FINAL TRANSCRIPT

Thomson StreetEvents℠

TGT - 2008 Target Financial Community Meeting

Event Date/Time: Oct. 23. 2008 / 12:15PM ET

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

CORPORATE PARTICIPANTS

Doug Scovanner
Target Corporation - EVP-Finance, CFO

Gregg Steinhafel
Target Corporation - President, CEO

John Griffith
Target Corporation - EVP-Property Development

Stacia Andersen
Target Corporation - President - Target Sourcing Services

Rick Maguire
Target Corporation - SVP-Merchandise Planning

Terry Scully
Target Corporation - President - Target Financial Services

Kathee Tesija
Target Corporation - EVP, Merchandising

Troy Risch
Target Corporation - EVP, Stores

Jodee Kozlak
Target Corporation - EVP, Human Resources

Michael Francis
Target Corporation - EVP and Chief Marketing Officer

CONFERENCE CALL PARTICIPANTS

Greg Melich
Morgan Stanley - Analyst

Bob Drbul
Barclays Capital - Analyst

Robbie Ohmes
Merrill Lynch - Analyst

Adrianne Shapira
Goldman Sachs - Analyst

Teresa Donahue
Neuberger Berman - Analyst

Bill Ackman
Pershing Square - Analyst

Uta Werner
Sanford Bernstein - Analyst

Neil Currie
UBS - Analyst

PRESENTATION

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

I've met most of you and said hello already this morning, but for a handful of you, I'm Doug Scovanner, Chief Financial Officer. I'm going to kick us off with a few comments and then we'll get into a set of presentations.

We will spend about an hour or so together in this segment. We will break for lunch. We will have another set of presentations right after lunch, and then we'll have plenty of time for Q&A this afternoon before we depart.

Along the way, we hope to be able to share with you elements of our core strategy. We'll describe for you what our key initiatives are in executing that strategy, and we will also attempt to not candy coat story. We have some challenges, in case you may have noticed, and number one on that list, of course, is our Retail sales performance. Number two on that list -- distinct number two on that list -- is the current pressure in our Credit Card portfolio. And candidly, our entire list of challenges beyond those two runs in the distant background to those two issues as we execute our strategy here in the short run.

We spend so much time together discussing our challenges that I think some perspective is sometimes helpful, because despite the challenges of the current environment, not all is bad. This is not something from our distant past. This is grand opening at our Wasilla, Alaska store that occurred earlier this month. You know, many of you might have never heard of Wasilla until fairly recently.

It, among other things, is instructive that we still have a flourishing guest proposition, and that when we put our stores together with our merchandise and execute in local markets, there remains a very substantial subset of American households who love our strategy and love Target, and to the extent they can afford to do so, shop in our stores with vigor and with delight.

We had lined up the former Mayor of Wasilla to cut the ribbon -- a true story -- to cut the ribbon in our Wasilla grand opening, but it turns out that she had to cancel about 60 days ago due to some scheduling conflicts. So it is not the case that this crowd showed up for any reason other than to visit the store and experience Target for the first time in Alaska. We open our first set of stores in Hawaii next spring.

With that in mind, I only have one more administrative comment before we move along. As a reminder, today's presentations, including today's Q&A, will be webcast live. And in that light, it is important that I remind you that any forward-looking statements that we make today need to be considered in conjunction with the cautionary statements contained in our SEC filing.

With that final comment, I would like to turn the podium over to our first and, I think most important, speaker, my boss, Gregg Steinhafel, President and CEO of Target Corporation.

Gregg Steinhafel - *Target Corporation - President, CEO*

Thanks, Doug. If only every Target store had that many cars in its parking lot.

Good morning, everyone. In my first six months as CEO, Target has faced some of the greatest challenges I've seen in my 29 years with the Company. The housing slump, the deterioration of global credit markets, job loss, and increased energy and food costs are contributing to a meaningful decline in consumer confidence. At Target, this environment has led to the weakest sales and profit performance in recent memory.

While we can't solve the macroeconomic factors that are affecting our business, we are certainly not sitting idly by, just waiting for them to improve. These current challenges are motivating us to drive harder for top-line growth, thoughtfully control our expenses, carefully manage our capital to retain our strong investment-grade credit ratings, and strategically invest in opportunities that will strengthen our organization, positioning us to deliver profitable growth over time.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

During Target's 46-year history, we have thrived by delivering outstanding value, continuous innovation, and an exceptional guest experience by consistently fulfilling our "Expect More, Pay Less" brand promise. And we remain committed to this strategy today because its power is in its flexibility and its ability to ensure continued relevance with our guests.

Many of you are aware that we are increasing our emphasis on the Pay Less side of our brand promise. And I am sure that if we polled this room, we would find a wide variety of opinions, ranging from those who think that we are not doing enough to drive the value message to those who are worried that we are endangering the brand identity we have worked so hard to create. That is only natural. We are not happy with the current pace of our sales, and we are working diligently to drive our top-line performance.

But let me be clear. The changes we are driving will not change the essence of the Target brand or the Target shopping experience. I strongly believe that staying true to the strategy and brand experience that have driven our success for decades is imperative if we are to remain relevant to our guests and continue to be the leader in the retail industry long after the current economic crisis is behind us.

Over time, the consistency of our strategy and the dedication of our talented team have helped us grow market share and deliver substantial shareholder value. That is the legacy we have inherited, and we are keenly aware that our past does not entitle us to any future success. We need to focus on doing what it takes to build on our already-strong financial record. For that reason, we are focused on six strategic priorities which will guide our efforts in the coming years, helping us grow profitably to a $100 billion company. These priorities align with our mission and Company values, which remain largely unchanged since our first store opened in 1962.

Our first strategic priority is growth. Given the current economy and its impact on our sales performance, we are focusing a significant amount of time and energy on initiatives in both our Credit Card and Retail segments to strengthen guest loyalty, drive greater shopping frequency, increase transaction size, and generate profitable top-line growth.

