.

And what's interesting here, if you look on the right-hand side of this graph, what you can see is that for the end of the first quarter of this year, very end of last year, for the first time real income for people from a disposable income perspective has dropped year on year. And it's dropped by about GBP6, but put that in the context of that disposable income at the end of the month is only about GBP149.

That's quite a significant amount for people, and it's that change from the middle of last year where people saw that income increasing to it's now reducing. One of the biggest influences of that of course in the UK is fuel. And I'm sure you're all aware, in the UK, we would be equivalent of around about an $8, $9 a gallon. I think that's compared to the US at somewhere around $3, and it's that increase over the course of the last year that's had a significant effect on peoples' pockets.

There is also going to be a general election in the UK. The 6th of May it's been announced for. We're putting ASDA mums right at the very heart of that election, and all of the leaders are going to be speaking to the ASDA mums through our website. They have uploaded videos, a great piece of best practice we shared from our US colleagues who did the same during the US presidential elections.

But, the election is actually causing great uncertainty. People are not sure what is going to happen in the second half of this year. They're not sure what the policy is going to be, what the impact on taxes are going to be and there's a number of questions, and all of that is adding to the way people feel.

A couple of other things to tell you, the first is inflation. To get you to the context of the market this is food inflation for the market overall. This is not ASDA's inflation graph, but what you can see is the sharp decline since August at the back of '08 straight the way through to today where we're actually virtually just slightly inflationary.

And in some cases in some companies I know we've reported some deflationary position as well. That's made a huge change to reported comps and reported year-on-year growth for all retailers, and particularly food retailers.

And another piece of context is the market between quarter four and quarter one and this is market growth, 6% in quarter four at the end of last year, just 2.7% in quarter one this year. We've seen a dramatic slowdown. A couple of reasons sitting behind that, the first I've already talked about, which is the consumer and the way consumers are feeling. And then secondly, the VAT change that came in in the UK on the 1st of January and VAT rates, duty rates, went up again on VATable goods. That is likely -- there is no likely change as far as we can see in consumer sentiment behind that change in the market growth.

So, what does that add up to? Well the UK market, as I said, is highly competitive. The market growth has slowed into Q1. Consumer confidence is fragile, and I think it's going to remain fragile over the balance of this year. And we remain very cautious about the economic outlook. We keep saying we don't believe this will be a straight-line recovery.

But, against that backdrop, we also believe that ASDA is very well positioned to succeed for two reasons. The first is we stay close to customers through our Income Tracker. Through the research that we do, we understand and can react quickly to changes in their behavior. And secondly, we have a great brand that is well positioned with a good platform for growth through our channels and through our stores for the future. And with that, I'll hand over back to Andy.

Andy Bond - *ASDA - President, CEO*

Thank you. Well done, Judith. I do feel a bit like Peter Sellers in a Peter Seller movie. Anyone who watches movies, I am going to be up and down numerous times today, so I'll change into a moustache or something.

Also just before we go back into the formal presentation, those of you who are going to be staying overnight unfortunately but who didn't plan to, to reference to what Judith said, we're actually in a monumental day in UK political history today. There's going to be the first live TV debate between the three leaders of three parties on TV this evening. So if you are around, you'll be -- and you want to watch it, it will be TV or certainly a political history maker.

So look, I'm going to move on now and talk about the three stages of our growth, explain why we've done so well over the last four years, a little bit about where we are today and really outline what I see as a great plan for the future to continue that momentum on sales, profit and ROI enhancement.

Those of you who were here four years ago will have seen this chart. It was one I set out then for us as a team to achieve, and whilst there's always more to do the job is done to a large extent, and we set out three things.

We are going to, first of all, improve the basic operation of the Company. We weren't filing on all cylinders in some of the basics of running good shops, serving customers, we -- have not been met. Second, we were going to establish ways to differentiate ourselves from our competitors in what is, as Judith said, a very competitive market. Most of our shoppers can't have the opportunity to shop at a lot of stores, so we need to find a way to differentiate.

And thirdly, really load the barrel as it were in terms of fuel for future growth, develop new formats and channel opportunities that will propel us into the future. And I feel very confident we've done what we set out to do.

With that, how have we done versus the market? We have 15 quarters of outperformance versus the market and, if anything, the gap between us and the market has largely grown over that period of time, so a very good run.

And converting that into market share growth, we are equal with Morrisons over that timeframe and the big four in terms of market share growth. And that dynamic surprise a number of you versus what some of the headlines might say, but that's actually TNS data that demonstrates our performance versus the market over that time. How have we done this? And this -- those of you who got to the Analyst Meeting in October have been -- will have seen this before. We've prepared and then delivered a strategy against a balanced scorecard.

First of all, we're customer-focused and our promise is to make ASDA every shoppers favorite shop. Secondly, from an operating model point of view, you can never be the lowest-price retailer if you're not the lowest-cost-to-operate retailer, so our operating model principle is exactly as Tom said. It's to make us the lowest-cost-to-operate retailer.

Thirdly, we get the virtuous circle, as it were, between making ASDA a great place to work, making us a great place to shop. We understand the impact our colleagues have on our shoppers, and so it's a wonderful thing to do anyway to make the Company a great place to work.

But, it's even more important when you employ 107,000 people who interface with customers to make sure they feel good in their work, because they'll be more productive and happier in serving people. And finally and most importantly, our commitment is to deliver to shareholders, growing the Company, growing profits ahead of sales and in doing that enhancing our ROI.

And how we have done against those -- that overall framework? Let's talk about customers, first of all, some numbers. Over the last four years, we've grown our customer numbers by 2.5 million per week, a very strong growth.

How have we done that? I'll talk about a number of things, but it's very important to start with job number one, our price position. We measure our price position, but then so do others. This is our measure of our price position that says we've nearly doubled our price gap to the market over that period of time, which is a real accolade to the merchants in the business.

That's been externally verified. If you don't believe our numbers, believe others. The trade magazine here in the UK, The Grocer, verifies peoples' price position and we've won the grocery award for low pricing for the twelfth year running.

And more recently, there's become increased transparency, as I've explained at some either meetings, through the launch of price-comparison websites. This is really easy in the UK because three of the four big supermarkets actually publish all of our prices online because we're online food retailers. And that undisputedly says we are significantly lowest-priced retailer in the UK.

We've also been very successful and innovative in our marketing, and I won't steal all Rick Bender's thunder. He's going to talk about this later, but we have done a great job over the last two or three years when it's been particularly important to be front on pricing during the recession and our innovative ways to explain we are the lowest-price retailer, not least linking up to that online price-comparison website I referred to, mysupermarket.co.uk and using their data almost, as I say, in the sense of don't necessarily believe us, to believe us someone independent, and customers have really got that.

Not only have we lowered price. I talked in 2006 about a need to broaden our appeal. At one time, we were perhaps slightly too focused purely on price-sensitive shoppers, lower demographic, and we have been very successful in broadening our appeal. And in actual fact now, we are statistically the most representative shop of the UK population. So the average density of As, Bs, Cs, Ds and Es shop in our store now, unlike any other supermarket.

How have we done that? A lot of things, broadening the -- our range, premium own label, better quality own label, improving our fresh food, improving the George range, just one simple example, that was some of the stuff you ate at lunch. We actually won more quality awards last year than any other of the big supermarkets, so we are no longer only known for low price. We are a quality retailer as well. And that has led, as I say, to a big growth in high-affluent shoppers. Over 50% of our growth over the last four years has come from higher affluents, AB and C1 shoppers.

Moving on to our operating model, I would in no way say it's easy to achieve a low-cost position, it's an extraordinarily difficult challenge to do that and at the same time challenge your stores and your distribution guys to actually improve their standards. Because remember, I said in 2006, our stores were not in good shape. Availability was poor, so we've tried to pull off that magic trick of lowering our costs and improving our experience in-store, and I think we've done a very good job of that.

First of all, for the 15th time our virtuous circle -- and we get the fact that the fuel for lower prices is lower costs and that's absolutely the heart of our business. That's evidenced by what we call our EDLC, We Operate for Less program, as you say, which is how we're taking cost out of our business, not other peoples' businesses. This is our business.

Over the last four years we've accumulatively taken over GBP450 million out of our cost base, and we do still retain that most important accolade of being the significantly lowest priced of the big retailers in the UK -- lowest cost rather.

We also feel very strongly about a virtuous circle with sustainability. Of course, it's important to focus on the environment. It's what our customers want, it's what's right, but we also see this as a really simple link to low cost. Rid yourself of waste and you lower your cost.

And this is exactly how we get everyone in our company engaged in the sustainability program, and we've cut over GBP40 million out of our cost base through doing this. Two simple examples, we've reduced our energy usage by over a 30% NCo2 emissions, and we've also reduced our own-label packaging requirements by over 25%.

So lower costs, but how have we done our customer experience? A lot of different measures here, but I've picked three that we feel are most important to us. We have retained and grown our customers' perception of us being the best for helpful and friendly service. We are the number one in our customers' eyes for the place to go if you want friendly and helpful service.

We have moved from a real laggard to a really good company from a functional service point of view. You queue a very short amount of time now at ASDA, and over 95% of all shoppers have only one person in front of them, at most one person in front of them, when they reach the checkout. And finally, product availability, we've reduced our out stock significantly over the last few years.

Okay. Moving on to our colleagues, as I say, simple point here is we get the virtuous circle between engaged colleagues, good service, good productivity. Over the last few years, you can see -- and the numbers aren't on there, but that is actually directionally absolutely accurate. Our engagement scores have gone up significantly the last few years. People really, really, really like to work for us.

But not only do they like to work for us, the hard metrics have improved. Our absence has decreased by more than 25%. Our labor turnover is now at 15%, one five percent, which is extraordinary in the retail sector. And our productivity, the sales for FDE, are the highest in the UK. So, people are engaged. They like working for us, and they produce a lot of output.

And finally, what are we doing for our shareholder? We've grown sales. You've seen that. We've grown our profits ahead of our sales and therefore, to an extent, QED. We've seen a good improvement in our ROI. The actual numbers aren't on there, but the scale is accurate in terms of the improvement we've made in our ROI.

Comp sales have driven that obviously. Our cost-reduction programs improved as well. But also, as has been a mantra across the company as a whole, more recently we've had a significant progress -- we've made significant progress in terms of our inventory management.

Finally, I think the paths, the three horizons I spoke about, and a number of you have seen what we've done today. A number of you asked questions about this. We have created the fuel for future growth by investing time and effort in getting our format development right. I'll address some of the cynics, as it were, in the room ahead of this.

My commentary about format development and why haven't we gone faster is I would refer to other peoples' experience as well as our own. Most format developments is a 10-year overnight success. It takes a long, long time to get this right. The balance between aggression and doing it right is always a fine balance, and we have spent a lot time and we're very confident about the progress we've made over the last few years. The fuel is now there for the future growth.

Okay. I'll transition to my other Peter Sellers outfit. Today, how are we trading today? Look. We are not trading as well as we'd like to, and I've got a couple of charts on that. First of all a piece of context, we are still trading roughly in line with the market. The number is slightly different to Judith's because this is a shorter timeframe. This is indicative of the last four weeks.

But, the reason -- sorry, the other thing just before I come on to explain our own performance, the other piece of context is the vast majority of the difference between us and our other three major competitors is about new space.

That is year-on-year growth you're seeing there and we, as Judith said, had a blip in our pipeline of development whereas all of our major competitors have had significant space growth through acquisition of space, from co-op disposals in particular. So, when you strip that out there's a lot of ill-looking comps at the moment, and that is certainly true, as Judith said, in the market overall.

So, what would I add to what's already been said about the market and about ASDA? First of all, I'll reiterate Judith's point. Inflation has just, almost overnight, come out in the market. At times last year, you saw the numbers. Everyone can feel good about comp growth with 8% inflation or whatever, and I'm sort of randomly making up the number, right. But, there's some big numbers last year of inflation. That's really just disappeared almost overnight.

Equally, as Judith said, we are -- we serve customers who are particularly aware of their disposable income, and it is the first time in quite a while that people have either started to have a sustained period of year-on-year less disposable income.

What was a real paradox for our shoppers last year is actually whilst all the noise was about recession, if you had a job you had a lot more money last year. Interest rates came down very quickly. A lot of people in the UK have flexible mortgage rates. Fuel was low year on year. People had money to send and QED retail sales were good, and the market is absolutely struggling as a consequence of that.

On our own business, I won't beat around the bush. We are not happy with our sales performance. What do I think we are doing about it? First of all, we're absolutely focused on moving to more EDLP platform.

Well, why is that important? I'll link that back. It's always important for us to get back to EDLP, but it's an interesting dynamic the last 12 months. We've moved from inflation to a deflationary mark in the supply chain. Well, what happens in that environment is it -- whenever this happens the whole market becomes more promotional.

Monies are passed on from vendors as retailers as promotions, so this is not an easy, good time for an EDLP retailer because all of a sudden every message everywhere is half-price this, half-price that. It's a hard time to get your EDLP message forward. What we've got to do is just go faster and harder in getting to the end of that promotional cycle and getting back to be an EDLP. That's what we are doing.

We're also very aware that we are not executing that as well we could yet in our stores, so a lot of work and focus is on improving our price projection of EDLP in our stores. A simple example, we've got too many 2fers in our stores at the moment. You'll see over the next few weeks a whole raft of those coming out, because we know that is confusing to our customers.