Within our Retail segment, teams across Target are working hard on our primary growth platforms. In this environment, driving sales and growing market share by delivering our unique value proposition is especially critical to success. We are emphasizing value in all communication with our guests and we are focused on leveraging our frequency-driving categories to increase guest shopping trips.

Once our guests are in our stores, we are continuing to delight them with our unique combination of distinctive, trend-right merchandise, compelling presentations, and great value. For example, even in this economic environment, guests are buying best assortments, like our designer and signature national brand collections in selected categories.

Meanwhile, our virtual store, target.com, continues to lead the way among online retail sites. It is currently the number one most-visited retail store site and the 20th most-visited site on the Internet, and we are continuing to build our multi-channel efforts through an enhanced online circular, expanded assortments, and new mobile options.

As you know, the current environment has led us to modestly slow our plan for 2009 store growth, but we continue to identify new store opportunities in trade areas which are either underserved or have existing Target stores that are out of capacity.

As Doug said, we are excited about our entry into Alaska, where we added two new stores earlier this month, and Hawaii, which will become the 49th state with a Target store next year. We will continue to approve new store opportunities one at a time to ensure that we meet our financial objectives and maintain our brand standards. And our decisions reflect broad strategic considerations, as well as our available pipeline of strong store leadership. We will not grow for growth's sake, because we recognize there are alternative uses of capital, including share repurchase.

Our second priority is improving our gross margin and profitability. This initiative is nothing new for us. Over the last five years, even as we have rapidly increased our penetration of food and other frequency drivers, we've been able to strengthen our

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Company gross margin through a thoughtfully developed set of initiatives, including e-sourcing, competitive line reviews, and joint business planning, a strong commitment to global sourcing, and a commitment to growing own brands across the store.

As we cycle over strong margin gains we have already realized from these efforts, we recognize that we must pursue new opportunities to maintain our gross margin performance, especially while sales growth remains challenged. As a result, we have a number of initiatives in progress designed to keep our gross margin trend moving in the right direction, from pricing optimization and segmentation to direct imports and a continued focus on own brands, all of which you'll hear more about today.

We also remain intensely focused on expense, productivity, and capital, which is our third strategic priority. As I've already discussed, we are committed to our role as effective stewards of our investors' capital. Our priorities for investment are clear. First and foremost, we are dedicated to the preservation of our current credit ratings. We believe the current environment reinforces the importance and benefits of maintaining these strong ratings. Second, we are committed to building stores that make sense financially. And finally, we'll invest in share repurchase to balance our capital structure for both the near term and the long term.

Early in 2007, even before the current economic downturn had begun, we initiated a strategy designed to control costs and drive productivity. At that point, we were achieving strong sales growth, but we recognized the imperative to reverse our five-year trend of expense growth exceeding sales growth. The benefit of this action is clearly evident today, as we have achieved positive leverage on our SG&A expense rate even at a time when our sales growth has been much slower than normal.

No area of the Company has been exempt from our efforts to control expense growth, nor have we taken a slash-and-burn approach. Rather, we have thoughtfully examined our structure, processes, and how we allocate resources, and have focused on identifying opportunities for increased efficiency across every area of the enterprise. Through this effort, we have not and will not compromise our brand standards or jeopardize the shopping experience.

This takes us straight into the fourth priority, providing a superior guest shopping experience. Our guests have come to expect a certain level of service at Target, and we continue to focus our energies on ensuring that the in-store experience remains a key differentiator for us. We evaluate every component of the experience, from adjacencies and visual elements to lighting, fixtures, and point-of-sale signing, to ensure that we are consistently meeting or exceeding our brand standards across the chain.

In recent years, we have made significant investments in technology to enhance speed of checkout, provide better service, and ensure products are on the shelves when guests want them. For example, we have made improvements in our ability to answer guests' questions and drive the sale of accessories and electronics, and we are making it easier and faster for team members throughout the store to alert store leaders about opportunities and issues in real time. And our investments in supply chain technology and process enhancements continue to drive improvements in our in-stocks across the chain, while reducing unproductive inventory.

As we continue to grow in size and complexity, it is imperative that our team remains unified and aligned across the world. That is why organizational effectiveness is a key strategic priority for Target. As a growth company with more than 350,000 team members, we are focused on attracting and developing the best and the brightest team members.

We are also committed to retaining our unique culture and creating an efficient, effective, and nimble structure that leverages our global talent and allows us to move resources and headcount to our biggest opportunities so we are always aligned to achieve our common objectives. Our culture and the success of our strategy depends on having fast-paced, energetic team members working collaboratively to drive results. We invest significantly in building strong teams and developing leaders, and follow a structured process to identify and develop top talent early.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

As Target's needs become increasingly complex, we are fortunate to be able to turn to Target India. The Target India team supports a wide range of functions, including systems development, analysis, reporting, auditing, and creative work such as graphic design and electronic media production. Today, more than 1800 Target India team members, representing every Target pyramid, are helping us drive business results and allowing us to work around the clock.

Our final strategic objective is reputation management. We don't take for granted our enviable history of strong, ethical corporate governance, our long-standing commitment to making environment-friendly decisions, or our unparalleled legacy of involvement in our communities. We continue to take seriously the importance of not only protecting but advancing our reputation. We are proud of who we are and how we operate and look forward to telling our story in a more proactive way.

We are indeed experiencing one of the most challenging economic environments any of us has seen in a very long time. But with the guardrails of our strategy firmly in place and a strong team committed to Target's long-term success, we are confident that Target will continue to fuel profitable top-line growth, manage expenses, and increase shareholder value. Our flexibility as an organization and our innovative culture position us well for the continued generation of bold ideas and appropriate risk-taking that will drive sales and keep Target relevant well into the future.

Ultimately, our success will stem from our continued focus on the core elements that made us who we are today -- a winning strategy that stands the test of time, a powerful brand that sets us apart from the competition, and an unbeatable team that is passionate about driving sales and delivering on our "Expect More, Pay Less" brand promise.

John Griffith - *Target Corporation - EVP-Property Development*

Hello. I'm pleased to be here today to discuss the role that Property Development plays in growing and strengthening Target Corporation through brand-right properties all the way around the globe. This is the first time you've heard from Property Development, so let me begin by telling you a little bit about who we are.

The headquarters' Property Development team is made up of highly qualified architects, engineers, attorneys, and construction and real estate professionals, along with a skilled facilities management field team that keeps our stores well maintained and brand right. Like every team at Target, Property Development is tightly integrated with teams throughout headquarters, stores, and distribution, united in the common goal to provide every guest with an outstanding shopping experience every day.

We know that we play a key role in providing that experience, from strengthening relationships with local communities and developing the right locations to designing our stores to be simple, intuitive, and easy to shop, to maintaining every store's appearance and infrastructure for optimal brand integrity and peak performance.

Today, I would like to illustrate three main ways that Property Development does this for Target. First, our dedication to innovative store design; second, our commitment to sustainable building practices; and third, our approach to maximizing our return on our capital investment through strategic real estate decisions.

Let's start with our approach to store design. There are many factors that make a Target store what it is. Today, you will hear about our merchandising strategies, our marketing campaigns, and our approach to guest service, all of which contribute significantly to the Target guest experience. But even if we stripped away the signage, the product on the shelves, and the team members, I bet you would still be able to tell you're standing in a Target store.

Our store designs, including our wide aisles, bright lighting, intuitive layout, and visual elements, are a cornerstone of our brand and differentiate us from our competition. Our stores are designed to maximize selling space, of course, and to give our guests what they want and what they need. To achieve this, we choose from among the three different store formats, depending on the needs of the community -- our general merchandise prototype, our SuperTarget format, and our unique non-prototype

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

store designs, the customized single- or multi-level stores that allow us to gain entry into the densely populated urban markets, where our typical prototype just doesn't fit.

We believe this store prototype flexibility gives us a significant competitive advantage. To maintain this advantage, we must evolve with our guests' ever-changing needs, so we significantly update our prototypes every four or five years, while making ongoing improvements all along the way. Just this month, in fact, we opened two new stores here in Minnesota that reflect our newest thinking. We will leverage insights from these pilot stores when we officially roll out our new prototypes in 2009.

Our 2009 store designs incorporate a number of key refinements. For our building exteriors, precast concrete wall panels have been designed to reduce long-term building maintenance costs and save time in the construction schedule. Additionally, we have added upgraded finishes like brick and stone veneer, to respond to what communities have told us they want and often are requiring us to build.

We have enhanced our store interiors as well, to include innovative new fixtures and apparel that help create wider shopping aisles and contribute to a better shopping experience and increased sales. And we've reconfigured our electronics layout to improve sightlines to our TV wall to help increase sales in this important category.

And, as you saw firsthand today during your tour of our downtown store, Target is testing a variation of our general merchandise format with an expanded food assortment. This includes additions to our dry and frozen selections, as well as fresh food items, such as produce, meats, and bakery goods, greatly expanding the one-stop shop convenience our guests are looking for.

By continuously refining our store prototypes, we are able to maintain a strategic segmented approach to our growth. We carefully determine which prototype to build in which location, based on anticipated sales volume and the specific needs of a community. In addition to improving the guest shopping experience, this thoughtful approach is designed to maximize the financial return on our real estate investments.

And while I'm concentrating primarily on new stores today, of course we expect our existing stores to meet our brand standards as well. A key strategic advantage for us is that we own 85% of the real estate parcels on which we build new Target stores. Because of this, we can assert significant control over initial store design and construction, as well as expansions and remodels, over the life of the store, without landlord or co-tenant interference. This ensures that our stores continuously reflect our then-current design features and appropriately represent the Target brand to remain competitive in the retail market place.

Sustainability is a second key focus for our Property Development team. For more than 15 years, Target has been a leader in recycling and salvage efforts, and when it comes to construction, we have long included a number of environmentally-friendly elements in our buildings. Beyond strengthening our reputation, our efforts toward sustainability increase our corporate value. For example, our recycling programs not only benefit the environment, but each year, they also generate millions of dollars of income for Target.

Even though Target has long been incorporating sustainable building components into our stores, we are finding that more and more community leaders are looking for these elements to be formalized within our new prototype designs. As part of a pilot program, Target has been working directly with the United States Green Building Council to incorporate sustainable attributes into our store plans, including low-flow fixtures in restrooms that can reduce water usage by as much as 30%; heating, ventilating, and air-conditioning systems capable of delivering energy savings that are 30% greater than most city codes require; light fixtures that require only two bulbs rather than the typical three, resulting in energy savings of about 20% per store.

Through these types of efficient and cost-effective efforts, we are able to build and operate stores in a way that is both environmentally friendly and makes good business sense for Target.

In similar fashion, Target views our future domestic real estate opportunities through the lens of which ones make the most business sense and deliver the greatest value for our shareholders. As Property Development helps guide Target's growth, we

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

prioritize the locations within real estate site inventory using a comprehensive site selection process. This process involves leveraging sound data and modeling from our finance and market research partners to determine the appropriate format and investment for each location, based on demographics and retail density near the site. This disciplined process ensures that we are focusing on the set of potential sites that will generate the highest financial return.

In addition, we are always looking for now or never opportunities that meet our financial return criteria within highly desirable urban markets, where our brand strongly resonates. For example, within the greater New York City market, our ability to create unique store designs provides us with the flexibility to plant a flag in unique urban settings where our competitors are far less likely to operate. So with locations ranging from major metropolitans to blooming micropolitans, Target remains well positioned for future growth, and we believe we have the ability over time to nearly double our store presence in the United States.