But, as I've said a number of times, I'd much sooner by judged over a year than over a couple of weeks. We are very confident about our plan, very confident about our plan this year, and very confident about the plan that I'm just about to project over the next five years.

Okay. My third presentation, future growth, my third Peter Sellers, just a piece of context first of all, we've had a great few years but we do recognize that it's time for a new chapter in ASDA's book, as it were. There are three key deliverables, as it were, or two key deliverables.

Our first job is to protect our core business. We'll always see good growth in our core, out-of-town, edge-of-town, 40,000-square-feet Superstore business. It's what we do. But, we recognize that it's time to move to becoming a much clearer, multi-channel, multi-format retailer, somewhat because it provides us opportunity but, more importantly, because it's the way consumer shopping habits are changing here.

Just two simple examples, one of which will be reinforced by Doug later, over 100% of the growth in general merchandise over the next five years is likely to come online. So you can see the need for us to be, from a consumer point of view, a big online retailer.

Over 50% of the space growth of food stores are likely to be small -- smaller rather, not small, smaller stores. So, you can see the consumer need as well as opportunity for us to change the shape of our business.

The final point on this slide, and I need to position this correctly for you. When you're setting a structure, in my view, one of the strongest ways of doing this is just step yourself out five years, plant a flag in the ground, and say "That's where I want to be." Then, you start designing your capacity and capability to get there.

We've set ourselves a very clear ambition of being a clear number two in food. By the way, actually on food alone, we are now -- we are currently number three. We've never been number two. It is -- that only happens if you add in non-edible grocery and health and beauty, and the number one retailer in non-food.

I don't want that to become a stated five-year objective of the Company yet, but this is how we're setting our structure. That's where we'd like to be. That's the flag we're going for, and that's how we're building the capability of the Company to get there.

How does that work out? So, okay, current ambition. How does that all add up? How do you get there? What are the building blocks?

We've got very clear building blocks around the formats and channels that we now feel we've got capability to expand. So our first job will be in our core stores to deliver comp ahead of the market. Our second objective will be to build as many supermarkets, superstores rather, 40,000 square feet, as we can.

Then comes the new stuff, three simple building blocks. We want to be aggressive for growth in small food stores, and we set ourselves the ambition to have 100 supermarkets over the next five years.

Secondly, we're going to have a national chain of living stores, which means roughly 150. Finally, with the help of the Wal-Mart business more broadly, we want to deliver for our customers for an integrated world-class dot com offering.

Those things add up to, in our view, the achievable goal of number two for food, number one for non-food. All that will be enabled by what we've demonstrated well today, a genuine step change in global leverage over the next few years.

Okay, so we've had a great four years. We're having a little bit of a tough time now. How are we going to revitalize our core business?

Whether it be in our superstores, our supermarkets to online, we feel very strongly. We understand the five key places we need to deliver for our customer if we're going to have industry-leading growth. I'll just headline them. I'm not going to leave you a huge amount of detail, largely because the activity plan for this year is stuff I don't want to share with everybody. But I'll give you a few headlines.

First and foremost, we're going to get back to our roots of being EDLP. That is job number one, and it's a fantastic, genuinely step change initiatives we've got this year. But watch this space. You'll see that as it rolls out this year.

Secondly, we're also going to become, or continue our progress in policy. A simple example of what we've already done, Andrew is going to talk about George and the George business so far at the moment. One of the reasons is it's got a great balance between price and policy and the 100-day quality guarantee that has been launched, has been a great success. We'll do other things like that more broadly across our business.

We'll continue the progress made in fresh food. Through this year, we're also going to renew almost the whole of our private label program.

Third, fourth and fifth, in no particular order, our customers also tell us they need us and want us because they basically are largely families with kids. We need to be best for you. They always want something (inaudible). So our focus on events, world cup and new products will be renewed.

Always available, we're actually, today, been awarded (inaudible) of being the most available retailer. Our availability scores are the best in the industry. So we've already made a lot of progress, but there's a lot of gas in the tank still for other initiatives around our network change, system change. They're going to further improve our availability.

Finally, we've got a lot of work we're going to do this year on service. So I don't intend to go through the details. I'd have to shoot you if I told you. But we're very confident about our initiatives in our core business.

Okay, I'll now hand over this to explain the other building blocks. First up will be Andy Clarke, COO. Over to Andy.

Andy Clarke - *ASDA - COO*

I couldn't you see you in the bright lights.

Good afternoon. My name is Andy Clarke. I'm the COO of ASDA. I've been with the Company for 15 years and two since. I was managing director of Iceland Frozen Foods in the UK and COO of a power retailer called Matalan.

Over the next ten minutes or so, I'd like to share with you in-store format strategy. Then, Doug Gurr is going to come on and talk about our online new business program.

Setting the scene, first of all, back in 2002, Judith talked about we had two very clear formats that were superstores and supercenters. In 2006, we moved into a very experimental space, which was a multi-format strategy trying lots of experimental models. Now, we're in a very clear place of having four formats.

Two key growth formats that we're going to talk more about today are supermarkets and ASDA Living, again, an ambition for 100 supermarkets and 150 living stores as a chain within five years.

We're very confident because we now have a clear customer proposition. Hopefully, this morning when you were out in the shops, you enjoyed spending time around those new formats, but also an existing store in [Morely]. We're pretty proud of our stores and people that you spent some time with this morning, a very clear operating model and the location, the platform, that we're going to operate from. Clearly, we're very focused on reselling investments. Again, we'll talk briefly about some of those initiatives to improve our ROI.

So here are the facts about our core stores. Firstly, only 70% of the population can reach an ASDA store. It's something that, well, clearly gives us lots of opportunities to develop new formats and channels.

Planning is one of our key frustrations. Judith touched briefly on zoning. There's certainly a challenge for us, but we're very conscious it's within our hands and our destiny is within our hands in terms of planning for new space. Certainly, small stores are easier for us to get planning for.

New stores have been very successful. We're very proud of the fact that we've opened a number of new stores over the last few years and very proud of the performance of those stores. Again, I think as Judith and Andy have both said, we've got a very solid pipeline of growth. We've had a blip in this year, but coming through over the course of the next few years, a very solid pipeline of new store growth.

The new store initiatives that we're going to focus on to improve our core performance, certainly sales focus is a key part of that, reducing our cost base. Again, we've got a very low cost base, but we're very focused on continuing to lower the cost base for organization, running new propositions into our offer.

What do we mean by that? Ethnic ranges into local markets. In London, we've got 16 halal meat counters, very appropriate for that local market. We have in-store pharmacies in 172 stores and opticians in 81 stores, again, important for those local markets.

Galleria was a space planning tool that we have launched in conjunction with the US business. We've developed it, and we're now implementing it across our stores to help us sweat the space, the modular space, harder.

We have reduced the build costs of our new stores by 12%, 12% reduction of build costs. We've delivered 25 new mezzanine stores since 2006, that's mezzanine floor stores across our state. That's 70% of our extended space is going to mezzanine floor stores, first floor extensions.

Now onto the exciting stuff, which is about our supermarkets, and you've been to 25 this morning. ASDA Essentials is our first fall in to small stores and supermarkets, and this is a private-brand-only store. Research told us as we launched two stores was that the customers required a full weekly shop.

Trials have now given us certainty of how we trade these stores between 8,000 and 25,000 square feet. One of the things that some of the guys, that you talked to me about at lunch time was how much range was in these stores. We've worked really hard in terms of escalating density in modulars.

Range in modular architecture is helping us improve margin mix. Clearly, we're customer-led depending on how we trade the different ranges. Other channels, and Doug will talk about this later, in terms of in-store collects and how they enhance GM and George for those stores as well.

Two clear points of difference; first of all, one price file for all stores. Some have got a variable price farm as some of our competitors, one price farm at any store that you shop in as a customer, whatever size.

The second is that it's a full weekly shop, introducing range and choice to convenience shoppers, as supermarkets are a very low-cost operating model, very strong operating margins, delivered through a very simple organization structure. We're actually learning lots about superstores from what we're developing in supermarkets, so lots of learning to transfer.

Our profitable low-cost operating model is about intensification of space, obsessing about waste and markdowns in a smaller box, removing non-value added tasks, an efficient distribution solution. Andy already mentioned we've got the lowest in distribution costs in the industry, but again, finding an even smarter way of distributing to this particular size of store, and the distinctive service proposition, use of technology and self-scan is going to be a key part of that. 25% of our transactions are through self-scanning.

You've been through the store already, and I apologize and if I'm showing you pictures you've seen already. But we're proud of this store. It was a previous Kwik Save, and this store converted from 6,000 SKUs as a Kwik Save to 11,000 SKUs, significant sales increases. Karen Hubbard and her team that you probably saw this morning have done a fantastic job in terms of developing this format. This has really given us aspirations to grow to a chain of 100 stores.

Now onto the second format, and again, this is our Living format. The George high street stores gave us lots of learning as we betrayed on the high street about how you trade a standalone non-food business. ASDA evolved into the Living stores of today.

Here you see the customer proposition in terms how we are managing this space. Clothe, nurture, home, play, relax, service, all part of how we're going to trade this non-food format, famous for seasonal and events, refreshing the store throughout the year -- and I guess today you've seen the gardening range, the spring gardening range in the store -- constantly changing the range. [Roger McGlock] and his team, who's the ASDA Living MD, have developed a really clear strategy for that customer proposition.

Again, like supermarkets, a strong operating model, an important piece of learning before we went through this change because we have switched the store layout. So we've moved Georgia apparel from the first floor to the ground floor.

What has happened since we made those changes in a number of these sites? In Crown Point, we've seen an average sales uplift of 13%, an average sales uplift of 13%, enriched margins and increased profitability through up-scaling the offer, focusing on better and best, but not forgetting about the good offer that sits within those stores as well, reducing the build and the opening costs by a third.

So you've been to Crown Point. It's a fabulous store. It's not too far from here, and it has certainly demonstrated to us how we can trade non-food space. ASDA supermarkets has given us real confidence in terms of how we're going to trade non-food stores, and we have this ambition, as Andy talked about of 150-store chain over the next five years.

This will be a slide that you guys love, except it hasn't any numbers on it. That's because it's directional. This just shows you that our formats have a varying level of return, but we're very pleased with the returns on our two new evolving formats of Living and supermarkets. This, however, reflects everything we have learned about format developments over the course of the last four years, and it's a significant improvement in Living and in supermarkets.

So to close, before I hand over to Doug Gurr to talk about new business, three takeaways; growth, leverage and returns. Growth in new and existing formats, leveraging clear, scalable operating models in supermarkets and in Living, then the returns focusing on the returns, maintaining a focus on enhancing ROI across the whole estate.

Thank you for listening. Doug.

Doug Gurr - *ASDA - Executive Development Director*

Thanks, Andy. Good afternoon. My name is Doug Gurr. I'm executive development director. That means I'm responsible for corporate strategy, for all our new business growth areas and for IT, or as Andy tells me, "Doug, you're accountable for the future."

Andy's talked to us a bit about the physical development. I'd like to spend a few minutes talking about digital. I've been with ASDA four years now, but I spent most of the last ten years building digital business.

I'd like to cover three points, the size of the opportunity, the changes we are seeing in customer behavior, because there are a lot of changes in customer behavior, and what we are doing as a business to try and follow those changes in customer behavior.

So let's start with the size of the opportunity. If you look at food first, as Judith explained, UK food is concentrated. It's competitive. It's regulative, the top four of 76% of the market.

The key point is if you look at future growth, online growth in food is almost as important as new space. So, clearly, if we want to deliver Andy's objective, we want to chase that flag in the ground. We can't ignore online food.

In non-food, if I can use that term, and again, reference back to what Andy said, a much, much, much more fragmented market, top four share of less than 20%. The key thing is that more than 100% of the growth is going to come through digital channels, all to play for and clearly an opportunity to chase that number one spot.

We talk about customer behavior. Let me share an experience and see if anybody recognizes it. Have you ever had this experience? You place an order online, you wait a couple of days, you get home from work and there's a little card. It says, "We're really sorry you weren't in. Would you mind driving to the stepper 35 miles away? Maybe we'll be there on Tuesday afternoon and you can pick up." I'm getting extra smiles, yes? We've been there.

That's an example of what we would call friction. Friction. Hold onto that thought because the secret of success in digital, the secret of success in digital is about removing degrees of friction for the customer. It's particularly important at a time when we're seeing some quite fundamental changes in customer behavior driven by clearly the internet.

Let me just touch on a couple of these, and a number of you will recognize these. Let me just touch on four.

First of all, price. Clearly, you heard it from Andy. You'll hear it later from Rick. Clearly, price transparency is increasing, whether it's in the publication of one's entire price file or it's in the fact that the mobile device is now pretty much ubiquitous. Most of our customers can walk into our shops, scan a bar code, find out what everybody else's price is.

So price transparency is increasing. You know what? For the lowest-price retailer, that's not a bad thing.

Second, let me talk about social media. There's a lot talked about social media. There's a lot of things you can clearly get wrong in social media.

For us, we see social media as probably the most powerful opportunity to really listen to your customers we've seen in years. We spend a lot of time listening to this.

There's just two simple thoughts, I mean, obvious points. But think about a blog or think about a Twitter. It lasts forever, and it can connect to every other.

So the speed with which news, good or bad, can travel is phenomenal. If you don't pay attention to that, you're going to get called out. If you do use it, you can learn an extraordinary amount about your business, both digitally and physically.