We continue to take a long-term perspective about our store growth, but we are also adapting to the current economic and real estate climates in the short term in a manner that is both thoughtful and pragmatic. For example, we have chosen to delay construction on projects where our co-tenants' development plans have been stalled or where our updated site-specific sales estimates no longer justify the investment, at least here in the near term, so that we do not risk opening stores that do not meet our required financial or brand criteria.

As a result for 2009, we have reduced the number of stores we plan to open to approximately 70 new stores, net of closings, rebuilds, and relocations. Obviously, we would all prefer a climate that would support stronger annual new store growth with superior financial returns, but for now, rest assured that we are thoughtfully executing a strategy that has our fiduciary relationship at its absolute core.

With a commitment to innovative store design, sustainable building practices, and strategic long-term growth combined with some short-term flexibility, we believe we are well on our way to quite literally building the best brand in retail. Thank you.

Troy Risch - *Target Corporation - EVP, Stores*

Good morning. First, I am glad that you had an opportunity to walk through our downtown Target store and get a chance to see some of the exciting new things in that store, but also see what it really takes to run a great-looking store, and that's talented team members.

Our mission in Target stores is to drive sales profitably by delivering a consistently superior shopping experience for our guests. Today, I'd like to share how we are providing that Target branded shopping experience while achieving our productivity and profitability goals. I'll also explain what we're doing to sustain this momentum over time.

Although today's sales environment is challenging, team members in our 1684 stores are working smarter and more efficiently. They are delivering results that would be impressive in the best of times, which makes them all the more meaningful today. This year, we've posted significant productivity improvements.

Our internal measurements show we have made consistent progress in the efficiency of our store operations. And while we are proud of these successes, it is even more important that we sustain them over time. We're implementing many new operational processes and creating new technologies that will help us be more productive in all areas of our stores. You'll hear more about these in a moment.

A second achievement I would like to share relates to expense management. As you know, this is a priority throughout the Company. We asked our store team leaders or store managers to be more accountable for controlling their own expenses, and they have delivered. Our total store expense rate has decreased this year, driven largely by improvements in hourly payroll and overtime.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

We recently instituted a program designed to lift the profitability of the entire chain by addressing payroll issues in our bottom performing stores. As a group, participating stores are now favorable to payroll plan. This has helped us offset wage rate pressure by reducing the total number of payroll stores -- payroll [hours] stores need in our stores.

Another reason why we have able to deliver expense management is the intentional simplicity of our stores' mission and how we execute against it. Getting more than 300,000 team members in 48 states on the same page is no small feat. So for the past seven years, we've prioritized four areas that clearly outline where stores should focus their efforts to achieve our mission. These include delivering fast, fun, and friendly service; being in stock; having great-looking stores; and building a fast, fun, and friendly team. I'd like to highlight recent wins in these areas and how we plan to build on our success.

We know that great guest service is Target's competitive advantage. Our focus on fast, fun, and friendly service is all about delivering an unmatched shopping experience. We are engaging our guests in ways that cement their loyalty to Target. Our guests completed 5 million surveys last year alone. As Gregg mentioned, we constantly use their feedback to rate stores' performance in many areas.

Despite our achievements in productivity and expense, we are vigilant about maintaining an outstanding guest experience. In fact, our guest service scores are at historic highs. In recent years, our guest service strategy has centered around several key elements -- speed of checkout, 60-second response, and one simple question -- can I help you find something?

While this proactive approach will continue to serve as our foundation for guest service, we know there are always opportunities to raise the bar. So we are doing that in key growth areas of the store, like electronics. We are currently piloting a tool that helps team members and guests research electronics purchase options. This simplifies what are sometimes complicated buying decisions and reminds guests to buy everything they need to enjoy their new electronics purchase. This makes a great guest experience even better and drive sales of higher-margin accessories and extended service plans.

We are also rolling out training programs in eight electronics merchandise categories to expand team members' breadth of knowledge. Moving forward, they will need to complete training and the service assessment before being scheduled to work in electronics. They will also be reassessed periodically to ensure our guests receive knowledgeable service.

We are fine-tuning the guest experience in other areas of the store as well. The most important element of fast, fun, friendly service is getting our guests checked out as quickly as possible. A new cashiering initiative clusters open check lanes together to help manage lane speeds. This ensures open cashiers can provide immediate assistance to guests who might be waiting. And the new technology sends instant alerts to team leads' handheld PDAs when a cashier needs change or a guest is applying for a Target red card.

Our second area of focus, be in stock, is equally important in delivering on our stores' mission. Being reliably in stock on the products our guests want when they want them drives higher levels of satisfaction and return trips to our stores. As the largest work function in our stores, replenishment of our product plays a huge role in both productivity and profitability. Over the past year, we've improved the quality and efficiency of this process.

We've shortened our distribution center to store leadtimes, enhanced backroom accuracy, and reduced material waste. We were able to keep substantially more of our merchandise on our shelves, where our guests can find it, rather than in the back room, where it can't be sold. And we scored significantly higher in in-stocks on our guest survey.

We are building on these wins by continuing to improve our systems to eliminate unproductive activities. For example, we reorganized our back rooms to keep fast turnover items low to the ground, tightly packed, and easily accessible. New three-level carts for sorting and organizing merchandise by aisle have increased shelf stocking efficiency by 35%.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

And we have improved our technology so that team members are assigned to work by sales floor aisle rather than task. This allows them to do it all, from researching out-of-stock merchandise to pulling product in one aisle, one time only. This should reduce the amount of geography team members have to cover on the sales floor by 40%.

In addition to improving in-stocks, these changes reduce workload and boost team member productivity, enhancing profitability across the entire chain. We are continuing to work with partners throughout the Company to examine replenishment from start to finish. This should both significantly reduce our investment in replenishment process and deliver even better in-stocks for our guests.

Our great-looking stores area of focus is fundamental to making our stores such a pleasure to shop that guests want to return again and again. A Target brand shopping experience means stores that are more than just clean, safe, and welcoming. They are also intuitively designed so guests can get in and get out quickly.

We are especially focused on executing flawless merchandise transitions, keeping our aisles well-zoned, and presenting product attractively. We offer guests amenities like organic kids meal at Food Avenue, a cup of Starbucks, or a prescription filled while they shop, to make the experience in our stores enjoyable. Our internal measurements show we've made consistent progress over time in maintaining great-looking stores.

Looking ahead, we are taking new approaches to several processes that make our stores look brand right, but are also significant workload drivers. Team members are beginning to pair up with one another while they straighten shelves and make sure merchandise is properly located throughout the store. This saves time and makes stores look even better by assuring aisles are organized according to the best practices.

We're working to set promotional signs faster and partnering with marketing to improve the durability of these signs so they stay up for the duration of the promotion. This drives sales, reduces workload, and helps stores remain clutter free.

Finally, none of our success would be possible without our fast, fun, and friendly team. In fact, our commitment to building the best team has earned us significant recognition in the business world. Among other recent awards, BusinessWeek named Target one of the best places to start a career. As a growth company recruiting high-potential college graduates to executive positions in our stores is one of the most effective tools for ensuring that we have the talented team members in the pipeline. We also know that securing guest loyalty to Target depends in part on our ability to build store teams that reflect the diverse makeup of our communities.

But recruiting top talent is only half the battle. Development and retention are just as important. We hold our store team leaders accountable for building a culture of coaching, development, and recognition throughout the entire store. This not only increases retention, but motivates team members to deliver a fast, fun, and friendly guest experience.

We have made organizational changes over the past year to optimize store staffing based on sales volume and other key factors. These changes were made over time through attrition and new store growth. We expect to realize significant savings with our modified structure in the future. A portion of these savings will be reinvested in increased team member hours on the sales floor.

There is clear evidence that in the past year the store's organization has delivered a Target brand shopping experience for our guests, while consistently generating productivity gains and expense savings. We will continue to drive sales profitably through a keen focus on our proven strategies. This will put us in an even stronger position to capture market share when the economy eventually improves. Thank you.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Jodee Kozlak - *Target Corporation - EVP, Human Resources*

Good morning. As Fortune Magazine stated in its April cover story, Target's real competitive advantage isn't a logo or a line of designer purses or a catchy slogan; it's the team that created them. And we couldn't agree more. Much like we offer a differentiated strategy in merchandising and marketing, we also provide a differentiated and preferred workplace.

Our goal? To deliver a uniquely Target experience for our team members, creating a company where people want to work, are fully engaged, and plan to stay for the long term. Today, I will briefly describe three of the vitally important ways that HR is helping Target continue to attract and retain talented team members.

The first is by sustaining our culture of development and growing the best leaders in the business. The second is by ensuring that our compensation is appropriately structured to incent and reward superior performance. The third is by offering team members a competitive and comprehensive benefits package. Each of these elements is critical to sustaining our competitive advantage over time, and particularly important in the current economic environment.

Among our Fortune 30 peers, we are a leader in talent development. We invest in the growth of our team, using a consistent set of tools and opportunities to guide the process, and we dedicate significantly more resources to training and development than most companies our size. To help team members build the skills needed for current and future positions, we offer a blend of online and classroom training, in addition to on-the-job experience and mentoring.

We believe in a 70/20/10 model of development, where 70% comes from on-the-job experience, 20% from mentors and coaches, and 10% from formal training. Our comprehensive approach to developing the capabilities of our team members includes customized Six Sigma tools that help us foster critical thinking skills and drive disciplined execution across the organization.

We take an enterprise-wide approach to talent management, strategically placing leaders in specific cross-functional roles and stretch assignments that broaden their corporate perspective and prepare them for future career growth. Our robust pipeline of experienced leaders helps us meet the demands of our future growth and helps us build and retain the best team in retail.

As a pay-for-performance company, Target believes that as a team member's responsibility grows, so should the portion of his or her compensation that is tied to specific elements of Company performance, like revenue growth, profit growth, and return on invested capital. That is why we have compensation programs that balance both short- and long-term performance and ensure that executive compensation is aligned with shareholder interests.

Largely due to these incentives, about three quarters of each executive officer's total direct compensation is at risk and aligned with stock price and Company financial performance. The financially based short-term incentive program is weighted equally on annual growth in EBIT and EVA compared with Board-approved goals to simultaneously drive short-term EBIT performance and ensure that capital continues to be efficiently invested. Going forward, we will be examining these incentives in light of our separate Retail and Credit Card segments, but we don't anticipate fundamental changes.

Long-term incentives are provided in the form of performance shares, restricted stock units, and stock options, each of which align management and shareholders with the common goal of obtaining a higher share price. Performance shares are based on Board-approved goals for growth in revenue and EPS over a three-year horizon, helping our leaders stay focused on growing market share profitably, and driving sustainable earnings growth over time.

Our pay-for-performance framework was evident last year. Because 2007 financial results fell below our Board-approved goals, total short-term incentive payouts to executive officers based on our financial results decreased more than 80% in 2007 compared to 2006. And expected payouts for long-term incentive programs were negatively impacted as well. Now, clearly, this was not something we celebrated as a management team, but that's the point. We look forward to the day when both our team and our shareholders once again benefit from strong performance.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Benefits are another critical factor in attracting and retaining our diverse and growing workforce, and they comprise a meaningful portion of our annual expense. In 2008, our benefits expense is expected to total more than $1.7 billion, including more than $600 million in FICA and unemployment taxes. In combination, our health care, retirement program expense, and paid time off represent more than 60% of this total benefits cost.