Third, let me talk about trust. Given a free choice, we know and you know, that customers want to trust their friends, they want to trust their family and they want to trust other customers. Given a free choice, we're already saying that customers would rather get their information about what to buy from other customers rather than from a manufacturer or from a retailer.

Finally, let me talk about choice. Clearly, one of the biggest impacts of digital channels is they make it possible to have a much broader choice about where you buy from. For any retailer, when your customers can shop the world, the question you have to ask yourself is, "Why would they buy from us?"

So given some of those trends, how do we feel we're positioned? As Andy said earlier, we feel pretty good about where we're positioned. Let me just touch on why.

We actually think through global leverage and through our local capabilities we are in an incredibly strong position to move forward and win in this area. Talk about buying scale. Clearly, the opportunity to leverage buying scale, as Tom said, is going to help us deliver the products that customers want, develop the products that customers want and to do so at some amazing prices.

Secondly, lowest cost to operate. With price transparency and price becoming even more important, you have to be lowest cost to operate so you can be lowest price. Clearly, we have that in our local operations, but equally, we can leverage that through some of those global opportunities.

We operate our IT of global e-commerce platforms. We spend an extraordinary amount of time networking with our other markets to develop global best practice in this area, as it's a new area for most of us. Equally, we are developing in certain specific areas global scales and global capabilities. You'll hear examples of that from Rick later this afternoon.

Then locally, let me reference you back to a point Judith made. We have over 18 million customers walk through our shops every single week, an amazing opportunity to leverage that traffic.

Finally, again picking up a point that Andy Bond made earlier, personality. There's often a deception, I guess, that digital trading, internet shopping is quite technological, maybe a bit impersonal. But a point I always make when I talk to our colleagues here is remember, there's probably no more intimate experience in retail than when one of our customers, in fact, one of our delivery drivers cross the threshold of their home to carry their shopping into her kitchen. If you're going to have customers trusting colleagues into their own homes, you want to have a colleague base that is the best in the industry.

So we have a very, very simple framework we use. Of course it's multi-category. Of course it's multi-channel. Of course we have to cover both Food, our apparel business, George, that Andrew will tell you about later, and our Home and Leisure business. We need to make sure that we can deliver the best products at the best prices to home if that's what the customers want, but also increasingly to those locations, our stores, where customers are going anyway.

Let me talk first about Food. We're in a very, very good place in Food. Food is already, as Judith touched on, a mature, successful business for us, online food. It's over GBP500 million in revenue. It grew last year at over 40%.

It's a big operation. We have 1,100 multi-temperature vans on the road. We have over 4,500 colleagues involved in the operation day in and day out. I know we have not said this before, this is the first time we've said this, it is and has been for some years now a profitable business.

So how have we got to that success? Let me take you back to friction. Online food, it's the same products, it's the same price. The friction you're trying to deal with is the friction of the customer who doesn't want to make the trip to the store. It's about taking away that friction by delivering it to the customer.

This was brought home more starkly to us just before Christmas last year, 2009, when, for those of you who know the UK, we were hit by some exceptional snow conditions. Our customers couldn't get out of their homes. Our delivery vans couldn't get up the streets. There was a real problem. We looked at what was happening through the Twitters and the blogging and all of this, and it was a crisis.

We had a choice. We could have said, "You know what? It's really hard. It's dangerous out there. We can't get up the road. Or we could go the extra mile and try and get to our customers."

Probably the number I am most proud of from last year is when we got through that period -- and our colleagues went through extraordinary lengths. We had colleagues delivering on sledges. We had people held up in bars waiting for customers to get to them. We had mountain rescue dragging our van through. It was amazing.

The number I am most proud of is that when we asked our customers at the end of that period, "How did we do?" the percentages that rated us as having done a good job or an excellent job was 94%. Take the friction away, you'll get the growth.

So what of the future? We're in a great place. We're growing fast. We expect to grow still faster.

Thus far, we've got to where we've got to through doing it through stores. A number of you asked this question the other way around. We operate today out of 165 stores.

But last year, we opened the first, what we call, home shopping center, the first dedicated center dedicated solely to grocery home shopping. We need these for capacity reasons as we begin to expand still further, particularly in those areas you heard earlier where it's difficult for scarce shops, but also for operational efficiencies.

I have a very short video. If we can just play a very short video to show you what one of these looks like.

(VIDEO PLAYING)

Doug Gurr - *ASDA - Executive Development Director*

Now I think we all know the dangers of building infrastructure before you have volume, but we are extremely confident in this model. I am pleased to be able to announce to you today that we will be opening this year two further centers. The next one will be opening this summer in Enfield, which is just north of London. That will get us growth, particularly in those areas where it has been for us to get physical shops but where we know customers want the ASDA service.

Let me talk apparel, George brand, and talk about Home and Leisure. Clearly, as Judith said, we are a first and foremost a food business. We are next best known for our George brand, and we're becoming increasingly well-known for home and leisure.

Clearly, we're doing an extraordinary amount of work to expand the range of products we can offer. Clearly, for a lot of customers, choice is one friction. Clearly, for some of our customers, they want it delivered to home, and we will do that if that's what customers want.

But equally, we know for a lot of customers the most convenient thing is to actually get those products in somewhere you're going anyway. Clearly, therefore, we see huge potential and beginning to offer every single product we can, even in our smallest store.

I know some of you saw this in Pontefract this morning, but that's why we see initiatives such as in-store collection as absolutely critical to driving future growth in these areas.

We have now rolled in-store collection -- sorry, in-store collection means you can put every single products even in your smallest stores. So even in a super supermarket, as move into more smaller formats, we can offer the whole of George and the whole of Home and Leisure.

We clearly weren't the first to do this, clearly not. But working particularly with our colleagues in the US, we've been able to move at astonishing pace. 12 months ago, we were only at trial stage. Today, we now cover every single postal code. We are in over 330 of our 370 stores.

It is a national service. It's going incredibly well. We see this is critical to driving the growth in these areas. We are committed to at least doubling sales through George and Home and Leisure and Apparel and at least doubling sales every year for the next five years to help us towards Andy's goal.

So that's great. But there is one final friction. What if I want it today? It works pretty well, order today, pick it up on my visit next week. Most customers come to a grocery store most weeks. But what if I want it today?

We see the opportunity to make an extended range of merchandise available immediately, even in a store which is constrained on space as probably the next big idea. This is absolutely where we see the future of Apparel and Home and Leisure going. We've been doing a lot of work on this.

I've got another short video to show you in a second, which is what we see us moving forward. It's about using the warehouse space. It's about really rethinking what you do with the constrained shop floor space in terms of how you change the merchandising and how you change the shopping mission so you can say to your customers, "You can get it to take home," as we would call it today.

Can we have the next video please?

(VIDEO PLAYING)

Doug Gurr - *ASDA - Executive Development Director*

So this example you see, this 31-phase small domestic appliances compressed into seven with the highest volume lines immediately available and everything else, ask at the desk and you can have it today.

The operations trials are all complete. The technology is built. The integration with our distribution network is done. What you've seen on that little clip opens in less than two week's time. We absolutely see this as driving the future of these channels.

So in conclusion, three very simple points. Digital is a key growth channel in all three of our categories; Food, Apparel, Home and Leisure. Success in digital is all about reducing, removing those degrees of friction for the customer. Finally, with ASDA working with Wal-Mart, we are very well-placed and very confident about our ability to be a winner in this area.

I'll hand you back to Andy just to wrap up this session. Thank you.

(Multiple Speakers)

Unidentified Company Representative

Andy is going to help kick us off later. But we are going to take a break, and we will be taking a break until 4 pm UK time. For those of you on the webcast, please bear with us while we attend to some announcements regarding travel.

I think most of you know that there is a volcano situation which is affecting travel in this part of the world. Who would have ever thought?

The latest update, which we got just 15 minutes ago, is that UK airspace is completely closed to in- and out-traffic. It is most likely going to be closed until 7 am tomorrow.

For those of us who do have flight plans to leave either this evening or tomorrow morning, the suggestion from the travel department at this point is that you specifically check with your own airline regarding the status of your flight. We have set up a room across the hall in G2, and we've put some printers in there in the last hour. There is internet access in that room as well. If you need to print out boarding passes, you will have the capacity to do that.

So we'd like you to take the time right now to make some of those arrangements if you need to do them. We will be back in here. We will start on time at 4 pm UK time, and we'll welcome you back on the webcast as well at that time. So thanks. We do have some refreshments outside as well for those of you here. Thank you.

(BREAK)

PRESENTATION

Unidentified Company Representative

Okay, we're ready. Welcome back to the Wal-Mart Stores presentation and the ASDA field trip.

00 o'clock was not completely true. What is true is that the UK airspace is remaining closed until 7 pm for sure, and we will try to get another update from the travel department before we wrap up so we can give you the latest news.

Given what we're dealing with in terms of some of the travel situations, a couple other announcements. For those of you who do have to leave early, if you need any assistance whatsoever, Marsha Koch, who's going to stand, is with Wal-Mart Investor Relations. She'll be a resource to you for any of those people that are leaving early need any other assistance. We'll also have some people positioned outside the door to help get you luggage or things like that.

What we're going to do is make a slight change in the schedule. In a minute, when we get started and I turn it back over to Andy, we're going to go through all of the presentations.

The agenda actually said there would be a second break before the reception for those of you here in Leeds. But instead, what we're going to do is wrap up and finish the presentations. We will have one Q&A session on the ASDA business with Andy and his leadership team, and then we will have a second Q&A session, a shorter one.

30 and 5:45. Then, instead of a break, we'll be able to go right into the reception. The reception is the same area in the cafeteria where we had lunch.

When we do get to the Q&A, I would like to remind you that we are only about two weeks away from the close of the first quarter. So we, of course, will not be answering any questions about sales or comps, just in case you might have been thinking that you would ask that particular question.

So with those ground rules out of the way, I'd like to invite Andy back up to kick us off.

Andy Bond - *ASDA - President, CEO*

Hi, everyone. All I'm going to do is just introduce the next section. What we've talked about so far is the market context ASDA is positioning. We've talked about the past of ASDA, the current trading and then our future plans.

What we're going to do next is, first of all, I'm going to introduce Andre Moore. Andrew is going to take you through George. It's not just about the George business as it is, but also using it as a case study to pull together a number of the themes you've already seen about how we're changing the shape of our business, both in terms of how we're serving customers in the UK different but equally, how we are leveraging our best practices both ways. In this context, it's talking about George and its expansion globally.

Then, we're going to hear from Jon Wragg and Nick Scrase who are going to talk to you about leveraging Wal-Mart's scale back into the UK. Equally to an extent, Nick will talk about leveraging ASDA's expertise back out into Wal-Mart.

Then, finally, you're going to hear from Rick Bendel, my marketing director, but he's also got -- his secondary responsibilities are international marketing director. In that context, it's a great example of how Wal-Mart is changing the whole shape of its business and how it runs its business and we here in the UK and now the center of excellence for marketing expertise for Wal-Mart global. He'll talk about that.

Then, as Carol said, we'll finally have a bit of Q&A at the end. So with that, Andrew is going to update you on George.

Andrew Moore - *ASDA - Executive Managing Director - George*

Thanks so much, Andy. Right, well, I'm Andrew Moore. I'm the managing director of George Clothing. I've actually been the managing director for George Clothing for about three weeks. But before that, I have been with George for two years, and I was director of trading. That followed a long career at Marks & Spencer where I was the director of general merchandise planning before I left in 2007.

Okay, so onto George. Well, what is it? Well, obviously, it's an apparel brand, but it's also a Wal-Mart global merchandising center. It's actually the only non-food GMC outside of the Americans.

Now you're going to hear a lot more about what GMCs do during the course of this session. But as a brief overview, GMC is responsible for developing, designing and direct-sourcing merchandise. It could have application for Wal-Mart's largest markets.

Now it's early days for George as a global retailer, but it's not difficult to appreciate the significant opportunities that it's got in leveraging off the back of Wal-Mart's scale. That's clearly a major objective for us. It's a future driver of opportunity. But I'm actually going to spend the bulk of my time this afternoon just talking about how we're preparing for that journey and what we're doing.

Now when I joined the business in 2008, George was underperforming. So we set ourselves a very simple recovery plan, a three-stage plan; focus, drive and broaden. The first stage of that plan was very much about focusing the business back onto the basics.

We set ourselves four areas of concentration, really. The first one, not surprisingly, was product. It was product because our customers were telling us that we've really lost sight of good, honest product development. We were compromising on quality too much, and we were losing sales as the result of it.

The second one was very much around availability. Again, our customers were telling us that they couldn't find the size that they wanted on too many occasions. Our in-store availability was too low.

Third one was conversion. Just to define terms here, what I mean by conversion is the number of shoppers at ASDA they also shop at George. We quickly saw that this was a very significant opportunity for George, and it was then and still is our biggest opportunity. ASDA welcomes, as you know, around 18 million customers through its stores every week. It soon became obvious to us that we should be focusing more energy and more time on how we can appeal to those customers more effectively.

The fourth one was teamwork, really important for us, making sure we have a strong team and a very joined-up approach right across the business that we could plan and execute much more effectively.

So how have we done, again, for those plans? Well, the measure we put in place have really driven some top-line growth that we're pleased with. We are pleased with the sales performance and the profit performance of George.

Women's wear, not surprisingly, is our largest category by value. We've really, I think, developed some credibility in the casual wear aspect of women's wear, particularly in areas like denim and in jersey and also in knit wear.