Our focus on wellness and preventive care is a key differentiator of our benefits offerings, and is expected to deliver improved health for our team members and savings over the long term. Because of the significance of these programs to Target and our team, we annually benchmark our offerings against other retail and Fortune 100 companies to ensure that our plans align with the external market.

In our most recent comparison, Target exceeded the retail group average and was competitive with other Fortune 100 companies for all major benefits, including health care and retirement. In fact, relative to these retail competitors and industry leaders, Target consistently ranked high on our 401(k) plan due to our 5% match and 100% immediate vesting.

We also recently conducted a benefits value study to better understand the benefits our team members value most. The study revealed that team members joined Target for basically the same reasons that they stay here. Pay is the number one factor for both groups, followed by health care and then the 401(k), while pension and disability benefits received the lowest ratings. Notably, these findings were consistent across all of Target, regardless of age, ethnicity, geography, or tenure.

When it comes to team member satisfaction and benefits, all offerings were above the neutral mark, with team members most satisfied with their 401(k) plan and with health care providing the greatest opportunity for improvement. As a result, we are carefully evaluating our benefits coverage and eligibility to ensure that our programs effectively allocate existing dollars in line with the benefits priorities identified by our team members. One example is a pilot health and wellness program that provides health advocates and personalized tools to help team members navigate the health care system and to make it easier for them and their families to get and stay healthy.

At Target, the energy you feel as a guest in our store is the same energy you feel as a member of our team. Our unique culture is dependent on our continued ability to attract and retain talented team members through initiatives like those I've shared with you today. Our disciplined and differentiated approach motivates our team to achieve superior performance and it rewards them for outstanding results, helping Target compete and win, no matter what the environment. Thank you.

Terry Scully - *Target Corporation - President - Target Financial Services*

Today, I will address how we successfully integrate Target Financial Services, or TFS, into Target's core retail operations, and how we add unique and significant value to Target. I will also discuss the difficult credit environment, its impact on our business, and how we are addressing these challenges while preparing for our future.

At TFS, our mission is to deliver financial products and services that drive sales, deepen guest relationships, and sustain outstanding profitability. Our primary financial products are known as red cards, including the Target Visa card and our proprietary Target credit card. With all of our financial products and related services, we strive for consistency with Target's "Expect More, Pay Less" brand promise by differentiating our products and services, delivering a brand experience with every guest touchpoint, offering relevant and achievable rewards unique to Target, and setting credit terms that are competitive with the card industry.

By fully integrating our financial products and services with the Target brand, we deliver exceptional value to our guests, whether it's through our powerful low-cost acquisition channel at point-of-sale, value messages in our in-store marketing and circular, or our 10% off Target rewards certificates that are issued based on guest spend. Target rewards are highly valued by our guests and drive sales through rewards redemption transactions, which accounted for $1.1 billion in sales last year. In fact, in 2007, the average Target rewards transaction was nearly 4 times larger than the average transaction at Target. And year-to-date, in 2008, rewards redemption sales are running 17% ahead of last year.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Our products provide utility beyond that of a traditional credit card, through integration with the Target brand and our direct alignment with our marketing, merchandising, and stores' partners. Our financial products are designed to drive sales and trip frequency to our stores. Red cards function as affinity cards, producing a more loyal and engaged guest, in addition to driving sales.

Our business model has some important differences compared to other bank cards. Our Visa portfolio has a significantly lower average balance, approximately 1/2 of the industry average, due in large part to our decision not to participate in teaser rate offers to attract new accounts or offer balance transfers or convenience checks to existing account holders. These discounted financing offers can comprise 20% to 25% of other banks' credit card receivable balances.

In addition, our store-based acquisition channel allows us to open new accounts at a fraction of the industry's cost, and we rely almost entirely on Target's superior multi-channel marketing efforts and our guests' store experience to drive interest and use of our products.

Our business model has the impact of increasing our revenue yield versus industry averages, as well as raising the level of our reported risk metrics. Specifically on risk, here you can see that over the past eight quarters, our net write-off rate has consistently run about 1.5 times higher on a rate basis than a competitive composite, five issuers, comprising 75% of US credit card receivables.

Included in these composite figures are the results of Citigroup's portfolio of retail partners, retail co-branded and private-label credit cards managed by Citi. Among the portfolios in the competitive composite, we believe it has attributes most similar to our portfolio. Comparing our net write-off performance to this specific competitor's retail portfolio, you can see our performance has tracked very closely over the last eight quarters.

While the recent rise in risk metrics is due to the external environment, our higher absolute level of our risk metrics is primarily due to the fact that our business model leads to a lower average balance. Since this fact is frequently a source of questions, I want to pause and explain in a little more detail.

The write-off rate can be disaggregated into the incidence rate of written-off accounts and the balance ratio, the relationship of written-off balances to the average balance of a portfolio. Within the bank card industry, an account balance that ultimately writes off is generally similar to the portfolio's average balance. However, in our case, the average write-off balance, which is similar to industry levels, is meaningfully larger than the average balance. This means that even though we have a similar incidence rate as other high credit quality benchmarks, the impact of written-off amounts accounts is larger for us as a percent of total receivable dollars.

Continuing the illustration, a bank industry incident rate of 4% can ultimately lead to a write-off rate of 4%. Comparing this to a lower average balance portfolio with the same incidence rate, the result is a write-off rate double the typical bank's performance. Ultimately, these product and operational differences drive portfolio profitability at Target that leads the industry. It has over time and continues to do so, even in today's stressed credit environment. Comparing return on asset performance of managed receivables, you can see we have consistently driven two to three times greater profitability versus the same competitive composite of large credit card issuers.

Clearly, this is a challenging time for all lenders and we are not exempt from it. We've seen lower payment rates and higher delinquency and net write-off rates, with the most pronounced deterioration in geographic areas hit hardest by the decline in the housing market, specifically California, Arizona, Florida, and Nevada. At Target and across the industry, this economic stress has resulted in reduced profitability.

At the same time, virtually all lenders have significantly tightened underwriting, as well as increased their focus on operational disciplines surrounding collections activities. In fact, in our stores, the credit industry's tightening this year has contributed to a decline in credit card usage as a percent of total sales for the first time since the 2001 to 2003 time period.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

In May, we began reporting spread to LIBOR as the key profitability measure for our $8.6 billion portfolio of managed receivables. This change coincided with our move to separately report Retail and Credit segment performance. Spread to LIBOR is a pretax measure and is calculated by subtracting bad debt expense, operating expenses, including depreciation, and LIBOR charge from total portfolio revenues. Using spread to LIBOR, we can see that while we enjoyed substantial growth in our year-to-date profitability from 2005 to 2007, this year, our profitability has returned to 2005 levels, as bad debt expense has increased due to the current risk environment.

Our challenge is to increase portfolio spread to LIBOR, and we are actively implementing key strategies that will drive improved performance in portfolio revenue, risk metrics, and operating expense. First, we have taken steps to align our portfolio revenue drivers with the current risk environment. This year, we've implemented terms changes which will be in full effect by the fourth quarter and result in meaningful improvement in finance charge revenue and late payment fees. These changes better balance revenue and risk during this difficult environment, while still being in line with other credit card issuers' terms.

Second, we are intently focused on all aspects of the risk management lifecycle with key risk architecture elements, from account acquisition decisions to existing account management for the portfolio, including collection strategies. These elements are supported by organizational disciplines responsible for model development and strategy of implementation.

Our net write-offs this year have continued the increasing trend we experienced since our record low performance in the post-bankruptcy year of 2006. Our current risk management strategies are directed at managing net write-offs in this very difficult environment.

At a high level, we have implemented strategies that will allow us to improve profitability in the future. These underwriting strategies include using updated scorecard models that incorporate more recent guest behavior to direct our actions; continuing tight credit line management that focuses on high-risk behaviors and high-risk geographies; and increasing our collections intensity, resources, and production metrics. For example, we have accelerated efforts to reach guests earlier in the delinquency cycle. In addition, we have increased outreach attempts to our guests threefold by leveraging our dialer technology.

As a result of our risk management strategies, we are using optimization analytic tools to better assign credit lines to new accounts. We've become much more aggressive in how we decrease credit lines for current, delinquent, and inactive accounts, for example. Credit line adjustments for current, active accounts have reduced average open-to-buy by 42% from last year for specific, targeted segments of our portfolio in high-risk states.

We have also accelerated existing line reduction strategies for inactive accounts, with cumulative credit line reductions totaling $6.8 billion. Guests who remain inactive longer are less likely to use their Target Visa card, and if they do use it, they are more likely to already be in trouble. These reductions in portfolio credit lines are substantially greater than any year in our history.

In addition, our credit line increase program, in which we approve line increases available for current guests with strong payment history, has been reduced substantially, especially in high-risk states. We also chose to defer our product change program this year, which in past years has offered the most creditworthy Target credit card holders an upgrade to the Target Visa.

The cumulative impact of our tightening measures will likely reduce our receivables growth somewhat, but they will also drive improved risk metrics over time.

The third area we are focusing on in order to improve our profitability is strong expense control. We have continued our outstanding track record in this area and have improved our expense rate 170 basis points since 2005. We will continue to manage our operating expenses aggressively through disciplined expense management practices, investments in technology, and utilizing global workforce opportunities where appropriate, are two strategies we have embraced in order to increase efficiency and reduce operating expense rate over time.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

In summary, Target Financial Services leverages the strength of the Target brand. We are fully integrated with Target's Retail operations, and our financial products and services demonstrably increase guest loyalty and drive sales. While clearly we are operating in a very difficult credit environment, we are aggressively managing all aspects of our business model to improve our profitability by increasing revenue, mitigating risk, and reducing operating expenses. Thank you.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

Already this morning, we've touched on many aspects of the concept of financial stewardship at Target. To further clarify some of these ideas, today, I will briefly review the interplay between the invested capital and the operating dynamics in each of our two segments, Retail and Credit Cards. Then, I will tie these segments together with a discussion of our current and future capital structure.

Next, I will focus on some of the implications of the current environment, including a review of our access to liquidity, our counterparty credit risk, and the effect on our profile of the recent, quite substantial migration of LIBOR away from the Fed Funds' target rate. Finally, I'll address total return to shareholders.

As I said in our second-quarter earnings conference call in August, the pace of sales growth in our Retail segment continues to be our number one challenge in the current environment. Over the next three to five years and beyond, it is likewise our single greatest opportunity as well. In other words, even in the current environment, our pace of sales growth has been a larger issue in financial terms than our Retail operating margin. It's also a much larger financial challenge than net write-offs in our Credit Card segment, even with the recent worsening credit trends, because of the relative size of the two segments.

At our current size, 1 point of annualized same-store sales at the margin represents more than $600 million in sales, or about $180 million in gross profit at our current average gross margin rate of about 30% of sales. Additionally, while all expenses are variable in the long run, only about half of our SG&A expenses vary with sales in the short run. It's easy to see that the operating leverage of relatively small changes in sales is a powerfully important feature of our Retail segment, and $120 million in marginal profitability for us pretax is about $0.10 a share.

While our Retail operating margin performance, shown here in EBITDA terms, has slipped fractionally over the past few years from our 2005 peak, it's not as substantial in its impact on profit as recent sales have been. In fact, we're likely to end this year more or less even with our 2007 performance on this metric, although, in fairness, EBIT margins this year will reflect some deleveraging as a result of faster growth and depreciation expense than in sales.

As our sales in recent months has softened, we've naturally deferred or canceled some new store projects, which formerly would have made economic sense to build. Earlier, you heard from John Griffith that we will now open about 70 net new stores in 2009, and we know we will open fewer still in 2010, although it's a bit premature to speculate just how many.