Kid's wear is a particular success for us. We are the UK's largest volume retailer of kid's wear, and we've seen real growth in certain areas of the business over the last year, particularly areas like school wear. Baby wear, we've got a commanding position on baby wear and also boys and girls clothing.

Looking at returns, well, the way we've approached that is putting a really sharp focus on how we've been merchandising the business and planning the business. That has resulted in better inventory levels. We really have put a focus on ensuring that we control our stock levels much more effectively.

We tightly control our stock at every stage of the supply chain right the way through. We set targets to ensure that our inventory levels do not grow at a rate that's faster than our sales levels.

That increased discipline that we put on managing our inventory has, not surprisingly, resulted in lower markdowns. We've successfully weaned ourselves off what was, in reality, weekly markdown events about two years ago.

We've preferred ourselves, preferred instead, rather, to organize ourselves around the customer, and we, therefore, do fewer, but more impactive markdown events. What we found there is that as we deal with embassies and ranges, and you know it will it will slow us down as they crop up from time to time, by having fewer events but making them bigger, we actually clear the stock much faster and much more cost-effectively.

So turning to market share, well, last year, George achieved its highest position in its history in terms of market share. In November, we held the number one position in the UK by volume. We've consistently grown, as you can see on the graph. We've consistently grown ourselves ahead of the market since December 2007, and our market share now is standing by volume at just under 10%.

Kid's wear, as I said, is our strongest market share performance. Among kid's wear, we've got a volume market share of around 16%. But recent growth in women's wear has been good, and that has allowed us to achieve positions of number three in a number of areas in our women's wear category, areas such as women's lingerie, women's nightwear and women's knit wear.

On conversion, well, again, as you see on the chart, we're steadily our conversion rates to an excessive rate around 14%. We're doing that on a weekly basis.

I think conversion is a good illustration of the kind of interdependent nature of our relationship between George and ASDA. A healthy and growing George is a very beneficial thing for ASDA. It's a very beneficial aspect for ASDA.

Why? Well, obviously, it generates a useful profit stream, but it's also, I think, a key differentiator against our competitors because our customers, I think, see George as having a unique brand of quality, value and style. So just as George benefits from the higher foot fall that comes in from the food and general merchandise areas, customers see George also as an important reason to visit ASDA because of the unique nature of the George business.

So the new chapter; Andy talked about the significant role for George as we seek to double the size of our clothing business over the next five years. Now we see that as a stretching but doable challenge, and it will require some very robust building blocks in place to achieve that challenge.

These are the blocks that Andy showed for ASDA, and you can see that they are entirely consistent with what we want to do in George. So we're talking about maintaining comp sales in line with the market, new store growth coming from new stores, developing a range of essentials for our new supermarket business, getting the proposition right for our Living stores and, of course, our world-class dot com business.

Now these are the customer pledges that are in place very much to help drive our comp store business. Again, these are as important for George as they are for foods or general merchandise, whether it's price or quality or best for new or availability in service.

So I want to just take a couple of minutes to explain how we are interpreting these for the George business. The first one is price. Now George is, first and foremost, an EDLP business. Our success is very much rooted in how we invest in our quality standards rather than investing in gimmicky price promotions.

We organize ourselves around EDL principles, and we very much believe that the first price that we set on our merchandise has to be the right price. We're also very clear that we are at our best when we're trading volume. We are a volume business. Therefore, how we get the balance right between our price lines is very important.

For us, the vast majority of our business is a price point of GBP10 or below. But we still keep a good, better, best hierarchy. We still use those traditional values for making sure that we've got good, better, best throughout all of our ranges.

It's balanced, but for us, it's balanced in favor of good, not surprisingly. Typically, around 50% of our business is priced at good price points. But we do see opportunities to stretch our price hierarchy into better and best and into those areas of higher margin as well.

On promotional spend, well, we've weaned ourselves off regular promotions. We don't get involved in blanket 25% off-type campaigns that some of our supermarket and high street competitors get involved in. We prefer instead to offer our customers great values every day.

But I wanted to talk a little bit about sourcing here because sourcing is really important in terms of maintaining good prices. We think the combination of good, competent sourcing and our EDLC culture enables us to keep our prices low. We are EDLC, and we are EDLP. You can't be EDLP without being EDLC. Therefore, we're very much focused on taking out unnecessary costs wherever we can.

The priority for us right now is on raw materials and particularly on fabric. Fabric normally counts around 40% of the cost price of many of our garments. So by coordinating the opportunity to coordinate our buying power with George and with Wal-Mart is a fantastic opportunity when you consider what we might do on staple areas like denim or cotton jersey. We're already starting to see the benefits in terms of price premium coming through there.

We're also increasing our direct sourcing. We're taking out the middleman, the expensive middleman. We are pretty sure that this requires on-the-ground presence. We've got to have people in the countries in which we manufacture.

So that end, recently we opened our first dedicated George office in Bangladesh. We think that's going to help us improve our quality standards, improve our efficiency, but also reduce our lead times. The great thing about this as well in terms of leverage is that whilst it's a dedicated team for George, it's part of a Wal-Mart office that we're using the systems and all the backstage facilities there for George.

Quality; quality is, obviously, fundamental for any clothing retailer. I think one thing that is very important about quality is how good the supply base is.

Well, George has been working with the supply base for over 20 years now in developing a firm relationship with its suppliers. We set demanding standards, and our technologists work very closely with our supply base to build quality standards in instant-manufacturing process.

We monitor the level of returns we get on a weekly basis in terms of customer complaints about poor quality. I can tell you that the levels that we get are below industry norms and are falling. It's the work that we've done on quality that has given us the confidence to launch our 100 day guarantee. This is the best quality guarantee on the high street in the UK because it enables customers who if they're not happy with any aspects of the garment in terms of quality to return it, and they will get a refund or an exchange, providing they're returning within 100 days.

This follows on from a trial that we did last summer on school wear, which is really effective for school. It's the same sort of principle, 100 day guarantee on quality. What we found was that it catapulted the sales of school wear for George, and we became number one last summer. That sales of performance has continued on. So from the start of this year, the sales of our school wear business are at least a third up on last year.

Best for new, well, for George, that means style. George is a mono-clothing brand. We don't sell other people's merchandise. We don't sell other people's brands. Every piece of merchandise that we sell in George is designed, developed and sourced by the team at Lutterworth.

So that means our design teams work closely with our buyers, hot new trends for the season, and we're sure that we buy them in sufficient depth to be able to promote them with authority. I hope you saw some of that in your store visits this morning.

It gives us the opportunity to bring an innovative approach as well to our product development process. So when our customers told us last year that they wanted some help in concealing the sort of natural lumps and bumps that you get in your profile, our designers worked with our technologists to come up with an innovative product which uses fabric that is really only used at the moment in lingerie, in control lingerie, to come up with a merchandise that provides a much more flattering silhouette for our customers. You can see that I'm not wearing it today, or maybe I am.

Speed to market in lead time is absolutely critical, particularly for George. How do we achieve this? Well, we achieve this through our sourcing team, making sure that we've got a commercial balance of sourcing right across our supply base.

That means for us that about 15% to 20% of our business comes out of Turkey. Turkey allows us to generate lead times on key merchandise of between six and eight weeks. We've had a long relationship with Turkey over the years. It means that we can continue to refresh our ranges on a regular basis with new and emerging trends.

Availability; now availability, as I know over my career, is the Holy Grail for all clothing retailers. It's tough to achieve good availability. You don't do it through management sound bites.

In George, we've invested in our infrastructure. Right now, at the moment, we're in the process of installing new systems, new IT systems into our head office in Lutterworth that we work within merchandising and buying teams to improve the way we buy merchandise and give us an automated somewhat planning process, which will, I think, give us a radical improvement in the way we build our ranges.

Last November, we completed the implementation of our regional network distribution system. This system is a dedicated system for George. It not only provides us with much-needed increased capacity within our distribution network, but it also shorten the lead times in terms of getting merchandise from our DCs into our stores. That means we will be able to further reduce our inventory levels as we exploit this further.

Then, finally, in academy, we're very proud of our academy at George. It's a very important part of our business. There's no substitute for good training and good coaching. Retail, after all, is retail.

We use the academy as an induction opportunity for new colleagues into the business. But we also use it to update all of us, all including senior management, in terms of new ways of working and new processes. That means we that we can get the best out of any unit that we bring into the business.

So that outlines some of the initiatives we've got in terms of maintaining our core performance. But we also see significant opportunities with new channels. For George, those new channels are dot com, Living and global. So I just want to touch on these in a little bit more detail.

First of all, dot com. Well, the UK online clothing and footwear market last year was worth around GPB4.2 billion. Now George dot com was launched in October 2008. So, not surprisingly, we didn't have a particularly high market share of that market. But it's growing rapidly.

Our customers like it, but they tell us they like it. They use it a lot. Without very much in the way of advertising or promotion, sales on George dot com are already over two times the level of our largest store.

So we're learning very much about the differences between a dot com business and a store-based business. That has given us the opportunity to develop new ranges and new propositions that we're going to be putting onto the dot come business during the course of this year. Today, we're announcing that we see the opportunity to drive online sales to 10% of total George sales over the next three years.

Living; you visited a Living store this morning at Crown Point just over the road. Now, Roger would have talked about our target of 150 Livings, and that's a really fantastic opportunity for George because George accounts for 50% of the sales in Living. So that's going to drive significant growth for us.

The great thing about it is that the customer profile for these stores in retail parks is very much about moms with kids. That's great for us because a dominant feature of our business is women's wear and our kid's wear business. So, again, we're going to be developing new merchandise and new propositions for Living. But because of the growth of our dot com business, we're going to be combining those together to combine our buying power and leverage the opportunity there so that we can maintain the same sort of value and margin proposition as we have in our main chain.

Global; well, total George worldwide sales are worth over $4 billion. Now this is a serious business, but we're clear that it could be larger and it we could handle the procurement of merchandise for our global business in a much more efficient way.

So at the moment, we arrive in the middle of a process overhaul. We're looking at the way in which we have handled our business in the past, and we're looking at how we can streamline the operation in terms of design and in development and procurement.

Now key to the success of global is not just the core values of quality, value and style for George. We also need to manage the brand very carefully. So that's one of the other things we're going to be doing in this process overhaul, is making sure that we bring a lot more brand integrity to George so that wherever we trade George around the world, it has the same common look and feel.

So, in conclusion, the key takeaways, I think, are, first of all, that George has had a strong growth story over the last 18 months. That strength has come from focusing the business on the basics, and that has brought a very firm foundation for future growth. It's interesting because five years ago, George was very much focused on a range of clothing for an 8,000-square-foot ASDA section in ASDA shops, where today, George is a growing multi-channel global brand.

In addition to that, we've got a great opportunity to take that brand and stretch it around the world and to use the fantastic opportunity we have with Wal-Mart in terms of taking advantage of the buying power that Wal-Mart has.

So thanks very much. With that, I'll hand it back to Andy Bond.

Jon Wragg - *ASDA - Commercial Director - Merchandising & Sourcing*

Jon Wragg.

Andrew Moore - *ASDA - Executive Managing Director - George*

I'll hand it back to Jon.

Jon Wragg - *ASDA - Commercial Director - Merchandising & Sourcing*

Good afternoon. My name is Jon Wragg. I look after merchandise planning and sourcing for our Home and Leisure categories to invest here in Leeds.

I joined ASDA in 2006, and immediately prior to that, I was trading direct through the UK multi-channel retailer. There, I spent some 25 years in various buying merchandising and operational roles. I want to talk to you this afternoon about how we are taking steps here at ASDA to better leverage our global sourcing scale and how we're going to combine that with various global initiatives that are being undertaken by Wal-Mart at the moment.

So let's start with some basic supply chain dynamics. There are fundamentally two approaches. The first is an indirect approach, an approach where there's a middleman between the manufacturer and the retailer.

What's important here is that that middleman adds value. The middleman might be a brand. This is somewhere where being part of Wal-Mart is really important to us because being part of Wal-Mart gives us access to brands and to buying terms that we wouldn't otherwise be able to access.

The middleman with its private label product might have product development capability that we lack, might have supply chain expertise that we don't have in our organization. The important thing is they'd be adding value, enabling us to sell product from geographies that we wouldn't otherwise be able to sell.

The alternative to having a middleman is to have, clearly, a direct relationship between the retailer and the manufacturer. It's the lowest-cost route. It enables us to sell differentiated products. In this example, we would be developing the product in the retailer and just having it manufactured in a manufacturing plant.

It gives us increased control. It gives us increased transparency, particularly important in areas of ethics and sustainability. The important differentiator between these two models is that where we have a middleman, we must make sure that they're adding value and not just cost.

So what's the opportunity for Home and Leisure as ASDA? Well, we currently only buy through a direct channel. Just so don't confuse direct necessarily with Far East sourcing. Direct could be direct from a factory here in England, here in the UK.

We only buy 22% of everything that we buy on a direct relationship basis with a manufacturer. The other 78% flow through a middleman of some sort, but that might be published materials, music, video and games and newspapers. It may be brands. But 78% flow through a middleman.

We believe that there about another 20% of the volume that we buy where there is a middleman where there doesn't need to be a middleman, where he's adding cost and he's not adding value. So there's an opportunity to take that out and to grow our direct participation from the some 22% to something over 40%.

To enable us to do this, we've had to increase our capability. We've had to build our capability here with ASDA. So over the past 18 months, we've created a strong merchandise planning team and an onshore and offshore sourcing capability to make sure that we're in a position to be able to pick up this opportunity.

So if that's what we're going to achieve what are the roots that we've got to achieving it?

We've got three fundamental routes. First of all, because we're part of Wal-Mart we've got access to the new global merchandising centers. What's important to understand about these merchandising centers is that they have two key components. The first component is a product development capability that is typically located within a retail market.

The second is an offshore sourcing capability which will be in a number of sourcing hubs around the world. The whole purpose of a GMC is to facilitate the leverage of Wal-Mart's buying power and product development capability across multiple countries, that's what it exists for.

So we buy what we can through the GMC, however, where the GMC doesn't offer us product that meets our customer needs here in the UK we've now put in place a team offshore in Shenzhen, China embedded within one of the GMC sourcing hubs just ask the colleagues working on sourcing our end product.

So this product will be developed here in the UK at ASDA and will be sourced through our sourcing team out in Shenzhen, China and I'll talk a little bit more about that in a minute. While neither of those two routes managed to give us the product that we need and this might be because we want to move into a new different category, or we want to source them in geography where we currently don't have reach or spread, we can take advantage of the global partnership model that Wal-Martyrs established with Li & Fung and it's a very important third string to our bow.

So to go into a little bit more detail about each of the three of those. Global merchandising centers, first of all, so the principle is that these are facilitating leverage of product, development expertise and sourcing scale across Wal-Mart. There were really four levels of leverage within a GMC. The first is all about raw materials. So this is about Wal-Mart using the corporate buying power and negotiating power to lower the cost of raw materials across the corporation.

So I could give you an example, cotton, it may be that Wal-Mart negotiates a price for cotton on a global basis and then gives the manufacturers of product be that a garment or a home and leisure product gives access to that source and the manufacturers of those products so that they enjoy the negotiating power of the Wal-Mart scale.

Global suppliers are the next level and this is a really important level for us. This is about multiple countries sourcing from the same supplier so that we develop long term, not short-term transaction relationships with suppliers. We help them develop their businesses. We help them improve their quality, improve their ethics, their sustainability credentials. We help them cut down lead times and costs in their supply chains so that they can work with us on a long-term basis and we can share that benefit with them. That's a really important second level in the leverage within a GMC.

The third is global products. I'll give you a couple of examples of programs during work at the moment. We've got a global program on towels. We've got a global program on candles. These are clearly products that are the same whichever continent you're on on the planet and represent a really great opportunity to combine our buying power across countries and make one purchase for Wal-Mart as a whole.

The fourth and final level, and this is the level at which you're not only leveraging Wal-Mart's purchasing scale, but you're leveraging the full product development capability of the GMC is global brands. So it may be that one country sells a brand. It might be George Clothing or it may be Mainstay Homewares in the US and that brand is sold in multiple countries around the world. So they're the four different levels. Now what's important to understand is as you march towards the top right-hand corner of this diagram things get more complex. It's not difficult what we're doing but because we're working across multiple time zones in multiple languages and multiple product critical paths it gets a bit tricky.

But what also increases as you go out to that top right-hand corner is leverage and standardization. It's not about pushing everything into the right-hand corner though. All of these four levels are perfectly valid and will continue to be perfectly valid. We should operate and we should participate in the level that's right for us and for our customers.

What does that do? Of course that throws up savings. It throws up better products as well. But it throws out savings. And what does the savings do? Well, they enable us to buy for us, to sell for less, to grow sales, to operate for less. So it keeps that productivity move going. It's extra fuel for that loop.

To give you an idea of geographic spread of the GMCs it's pretty comprehensive. Where you see the dots on this diagram we've got product development hubs so you can see the George here in the UK, you can see the Home and Hardlines hub over in Bensonville, and there you see the circular dots, the blue ones are general merchandise sourcing hubs and the green ones are food sourcing hubs.

So I show you that really to demonstrate the very, very good global reach that the organization has. However, then we will source, whatever we can, from the GMCs, there will be instances where our customers want products that the GMCs aren't producing. And in those instances we'll be using our product development capability here and leads to develop the product and we'll be sourcing it through our embedded sourcing team out in Shengzhen, China. And why do I say embedded? Remember what I said was, it's embedded within a sourcing hub that belongs to the GMC.

So we're leveraging all of the back office services in that hub. We're not having unnecessary cost in that sense. And although it will be unique products we will be using the same supply base as the GMC uses so we're using that second level of leverage and we will be using the opportunity for raw materials where we can so we'll be using the first level. So it enables us to have bespoke product but still gain leverage.

The third and final level so where we want to go into new different categories where we might not have the product development capability, where we want to source from new geographies that we're not familiar with, we can tap into the Li & Fung global partnership model. And that model works across the full value chain, be it assortment definition, assortment development or execution and sourcing. Wherever we need support along that line we can get it through this partnership with Li & Fung. And what it will essentially enable us to do is to move faster than we would otherwise have been able to move had we just relied on our capability.

So what are the key takeaways, direct sourcing, removing the middleman is a key opportunity for us to move from 22% direct sourcing participation to over 40 within three years. GMCs will enable us to leverage Wal-Mart as well and they'll significantly increase Wal-Mart's capability in the area of product development and in the area of supply chain management. The global partnership with Li & Fung gives us another level of opportunity that we can tap into as appropriate. And most importantly everything, absolutely everything that we're doing in this arena is going to help us drive that productivity loop even harder and even faster. Thank you.

Nick Scrase - *Wal-Mart Stores Inc. - International Director - IPL*

(inaudible - microphone inaccessible) leave here that's so encouraging. I guess you've got a train to catch or a plane. Thank you. Good afternoon everyone. My name is Nick Scrase. I'm the newly appointed managing director of International Director of International Produce Limited or IPL as it's known within our business. And I've been doing this job for just five weeks. Prior to that I spent the last five years working for ASDA, most recently as our Fresh Food Commercial Director. Before that I'd spent two years as the managing director of a fresh produce business in the U.K. and prior to that I spent a long time in the Safeway business doing all sorts of jobs from operations to supply chain to merchandising.

And today I'm going to talk to you about global leverage with, of course, particular reference to the International Produce business. So what is International Produce? Well first of all this was a business formed just over five years ago with two external shareholders. And we purchased this business, an agreed purchase at the end of last year. So this is now a wholly-owned subsidiary of the ASDA Wal-Mart business.

Now it was key activity during those five years has been the importation, packing, quality control of fruits and vegetables. And I must just explain that we only do, we only import where there isn't a credible, local offer, an offer in the UK and very crudely a little over 55% of all the food and vegetables we sell are imported. And you'll have guessed with our climate, with the small country, that we are in the land mass that we are, the opportunity to grow lots of different fruit plants is quite limited.

We have two big sites in the UK, one 10 miles east of Leeds and one in the south. And their principle operation is to receive the product that's been imported, to package in some instances, to do a quality control job on that product and then to distribute it to the ASDA chill distribution centers before going onwards to our stores.

Recently we've extended that area of operation from fruit and vegetables to widen such as cheese and pate. I'm going to cover that in a little bit more detail later on. And this business has a global reach. We have a number of country offices, principally in Europe, we have country offices in Spain, Holland, France, Italy, also in Morocco, South Africa, Costa Rica and Chile. And their role is the procurement, sourcing, technical management and the logistics of fruit and vegetable at the moment but increasingly new products into the ASDA business but also as I'll develop further into the broader Wal-Mart business as well.

So what is our business model? Well our business model is a very simple model. It's about removing non-added value in the supply chain. And the top part of this graph represents a typical produce supply chain for an imported product. And as you can see it's a pretty complex supply chain with a number of hand offs and a number of margin takers in that supply chain.

And beneath that at the bottom you can supply chain, we're operating with an international produce which is a far cleaner supply chain and very crudely pushes value to either end of that supply chain, either to the grower in the form of a higher return if we need to do that to allow them to invest in their business, or to us and of course our customers and shareholders.

And what we've done as you can see the pieces in green at the top we've removed. What that enables us to do by removing margin takers consolidating volume and activities and leveraging the scale that ASDA has and increasingly Wal-Mart has that allows us to control the supply chain in a different way.

It also allows us to improve freshness and quality because we control the logistics. So if you go to the country we will manage the in country logistics whether that's Spain or South Africa or France. We will then manage the shipping and take the benefit from controlling the shipping. We will then control, of course, the in country, i.e. in the UK logistics as well. And that gives us a number of opportunities to add value to our business.

What this model also allows us to do is develop closer grower and manufacturer relationships so I was in South Africa last week and I held a grower conference in Stellenbosch where I was able to interact very directly with the people that grow our product. Now, that isn't usual in most retail businesses around the world that allows a different level of relationship, a different level of feedback, which we found to our advantage over the last five years.

Increasingly what I believe it will also allow us to do is develop points of difference that will give customer advantage. An example of that is in produce is if you have a closer grower relationship you can develop new product development. Well new product developments in that produce arena is typically around varietal development. So in Spain we're working with some people where we can have exclusive to our business new citrus varieties at a time of year when the market is pretty empty, which gives us better availability, better quality fruit and therefore competitive advantage.

So where does IPL fit into the broader Wal-Mart world? Well if you consider this representation of the globe we sit in the middle. So IPL covers principally but not exclusively Europe and Africa. So our role within Wal-Mart world is as a global merchandising center. Our role will be to provide ASDA and other Wal-Mart retail markets with product coming from the middle of that chart.

The other side of the chart will be managed by our global food sourcing business, which is run from Bentonville. So we work closely with our colleagues there and we share best practice.

This is also a sustainable business model. Wal-Mart, (inaudible) Scott signed the Millennium development goals with Gordon Brown a few years ago and principal amongst those was growing trade in Africa. And I'm really pleased to say that we look as though we're going to surpass quite comfortably the original target we had of growing trade in Africa and we've recently extended the amount of volume we're going to put into that. So we're using trade as a form of aid.

What we're also involved in and again last week in South Africa I was looking at this is carbon reduction. So we're looking at taking trucks off the road in the Cape area, the Cape province of South Africa and putting them on rail. We're also heavily involved, hence the picture of Stellenbosch University, which I visited last week, we're heavily involved in educational programs.

So in Stellenbosch, we are sponsoring, paying for bursaries to under-privileged black children to come into Stellenbosch University, receive an education in horticulture, which then, of course, plays back into my business in South Africa because we need good agronomists, the industry needs good agronomists. And we're doing the same in a girls' school in [Skarhay], in Kenya as well.

And in actual my team, I had to come back to you guys, my team actually saw the Minister of Education in the Cape area on Tuesday evening. But we're also doing in South Africa because we're very conscious of some of the attentions in that country is encouraging the emerging black farmers to be educated in farming and to participate in that supply chain. And we have a developing program that does that with our existing supply base so it protects our availability but encourages those black farmers to participate in that country.

And overall, of course, what we're trying to do is understand better the impact that Wal-Mart can have in emerging countries. So what's the potential for IPL? Well the potential for IPL sits very clearly in three buckets. One I referenced right at the top of my presentation, which was new product areas.

So this is very simply using our current infrastructure and expertise so where I have an office in Italy, a country of Italy, sourcing, procuring and maturing the quality of nectarines and peaches, well why can't we do it for Italian cheese and Italian continental meats? Well the answer is, of course, we can and we can apply those same principles to a different set of products using the same infrastructure. So we've done it there. We're doing it in Belgium with pates. We're doing it in Greece with some cheese and increasingly we see a massive opportunity as we go around the world looking at how we can leverage our existing capability.

In the middle represented by some happy looking pigs -- I'm not quite sure why they're looking so happy, but looking to extend the IPL principles. And what this requires is identifying external shareholders that are prepared to work for a fixed return. Those same shareholders prepare to cost future business on a marginal basis and a willingness for us a business to consolidate volume and work with a single vendor. And we have a fantastic opportunity to do that in the pig industry and we're going to develop that in the cooked meats business during the course of this year. And we see enormous potential in this stream of activity as well.

And, of course, a very obvious one is serving Wal-Mart globally and already after Spain we will be supplying our stores in the US and in Mexico with olives, olive oil, confectionery, wine and whiskey, all managed through that hub in Spain. And in South Africa we'll be supplying citrus during the sort of June, July, August, September months not just to the ASDA business but also to Wal-Mart Japan, also to Wal-Mart Canada and of course to our stores in the U.S. So three distinct opportunities to grow our business.

So what are the three takeaways? Three takeaways are very straightforward. We have a model that has been proven over the last five years with our experience in IPL and managing I have to say some of the most difficult products you could choose to manage taken the perishability of produce. We have an infrastructure that is in place with our teams, our expertise and our sites in the U.K., and of course those country offices that I described throughout Europe and Africa.

And we absolutely have an opportunity to triple this business over the next five years to the benefit of both our shareholders and our customers. Thank you and I'll now going to hand over to Rick Bendel.

Rick Bendel - *Wal-Mart Stores Inc. - International Chief Marketing Officer*

Thank you very much, Nick. My name is Rick Bendel. I have the longest title in Wal-Mart. I am the International Chief Marketing Officer of the International Center for Marketing Excellence, which why I don't carry a business card. And I'm also the Group Chief Marketing Officer of ASDA and we're not sure which is the spare time.

I have previously worked for around about 30 years in international marketing service business. I've worked in each of the continents so I'm quite familiar with some of the challenges that happen in individual regions in terms of marketing. Now what I'm going to do is I just want to talk a little bit about the fact this a very, very new concept, this center. We launched June last year and it has four aspects to it that we are concentrating on for the first year.

The first is talent development. Clearly when we are opening businesses in parts of the world where marketing as a discipline hasn't been necessarily very strong it's very important we have the facility to be able to educate people in retail marketing. Retail marketing is very different from fast moving consumer good marketing.

The second aspect is best practice sharing. Particularly in the area of price communication. Wal-Mart fairly clearly if we are going to save money to help people live better we have to prove that we can save money. And so it's very important that we actually start to develop techniques that clearly demonstrate to customers in a tangible way with all the claims there are around price a price differential that can be sustained.

And the last is global processes themselves and leverage. It is very important we have really accurate information on what our absolute price position is. We are rolling out systems that will be consistent systems on how we measure prices in markets comparatively and also how we measure price perception.

So within that context I was asked how could I just sort of all the words, prove it, so I have an ideal marketing presentation here which is all pictures and no numbers. So I'm going to give you three small case studies. The first one is to do with television and to do with EDLC and I'll talk about it in a second.

The second is how you can amplify by utilizing media that has not normally been used very often in many markets to amplify messages. And the third part of it is how the store itself, and this is probably where the greatest impact of the Center has been is to start to get to people to start to see stores not as a purveyor of items and trading offers, but actually as a shopping experience and how you can actually enhance price perception, quality perceptions in very simple ways.

So the proof will be the pudding in the examples. And to start with, TV. Now in the UK we have constantly been under a battle to try and ensure that we can maintain our price perception position versus the competition, which is around 30%. At the moment we have a 30% advantage in terms of price perception, in other words people considering we're cheaper than everybody else.

And it's a constant challenge in a very competitive market to find ways of being able to deliver that credibly. And so we experimented in the UK with a film, which was actually taking sustainability for the very first time and using it as a driver for EDLC and EDLC as a driver for low prices by giving tangible examples of how EDLC creates rollback.

Having seen this particular work in the Academy the US colleagues and I want to show you a film, which was the US version of that film, which only happened as a consequence of the nature of this particular Center and the sharing of best practice. Can I have a look at the UK film and then the US film please?

(VIDEO PLAYING)

Rick Bendel - *Wal-Mart Stores Inc. - International Chief Marketing Officer*

This actually was the very first time sustainability was ever used by anybody actually to be talking about driving lower prices through lower costs. So quite an innovation really. This next example is how -- what we could call integrated marketing. And what this basically means is that traditionally retail marketing has been some press ads with a picture of a product and a low price on, or a television ad doing something similar and the store is something separate and the digital if we remember to do it is something different again.

And what we've tried to do here is to try to get the international markets to look at ways of being able to create amplification through different channels relevantly of a single core idea around price. In this particular case, you might have seen this in the store, we have a campaign, we have a website in the UK, I want to emphasize this is not owned by us. It's nothing to do with us. It's run by some independent entrepreneurs called mySupermarket.

Online it has all of the prices of TESCO's, Sainsbury's and ASDA and we upload onto the site twice a week the prices at Morrisons. So what it means is that the customers independently can check prices before they go shopping, after they've gone shopping and that's the nature of the site. And it's a very site, not necessarily used by most other people in the trade.

We decided that this was actually a great, great idea of an independent endorsement absolutely independent to endorse our position on price. And we produced a TV commercial that looks like this.

(VIDEO PLAYING)

Rick Bendel - *Wal-Mart Stores Inc. - International Chief Marketing Officer*

Then the arrow device was used in press we can use it against TESCOs or any of the individual retailers. We can also use it against all of the individual retailers. The figures are produced every single week. In fact, they're produced every single day.

We also were able on the Web to start taking all of the search engines on price. We had banners. We had word searches. We had pop ups always providing customers with independent aspects, always saying what the results were for everybody. Therefore it's complete transparency. And even in the store, the store manager because each individual store has different competitors near it could actually choose which of the three competitors they wanted to use the mySupermarket results on, they were provided with the results and they changed them every single week.

That is an integrated campaign. One idea utilized properly through different channels. I'm going to show you a Mexican campaign and this particular campaign is a campaign is about rollback in their particular -- in the language of Mexico they don't use the rollback word but they use the arrow device and they did a brilliant job in bringing together as you all know the bringing together of the arrow and the atmosphere of this building. Now those people who are left in the room when you do hear this you might want to dance. You feel free to. I might but probably won't. So let's have a look at this campaign from Mexico.

(VIDEO PLAYING)

Rick Bendel - *Wal-Mart Stores Inc. - International Chief Marketing Officer*

Obviously, they break a world record for the number of words in 30 seconds. The way that this particular device was used -- they use it on the front of the store. See Mexico had never done anything like this before. They used the arrow device in the campaign on the front of the store, on all the displays, even down the aisles with regards to what they would call their center aisle and even on the items on their particular checkout colleagues or cash register colleagues, as you might call them.

So there's an example and again the price perception of this particular campaign was a dramatic increase compared to anything they've done before. Again because of this business of integration. I'm going to end by talking about an in-store campaign in the UK and India.

One of the things about in-store is that many, many retailers across the world, when I go to and I have to travel a bit, go around the world and see various different stores what always surprises me is how retailers think that people shop with their head in the air. In other words all of the cardboard is up there and people find it very difficult to discern.

The other thing is how there's a plethora of messages and very little simplicity. You've seen from the stores in the UK, and hopefully with the ASDA stores that there is a very, very strong emphasis on a price point, not a claim, and there are very simple color ways. There are only two color ways, red and yellow for value, red and yellow all the way down the aisles and green and white for navigation.

There are only two things that matter to customers. When it comes to the way the point sale works it is navigation in terms of where the product is and navigation where the value is.

And what we did was we went to India and we saw in India, this was an example of the before, and as you can see from that particular picture it's very difficult to know where you eye has got to go. You're going to see two price points. You're going to see 17 different colors. You can see lots of different claims. The same store having come to the Center of Excellence, here's an example of how they projected that, and as you can see a very much simpler approach.

This particular store again in terms of price perception -- I won't give you numbers, had a significant increase in price perception and that obviously helps this performance. So the takeaway from this is that what we are trying to do and I think it's a great example of what Tom was talking about at the beginning about leveraging best practices globally. Hopefully we will be in a situation whereby either the UK will take from America, from Brazil, from wherever it is and we will be able to start to improve all of our performances on marketing as a consequence.

There is real innovation in the UK market. There's real innovation in other markets and these processes also will be become standardized. And finally because we have to make sure that we will save money sort of better, the most important aspect that Wal-Mart has in marketing at this moment in time is to make sure its price communication is world-class in every single market and that's our goal. I'm now going to hand over to Andy to wrap up.

Andy Bond - *ASDA - President, CEO*

Thank you, Rick. Okay, I just want to say a couple of words to conclude and it's really just to remind you what we set out to achieve today and I'm very confident we've done that. First of all, I think we've had a fantastic last four years at ASDA. Most of you the last three or four years and I think we've achieved a lot of what we set out to do industry out-performance, growing sales, growing profit, end-of-sales and enhancing our ROI.

I'm very confident we've set on a clear direction for the future. I won't be the Chief Executive, but to be clear this is a team plan, not Andy Bond's plan, and the team are very committed to that just as I am and I hope I can play a role in that.

Thirdly, you've heard about the leverage opportunity through the work going in in Wal-Mart. Historically probably last October I think what we tried to do today is demonstrate the fact that it's real and it's happening now and it's pervading its way across the Wal-Mart business. And you know there's some real benefits happening today that will only increase in the future.

And finally, I appreciate my team for the work they're doing today and I hope you feel confident about the depth of talent we've got through (inaudible) this morning and through the presentations this afternoon. The last thing we're going to do obviously is have Q&A. I think Carol you just want to say a few words before we get into that.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Yes, just a couple reminders about how we'd like to do our Q&A. We want to make sure that everybody including those people here in the room as well as those listening on the webcast can hear your question. We do have a couple of people in the aisles here with microphones so if you would like to start and raise your hand with a question we'll begin to take questions on an individual basis but please wait for the microphone to get to you.

Andy Bond - *ASDA - President, CEO*

And Carol, just to remind people, the first 15 minutes we're going to do UK only.

QUESTIONS AND ANSWERS

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

First, we'll cover questions on the UK business and Andy do you want to have your team come up?

Andy Bond - *ASDA - President, CEO*

Yes, yes everyone wants to come up in my team and seat yourself (inaudible - microphone inaccessible).

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

And after that then we will go to questions about non-ASDA business-related items. So ladies we'll have one of you if you could be on the other side -- do we have somebody in the other aisle too, please. And Colin, we'll start with our first question from Colin.

Colin McGranahan - *Sanford Bernstein & Co., Inc. - Analyst*

Hi, Colin McGranahan at Sanford Bernstein. Given that food is obviously the largest portion of your business, and online food is the fastest growing piece of that, can you talk a little bit more about what the future return profile of that business might look like as it scales up and can it, do you think, earn an adequate or acceptable return? If it doesn't, why even participate in it?

Andy Bond - *ASDA - President, CEO*

I'll start and then I'll ask (inaudible). I mean the first thing to remind you and I think Dave mentioned it, this is already a profitable business. I think there's a lot of, for whatever reason, a lot of mess around the ability to make money out of home delivery. In basic terms the simple masses if the home delivery charge offsets an incremental cost you can make at least as much money as you can make at your normal core business. And from that perspective we're very confident as we're growing scale that this will actually be return-enhancing for us. Do either of you want to --?

Unidentified Company Representative

I'll just say a couple of points to pick at Bill and Andy's points. The short answer is yes, we are very confident this is a good, profitable highly return business for us. And just to build very slightly on that beyond what Andrew said, remember there are opportunities to take additional margin income through delivery charges and so on and so forth.

There are also quite good operational efficiencies so a very simple example, if you take the center I described, at 10 o'clock tonight I know what tomorrow's sales are. So when I run my bakery operation I'm going to have a zero waste bakery because I know exactly what I need to bake to order.

And then the final point joint in terms of returns, again backing up very much again what Tom said, if you think about the capital cost of building a center it's tertiary space. It has a much easier planning regulation. It doesn't require car parking and so on and so forth. So given all of those dynamics we are very confident that this is a good, profitable and highly returning business.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay I think Bob was next, if you could get the mic quickly over to Bob. I did forget one little item and that is please state your name and your firm.

Bob Drbul - *Barclays Capital - Analyst*

It's Bob Drbul, Barclays Capital. I guess I've got two questions. The first one is with the current environment you talked about being a little more difficult than it was at the end of last year, you talked about the rollback strategy, and/or removing the two-fors. In terms of clarifying the marketing strategy to the consumer I mean how will you communicate, how are you communicating sort of the two for removal? Why do you think that will be so impactful.

Andy Bond - *ASDA - President, CEO*

Well I think first of all I think Rick made the point the most important marketing vehicle is where we have stores. You walk in the store today and watch the (inaudible). I think there's far too many two-fors. One of the problems with two-fors is a lot of people think you only get value if you buy two of something.

Now the reality is we are delivering very good value on one. But the two for is confusing that. So as we remove the two for it provides opportunity to further invest in the core price position. So that's one of the basic reasons why -- it will just clean up the clarity of message in-store.

The second thing is, I think, that Rick has done a tremendous job in finding a vehicle for communicating EVP in a truly world-class way. That benchmark stuff we did on mySupermarket just stepped up business on tremendously. The issue that's nearly two years old now. I'm not going to tell you what we are going to do but I can tell you we've got an equally radical next step to that approach as we go through this year.

Bob Drbul - *Barclays Capital - Analyst*

And then the second question is on ASDA Living. So you have like 24 stores talked about going to 150. What has really changed from the first 24 over the last five years to the belief that you can take this to 150 with higher returns?

Andy Bond - *ASDA - President, CEO*

I'll have a go and then Andre you might want to say a few words. I mean look at the end of the day any format is driven largely by product and I think what Andrew said in his presentation on George fundamentally, the George business has got a lot better at that time. So best of products, it's also true of a somewhat behind the rate of improvement in George -- the Home and Leisure business is getting a lot better.

So the product offering in those stores has got better. We also heard an example of how we've learned about the layout moving apparel from what you would call second floor to first floor, what we call first floor to ground floor. And then operational excellence. You know I think Roger has done a great job in understanding exactly what the customer proposition is for the destinations those are. It's different from a supermarket mission.

And finally, look, during the time we've been trialling this we've gone through one of the worst recessions the UK has had for many, many years and we're hopeful we're coming out the other side of that now.

So all those things make this much more positive about the future. The last, last thing I'd say, I'll keep reminding you about this format development is about a 10-year overnight success. You don't do anything quickly in format development and get it right.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Next question, Neil?

Neil Currie - *UBS - Analyst*

Thanks, Neil Currie from UBS. I just wanted to just add another question to that last question, which is in four years you've opened 24 stores at a rate of about six, seven a year. You're going to open five this year. That means we have to go from 30 the subsequent four years to get to 150 objective. How confident are you in getting the locations and do you have that pipeline already in action?

Andy Bond - *ASDA - President, CEO*

We have very much an increased focus on getting that pipeline going, Neil. I'm not going to tell you how many we've got. You know as well as I do the fantastic about that plumbing regime is it's much, much easier, much easier to get that space than it would be if it was food. And you know it recycles much more quickly as well.

Neil Currie - *UBS - Analyst*

Thanks. And just on the move towards more EDLP, isn't this just a two-year cycle where every two years EDLP gets a bit boring so you start to promote again and do two-fors and more promotional type of marketing? And then that starts to analyze and everybody else is doing the same game, you go back to EDLP. What's the stuff that's just being another part of the cycle?

Andy Bond - *ASDA - President, CEO*

Well I think there's some truth in what you say that it's very difficult to retain absolute purity on EDLP in the food business. I get that and I've talked to a number of people in the room about that. It's much more difficult than it is in a general merchandise business. But I think we've got to understand we're going through quite a -- not necessarily unique, but much less frequent experience, situation.

Inflation was rampant last year and therefore the rate of decline of inflation has been rampant as well. The supply chain works in an extraordinary way in that circumstance. You've got commodity price that went down a lot -- then this hold it. What event is doing the pumping out that benefit back into the retail base through promotions.

Promotional activity has not been this intense in the last 16 years I've been involved in retail. And it's our obligation to our customers and to our brands to get back to an EDLP position very quickly. Now there is some of what you said about two years. But these are unusual times and therefore it is difficult as an EDLP retail to get your message across during that time.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Wayne, you have the next one.

Wayne Hood - *BMO Capital Markets - Analyst*

It's Wayne Hood, BMO. Andy, I was just curious the -- of the percent of product that's currently sourced through the GMC because they've been up and running a little while now, I'm assuming the buyers would look at that structure and know what type of product could be sourced from there presently.

So if you could give us some color around where it is now and where you think it can go and when Li & Fung gets -- when you could potentially get to that using that third run of it and also kind of related are you sourcing or are you prepositioning fabric in front of this season that gives you an advantage?

And then to finish up here well it's kind of looping back because if you get all these benefits you would say there's a huge opportunity for margin. But if you're going to really use the productivity loop are you going to reinvest that so that we should be thinking about your EBIT margin over the next couple of years as being flattish as opposed to some explosive growth? Thank you.

Unidentified Company Representative

Yes, thank you. There is real commitment to this throughout the whole corporation so whichever country you're in we want to make it work and we want to make it work for us. I think the best evidence that we've got that this is moving at a pace is that the infrastructure is in place now. So ASDA has an embedded sourcing team offshore in China. That team has only got into place in the last two months.

The GMC structures are being established so there's a GMC sourcing team in all of the hubs that I showed on the diagram earlier and product teams and the brand teams that are associated with them are being put into the countries at the moment. The agreement with Li & Fung is signed.

Sam's US has moved over to Li & Fung 100%. The international countries who don't have embedded sourcing teams so that's all of them apart from Canada and the UK have moved all of their direct import business over to Li & Fung. We will start using them when it's appropriate for us. So I think there is a massive effort and massive commitment, but importantly really tangible stuff that's gone on that means this thing is becoming a reality.

We decided on global product in particular and we are looking at global brands, and I don't want to talk about which ones they are at the moment. But on global products we've launched two programs already on towels and capitals and we're looking at a number of other programs. And we're learning a lot of lessons through what is relatively simple product.

And we're learning how to make the critical paths work in tandem and to drive the benefits out. And the savings that we see now are very considerable. And the products improvements that we're getting from them are very considerable as well.

So it is a big opportunity. It's an enormous step. But I think it will be a number of years before we see the full fruition of it.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

We'll go to Terry and then Dan and then we'll come back to this side.

Teresa Donahue - *Neuberger Berman - Analyst*

Hi Teresa Donahue of Neuberger Berman. A question for Jon and then for Rick. In terms of your OSDOS relationship with global sourcing organization what percent of the merchandise has changed over in terms of the way, in terms of how it sources? And then for Rick, I was wondering how the rollback campaign that you showed us has translated into sales gains? You mentioned increase the consumer awareness but I'm wondering what the sales lift was from those?

Rick Bendel - *Wal-Mart Stores Inc. - International Chief Marketing Officer*

Yes, just to take the first part of that then for the moment what we've put in place is still very new. So our embedded team has only been in place for a couple of months out there.

The GMC operation has only started to mobilize last year and is just coming up to full mobilization. We have trial programs in. We have seen quite a big movement into global vendors so we're starting to see that working and we're seeing raw materials in a number of areas being bought on a consolidated basis across the corporation.

So there is real tangible stuff going on. But I couldn't give you a percentage, certainly not one that represents the whole Wal-Mart at the moment.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

And then Stan?

Andy Bond - *ASDA - President, CEO*

Rick, are you going to answer the rollback question?

Rick Bendel - *Wal-Mart Stores Inc. - International Chief Marketing Officer*

Well I mean obviously I can't give you details with regard to what the sales outlook was because Carol is looking into it. What I can say to you is that the rollback campaign certainly I'm talking from the ASDA perspective was in terms of its customer engagement and it's move on price perception was the most successful campaign we've done on rollback for about five years.

And it was simply because the way the customers are dealing with the recession is that they're saving money by managing waste to be able to afford things. And so they've found a kind of symmetry in the way we approached it which was very reflective of what they do at home, in other words, they switch the lights off, they make sure the TV is off and all the various things that we now do as almost as normal. And they found therefore it was credible that on a bigger organization that obviously resulted in lots of savings and lots of prices going down.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Dan?

Andy Bond - *ASDA - President, CEO*

Hi, Dan.

Unidentified Audience Member

Two questions, first on the slide you showed earlier regarding ASDA Living and ASDA Supermarkets. One had below core ROI, one had above average ROI. As we look at that blended growth over the next five years does that translate to an ROI that is similar to the core stores today? And then the second question was related to this confusion around high-low pricing and maybe some of the although modest share loss recently, does that -- is there anything else aside from that that you would identify as being a contributor to modest share slippage?

Andy Bond - *ASDA - President, CEO*

Go ahead, Judith.

Judith McKenna - *ASDA - CFO*

I'll take the first one on the ROI and the formats. I mean what we're saying is that all of our formats give us good returns. So that they're all driving in the same direction, which is, we're looking to improve our ROIs over a period of time. And the trends be in the right direction.

So our aim, you know, we focus very much today on talking about two of those formats which is supermarkets and living, to have strong returns for as that model will develop into the future will continue to give us those returns. But equally important is driving the core as well so the Supercenters that you've seen and the superstores. So over time what's our objective? Our objective is to grow an increase (inaudible). But the ROI trend to increase.

What we need to do in that is balance with growth and returns to make sure the overall number is right and that's what we're going to continue to do.

Andy Bond - *ASDA - President, CEO*

On the share step down the other two things I'll address but first of all is a reminder we're going through a blip in our pipeline and at the same time from our competitor quite a significant amount of space. So remember share gain and obvious point is about total growth not comp. And we are at a low point in our space growth. So that's one of the reasons -- the other reason you've seen share loss.

The other thing -- I mean clearly my point about our (inaudible) that's something we've got to sort out. It's a management issue. The other thing that's above and beyond our control is we've had the worst winter on record and it's factually true that our shoppers have to go a lot further to a non-progressive store. And they chose and you can see it within the macro data, not just about ASDA. People shopped at smaller stores over the last three months. Why would you get in a car when it's six foot deep in snow? And it might seem like an excuse but it's true.

So I think there's stuff we need to do. There's management issues but there are some things outside our control, the weather, the space growth is something that we're very confident we'll address in the longer term.

Unidentified Audience Member

Hi, it's Greg from [Collins] (inaudible). Can you just talk a bit more about small stores? Why is it different this time around? And thinking about your target 100 stores, you've got 24 or so today, opening five. That means you're going to have to step up significantly.

Didn't the train leave the station last year with the co-op deal, Morrisons as an example of the quite big parcel of stores, Sainsbury is quite a smaller parcel. Why is it different this time?

Andy Bond - *ASDA - President, CEO*

I'll answer part of that and then Andy you pile in if you want to. I mean it's an interesting point about why is it different this time. I don't understand your question and I'm going to be slightly cynical and assume when was the last time?

Unidentified Audience Member

ASDA Essentials you picked up -- why now you're more confident about smaller stores, that's maybe the question.

Andy Bond - *ASDA - President, CEO*

Yes, TESCO's Express was an 10-year overnight success, they had one store for 10 years before they opened a second. My point is and I made their point all these things are learning. I'd sooner win two-one than would one-nil. The reality is that we learned a lot from Essentials. It wasn't a failure. It was a trial that we learned a lot -- one of the things we learned is how do you merchandise a small store for success.

And that proposition now is very clearly as we've said a for-weekly shop store with brands as well as private label taking a long time for us to get a head around exactly how to merchandise those stores and a long time to get a head around what has to be an extremely efficient operating model.

We're very confident the second part of your question about did we miss the boat? Maybe. You could argue that some people paid huge ridiculous premiums for space as well at that point.

As far as the future growth that space is much more open to both new space growth and recycling of space in the big stores. So I don't think that our goal is inconsistent with the space opportunities that come up in the next five years. Andy, don't know if you want to --?

Unidentified Company Member

I guess the only build I would add to what Andy says, I think what we learned from 2006 is rather than scaling down a Superstore to a supermarket we started with a piece of space and then scaled it up and based on range and choice.

And that was a key piece of learning. And that's a fundamental shift in our way of working. Plus we brought in some people who understand that market and helped us develop this format so what we're seeing in [Ponce, France] today rather than expecting a Superstore operator and thinker to develop a supermarket format we've brought in some expertise. I think that was a key piece of change.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay we'll go to Dave over here.

David Strasser - *Janney Montgomery Scott - Analyst*

Thanks. David Strasser, Janney Montgomery Scott. Two questions, first when you look at mySupermarket.com right now it's helping you -- you're using it as a marketing campaign. But on some level doesn't ultimately the transparency of pricing taking away any efficiencies over time? And do you think there's a fear that you're building something up that could ultimately just take profitability out of the entire market?

Andy Bond - *ASDA - President, CEO*

On three, that one Rick.

Rick Bendel - *Wal-Mart Stores Inc. - International Chief Marketing Officer*

mySupermarket doesn't drive the pricing. That's first. You could say that if that was the case it would be impossible to be in a situation where every single day with our price perception moving that TESCOs would clearly take a pricing strategy to be able to stop us doing it. What mySupermarket, the real benefit of mySupermarket, it's not about individual pricing. It's actually the facility the customers have got when they actually check the baskets. See there's one thing that's about how we project it. The other thing is then how the customers use it.

When you have a situation where you've bought a whole range of items that's the biggest facility people have in terms of checking they've bought at the right place. We happen to utilize more low prices than anybody else and give the individual price points because from a communication point of view that's been the most effective. The way customers are using it is more on the basket side of it.

TESCOs also have their own price checker. I don't know if you're aware of it and its business in turn right and they have tried to use their price checker against the mySupermarket price checker ever single week. But the difference is independence. Sainsbury's and Morrison's haven't taken part in terms of any form of battleground in that sense. Does that answer your question?

David Strasser - *Janney Montgomery Scott - Analyst*

It does. It gives me a better sense. It just still it seems that over time especially with people doing EDLP they may just trying to go for leadership.

Andy Bond - *ASDA - President, CEO*

They find the same source. I think the people who should most concerned about price transparency are those who have got claims that simply isn't true. So if we had a graph of every brand it had a price reality matched into price perception the companies that have gotten significantly higher price perception and price realities it's timed to be worried. That's your point.

And the great thing about any issue of transparency and the truth rollout and we're fine and that's I think to an extent Rick's point about TESCO's versus this price check. This price check is independent and independently demonstrates we're the lowest price. That was actually game over for the TESCO's price checker at that point because the TESCO's price checker was clearly fudged to the benefit of TESCOs and transparency will demonstrate the truth.

And so the way I've interpreted your question is there is a way but it's the brands who've got a price perception that significantly better that price reality.

David Strasser - *Janney Montgomery Scott - Analyst*

Okay I don't want to harper too hard but that would be today's -- that would be today's over time they'll react to that in some way, shape or form either bringing down prices or accepting it. But ultimately over time pricing is going to just inevitably be more price war type behavior the bigger that mySupermarket becomes and the more important it becomes the inefficiencies of pricing in anybody's business will come down?

Andy Bond - *ASDA - President, CEO*

Well it sounds like the winner in all that will be customers doesn't it?

David Strasser - *Janney Montgomery Scott - Analyst*

Oh absolutely.

Andy Bond - *ASDA - President, CEO*

Prices will go down.

David Strasser - *Janney Montgomery Scott - Analyst*

I've no doubt they'll be putting at some point I guess does it take some profitability out of the entire market?

THOMSON REUTERS

Andy Bond - *ASDA - President, CEO*

Don't know.

David Strasser - *Janney Montgomery Scott - Analyst*

All right, fair enough. The other question which is somewhere between the US and the UK is four years ago when we were here there was a very big push to try and bring George into the U.S. And part of the rationale for the deal was that it was going to be -- that George could be a great brand in the US. It doesn't seem to have materialized at this point. Can you just give an update on where you are --? I know you talked a lot about sourcing in particular and the opportunities there but is it possible to also give an update of where you think George is for a potential in the US?

Unidentified Company Representative

Well as far as George in the US is concerned, first of all George is part of the international division. So we open ourselves up completely to the international markets. Recently we had a week at George House we were invited. All the markets from around the world come in. We show them the merchandise, explain the interactions of which we're going -- gave them a strategic presentation, and they use that as an opportunity to get real impetus into their business and inspiration into their business.

The US does not participate in that but we still have a free dialog in the US. When I arrive in the US I speak with Dottie and Mary and the team and equally when they're over in the UK. We share information on a daily basis.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay I think -- I know we have a tremendous number of questions, and I guess Andy you're out of the time allotment you want. Do we want to --?

Andy Bond - *ASDA - President, CEO*

Just one more.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

One more? Okay.

Andy Bond - *ASDA - President, CEO*

Make it an easy one.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

One more right here and then we'll go to non-ASDA questions.

Simon Dunn - - *Analyst*

Yes, thank you. It's [Simon Dunn] from [Liberam Council]. Just a question on the pricing environment that you talked about in the UK. And clearly you paint a picture of to an extent ASDA went a little bit too promotional and lost sight of its core EDLP message and that's being directed.

And clearly the conclusion from that, I guess, is that you believe that will give the customer better value overall in his basket and I think we all see that clearly.

I think the question that springs to mind is, first of all, is it just sort of a focus purely on rollbacks and an increased number of them? Or is it actually the same number but deeper? That's question one. And the second is from a promotional cost perceptive is it just recycling promotional dollars that you got from suppliers into lower prices or is this actually a net increase in investment from you to try and drive that value?

Andy Bond - *ASDA - President, CEO*

I think that without giving a huge number of trade secrets away in answering that the first thing I'd say overall in terms of pricing strategy and I'm sure you're familiar with this, the most important thing in food pricing because ultimately people buy a lot of items, the most important thing is delivering a basket saving.

So in terms of balance between low prices on a lot of items versus deep cuts on a few I guess generically we've seen to have low price on a lot of items. But the most important thing we measure each week is a broad basket value price position. So that's managed your question about (inaudible) versus a little bit and a lot.

In a sense our argument in the long term is it sort of doesn't matter. What matters is your overall basket position. And as far as our investment versus our vendors there's two buckets of investments. One is vendor money. The other is our money in terms of taking cost out of our system whilst maintaining an operating margin.

We made it very public that in the short to medium term our objective is to have a slightly growing operating margin and hence growing our profits slightly ahead of our sales. So we'll be investing our money in our price position as we save. I mean we'll be investing our vendor's money in our price position. You know, so it's a bit of both is the answer to your question. I'm not here to say we're cutting our operating margins in half.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay and with that we'll switch gears. I'd ask Tom Schoewe, our CFO, for the company to come up along with Cathy Smith who is the CFO of Wal-Mart International. And we'll switch gears now and we will take questions on any other area of the company beyond ASDA. We'll start with Michael.

Unidentified Audience Member

Good afternoon. It's been a wonderful day. I just wish you could handle the volcano but that's another story. Can you give us an update on SAP and the United States? I know it was especially implemented here. Tell us where you are on the process, what you're seeing? And how that has gone?

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

The short answer is it's a very timely question and it's going well right now. We want to be going live for everybody's benefit it's kind of a multi-staged process. Our first country to implement was here in the UK as Michael indicated and that well extremely well. The good news is you didn't hear anything about the SAP implementation, it worked out reasonably well here in the business and the heads are going up and down here, and that's a very good thing. You didn't read about it in the newspaper.

We've learned a lot in the implementation in the UK and we're using that learning as we implement in North America. It's going well, I'm sure there are going to be bumps along the road Michael, but I'm almost afraid to say this, but it's going very well and I have a high degree of confidence we'll go live on schedule here.

Unidentified Audience Member

So you're essentially on schedule now?

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

Yes sir.

Unidentified Audience Member

That's wonderful.

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

Yes it is. I hope I can tell you the same thing at shareholders.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Let me give --.

Unidentified Audience Member

So when does that mean it actually turns on and then you start running it? So it's really in the next two months?

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

It's within the next two months.

Unidentified Audience Member

So that's -- and it's substantially different than here because of taxing and there's all these other issues in the states versus here that don't --.

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

For any number of reasons the degree of -- not that what we did here wasn't tough and well done, the degree of difficulty is well higher in North America, which I would remind everybody here includes Puerto Rico, includes Canada, includes the United States for Wal-Mart. Because of that and business complexity inside of Wal-Mart US that we don't have here and reporting complexity inside the business that we have that we don't have here is making North America far more difficult.

Having said that, I feel good about where we are.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay, let me give a couple of guys that haven't asked yet. Mark, we'll go to you.

Mark Wilsmith - *Morgan Stanley - Analyst*

Hello, [Mark Wilsmith] from Morgan Stanley. I wanted to know a little more on the roll backs that you're doing in the US, is the goal here really to open up that price gap with the grocers or is it really to activate, reactivate the consumer from the negative traffic trend you saw last quarter?

Then if you would maybe expand on what you think was behind the negative traffic in the last quarter?

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

On the first part of your question I would say the main motivation here is to confirm in the mind of the customer our price position. And I don't think that's very different here in ASDA, it's very much the same motivation so it's about price perception, would be what I would say.

On your question on traffic I think it's a difficult question to answer in one or two little sound bites I think it's multi-dimensional. I think that lack of price perception that we have contributed to that. I think that the disruption inside of our stores, that I mentioned earlier, where we have remodels going on, that affected traffic.

In some of our more rural locations where in our case gas prices were going up at even more rapid point than they are in the United States and the need to drive farther to get to our store can impact that traffic as well. It's a bad news-good news story, while traffic might go down and trips might get consolidated, the basket goes up. So that's kind of a two-for.

So it's all of the above, not just one thing that led to traffic.

Mark Wilsmith - *Morgan Stanley - Analyst*

Guess I'm also looking for how important is the balance on price and margin versus really hitting that longer-term goal opening the gap with the grocers, in terms of importance?

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

Ultimately I believe it's about price and the customer's trust in us, that when she comes in she knows she's going to get the best possible price.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay, well we'll go to Bob, he's raised his hand multi times.

Unidentified Audience Member

Tom, just two questions on deflation, can you maybe give us any updated thoughts on the food deflation within the business and how its impacting you as well as, I think on the last call you guys mentioned stabilization or even some consumer electronics that deflation had moderately affected. Can you talk about those two?

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

The numbers aren't identical but the chart that Andy showed here today directionally would be similar to the phenomenon that we see in the United States and the impact on comps would be similar. I'm not saying it's perfect alignment but I'd say it's very, very close.

What was the second question?

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Electronic deflation.

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

I don't know exactly how to answer that question, Carole.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Let me say, we have seen -- at the end of last fiscal year, we had seen the greatest level of deflation in electronics over a two-year period than ever in the history of the company. At that point as we were coming out of the fourth quarter we were starting to see that abate. Now, part of that has to do with the fact that new technology is coming into the market place. So if you remember at the holiday period last year for Christmas we did not have any really new technology in the market place.

And a lot of times the new technology will drive the prices back up.

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

As an example, that would be LED.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Right. And where -- we're actually getting ready to launch and introduce LG in the United States. That will be available in the next month or so in the Wal-Mart stores. And so what we were starting to see is that abatement in deflation of electronics and we expect to continue to see that change going forward this year.

Wayne?

Unidentified Audience Member

While we have you here on the international side, it seems like every day the press is out with somebody that you're going to acquire globally, when --.

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

When you started this question you know what the answer is already, but go ahead.

Unidentified Audience Member

Yes, but I'm wondering not specifically who you might or might not be interested in but given the scope of the global recession now, and what may be a long lasting recession does that change your sight lines about where you want to be and potentially what might represent growth markets a few years ago don't today. Just give us an update of how you're viewing the world globally over the next couple of years and where you might be going, if it's changed at all.

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

Short answer, it hasn't changed substantively Wayne. I wouldn't say that it's different today in terms of what our long-term goals look like. What the filter of countries and opportunities look like, what I would say is that when it comes to acquisitions I would like to look at it on two fronts. There's the strategic importance of a given country operation and then there's opportunistically when can something happen. Strategically, the way we evaluate and filter country operations has not changed substantially. But let's look back at the last deal that was done, this was in Chile. This is a transaction that started in the late 90's it's a relationship and discussion that we've had with management over a decade.

This leads us to the conversation of opportunistic. We couldn't tell you when, in 1998 when started this conversation, when we would like to see a deal done, but we did wait for a confluence of when management wanted to sell, when the macro environment looked like it was appropriate and in this case currency actually worked in our favor. The dollar translation rate moved dramatically right before we did the transaction and it worked to our favor.

So strategically not a big change but opportunistically it's just impossible to call.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Tom, we'll take two more questions. We'll go to Greg an then we'll give the last one to Maggie.

Unidentified Audience Member

Two questions. One, given the importance of free cash flow, what should we expect CapEx and working capital trends to be at ASDA, to fund this growth over the next one year and five years?

Second, just to give everyone a big update on healthcare, this is was something that last year you guys came out publicly and said you supported an employer mandate that didn't sort of happen, but we did just pass something. So if you could give us an update on whether that would increase costs, lower them, what's your read on that?

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

I'll answer healthcare while Judith is getting ready to answer the ASDA-specific questions on CapEx and working capital. On healthcare, yes legislation has been passed. What I would tell you it is more than three paragraphs long and reasonably complicated and I think there is some chance that there will be modification to what has been passed. We need for that dust to settle.

If you look at the biggest changes and when they will influence us as a company, the timing of those changes is in the 2013, 2014 mainly area. So that's indirectly good news because it gives us between now and then to worry about benefit design. You've seen us be reasonably aggressive on both sides, on benefit design, providing benefits and rationalizing benefits. And what we will do is find the best way to find the sweet spot of how we can best retain associates and still afford the package that we're providing to them.

I'd say the biggest impact area right now for us in the current legislation has to do with the wait period that an associate would have to go through before they are covered. The legislation is far more aggressive, or lenient if you will, than ours today.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

And currently, first read on the legislation is that we do meet the thresholds that would be required. And in fact, at this point our healthcare benefits are above the retail industry standard for parity -- above parity with what other retailers offer now, both for full-time and for part-time associates.

Remember that in the United States currently we do offer benefits for full-time and part time associates.

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

It's a very good program.

Judith McKenna - *ASDA - CFO*

So to answer on the CapEx number. We don't disclose fully, CapEx, by segment. However, I would expect to see the CapEx having a gentle increase over the next five years to meet our ambitions. But it is a base at a moment which is historically very low for us so it's much more a return to a normalized level rather than a significant step-up.

The other thing I would just say is that this is all about a commitment in the long term and what we need to make sure is that we do that balance between investment and growth and returns over that five-year period. The other thing is not to forget that growing ROI is not just about new store CapEx, it's also about reducing the bill cost, it's about driving inventory down, it's about delivering our profits as well.

So this is a combination of things, we're very conscious that we need to keep that trend, in the long term, in the right direction and that's what we're committed to do.

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

We do provide CapEx by segment, but not by country. And then the last thing that I would mention, inside the denominator for ROI, obviously the biggest diluter relative to the other segments is good will. If we continue to grow the business as we would expect there's a "leverage effect" as goodwill remains constant and you grow the business that in itself should help us improve our goodwill overall, I mean our ROI, overall.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

And we'll take the last question from Maggie.

Unidentified Audience Member

I had a question for Rick Bendel and his growth overall.

I don't think I'm alone in thinking that Wal-Mart is one of the best goodwill ambassadors the United States has and the message doesn't seem to get across very well. I would like to know if there is anything in the works perhaps talking about how you're helping farmers in Brazil and fisherman in Chile and other things, to produce better and --. I know there was a story about India in the Financial Times earlier this week, but you're doing it in a lot of places and I think it could make very good reading and tying it into lowering prices elsewhere. I'm just wondering if there's any thought in that direction at all.

Rick Bendel - *Wal-Mart Stores Inc. - International Chief Marketing Officer*

Maggie, is that particularly in the US itself?

Unidentified Audience Member

No, well, everywhere. The US particularly, I think it would be particularly important or --.

Rick Bendel - *Wal-Mart Stores Inc. - International Chief Marketing Officer*

I think it's a great point, I mean I wouldn't disagree with you in terms of -- we can never communicate enough some of the good things we do. What I do know is there was a corporate affairs summit I think the first major summit that had been, about four weeks ago, which I took part in. That is very much the topic that we're discussing now which is let's agree the four or five key things that we want to communicate and start to coordinate better certain media and certain opinion forming areas that we need to influence better.

I think that goodwill, sustainability and a number of other things that we're doing are part of that program, but I think it's a great point Maggie, and it's something that we are taking on and we need to improve a lot on. I agree with you.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Rick, I might add this. In the near future our annual report and proxy will be out and along with that we're also updating as a global company the sustainability report. The sustainability report will include updated information on some of the points like the farming programs and things like that, that you asked about Maggie. And that should be out within the next 30 or 40 days.

Tom Schoewe - *Wal-Mart Stores Inc. - EVP, CFO*

The last thing I would mention on this topic is the intersection of something like sustainability and EDLC is something that just happens naturally. So whether it's the commercial you see with the fellow here in the truck or the ASDA adds on rollbacks, I think Maggie what happens is it's being integrated into the fabric of the company and I think that's the way it will manifest itself externally. It will be a natural act rather than just another ad campaign. It's the way we do our business.

But it's awful late, I appreciate all of your patience. I hope we all survive volcanic ash. We're all in this together.

Before I leave I would like a couple of thank yous. Number one to the ASDA team here at the ASDA house and more importantly to the colleagues out in the field, they just did a spectacular job, and send our word of thanks.

Secondly, to Carol and her team, they put an awful lot of work into this and things really did move smoothly today and I appreciate that.

If somebody could advance that slide one -- it's not going to surprise you, I'd like to leave you with three words, what do you think they might be? Growth, leverage and returns.

With that, thank you all very much for being here and this officially ends our broadcast. Thank you.