This in turn will reduce the amount of capital we elect to reinvest in our Retail segment, and the effect will become more pronounced earlier than you might think because of the substantial amount of our capital spending in any given year in support of new stores slated to open in the following year. And while I would love to reinvest more capital at high returns, this is all the capital we think makes sense to invest in this segment.

Separately, there are significant side benefits to this outlook because a dollar not invested in new stores or the infrastructure to support them is a dollar available for share repurchase, while maintaining a balanced capital structure. More about that topic in a few minutes.

Now let's turn to our Credit Card segment. As Terry described, the US credit card industry is facing larger challenges than at any time in modern history. Key financial metrics, even for high-quality portfolios, are meaningfully poorer than expected at the beginning of this year, and many believe that write-off levels across the industry will continue to deteriorate throughout 2009.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Our Target Credit Card portfolio reflects some of these same pressures, including higher delinquency rates and increasing losses, and as a result, we expect our year-over-year performance in each of the next several quarters to remain a challenge. Yet we've taken a number of steps to mitigate the unfavorable impact on our Credit Card segment and to capitalize on future opportunities as well.

In this section, I will describe how we have organized the capital invested in our Card segment and, in particular, how the features of our May 2008 transaction with JPMorgan Chase positioned us for the future. As many of you know, we've organized our entire Credit Card receivables portfolio in a legal structure that is distinct and separate from all other assets owned directly or indirectly by Target. This structure facilitates investment by independent third parties, who look solely to the performance of our overall, undivided managed portfolio for returns on and, ultimately, returns of the capital that they've provided to this structure. Terry and his team focus intensively on managing the entire portfolio, and earlier, he reviewed our principal performance metric at this managed portfolio level -- spread to LIBOR.

Target, though, only earns the profit that remains after JPMorgan Chase and others have been paid, and we measure the adequacy of those Credit Card segment profits against the capital Target has invested in this segment. And today, Target has only $3.1 billion, or about 36%, of the $8.6 billion of capital invested in this managed portfolio, and that is ultimately the only capital that Target, of course, has at risk in this venture.

In short, we have a sharply lower amount of capital invested in the portfolio today than in the past, and in addition, we've transferred a meaningful portion of the risk. This visual depicts how we've structured the capital invested today in our Credit Card program. Higher layers on this chart are essentially risk-free, if anything is risk-free today. And the lowest layers are exposed to the first dollar risk of loss, if any outright losses were ever to occur.

As you can see, Target essentially is a co-investor alongside JPMorgan Chase, with an entire column over on the right, which has parallel features to theirs. In addition, we continue to own the subordinated layer under our other two deals. Importantly to Target, we earn the excess returns on the entire managed portfolio after the fixed or capped spreads to LIBOR are paid to those who have provided the majority of this investment for this business segment.

Let's wrap up our discussion of the Credit Card segment with a view of segment profit trends over time. In 2006 and 2007, we enjoyed sharp increases in this measure of performance due to the combination of terrific portfolio performance and increases in the amount of capital invested by Target to support growth in the managed portfolio. By the time we close out 2008, our segment profit will likely be below our 2005 annual performance, though our yield will still exceed most other high-quality portfolios in the industry. To keep his performance in perspective, it is very important to remember that our Retail segment will produce EBIT this year, give or take, 10 times the size of our Credit Card segment profit.

Now let's turn our attention to our capital structure. Our credit ratings, shown here, represent a foundational element of our overall business strategy, allowing us strong access to the debt capital markets through thick and thin, including unfettered access to the commercial paper markets. In fact, in the recent market chaos, many businesses have struggled to source adequate liquidity. Yet we completed our annual seasonal funding needs in the CP markets just this week, borrowing about $1.2 billion, with maturities timed to be paid off in December with proceeds from holiday sales.

Here, you can see how our S&P long-term rating of A+ compares with the ratings of the 14 other large retailers we use for a variety of benchmarking purposes. Among this group, only Wal-Mart enjoys the strength of a AA rating, with the majority falling in the BBB range. There is a significant difference across each ratings category when it comes to market access in stressful times, and we have very deliberately struck a balance that allows us a high degree of safety and financial flexibility to execute our strategy over time.

As you know, we announced a $10 billion share repurchase program last November, and so far, we've completed just under half of this authorization, retiring nearly 11% of our outstanding shares in this process. We will continue to adjust the pace of this program over time, based on our liquidity, our share price, and our business results. This last point is a fundamental

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

recognition that share repurchase is the mechanism we use to balance our capital structure to our desired credit ratings, and the better we perform, the more latitude we have to devote capital to this effort.

In addition to underscoring the value of liquidity, a few other lessons from recent capital markets activity should be top of mind for all of us. High on the list is the consideration of counterparty credit risk. We manage a variety of risks inherent in our business model through a number of vehicles which potentially expose us to risk of nonpayment by specific financial institutions. We carefully balance these risks and adjust positions from time to time.

For example, earlier this year, we disclosed that we canceled an array of interest rate swaps and collected the $170 million that was owed to us, including about $32 million from Lehman Brothers. This decision was driven in part by a view on the future path of interest rates and in part by an objective of ours to more conservatively manage these risks in the current environment.

Another feature of recent market activity has been the breakdown in the historical relationship between LIBOR and either Fed Funds or the prime rate, shown here by the substantial spike in spread. This is important to Target because our credit cards earn finance charge revenue based on the prime rate, which is, of course, indirectly tied to Fed Funds, while the vast majority of our funding in support of these assets accrues interest rates tied to LIBOR. While this represents a near-term P&L challenge, it is not a fundamental or strategic dilemma because we always have the ability to change the terms on our cards if this current anomaly were to become the new reality.

Finally, as most of you know, I always close with a view of Target's performance as an investment -- although I did think twice about it before executing today. Here we are looking at the year-to-date total return for the same 15 retailers we reviewed a minute ago. During this remarkable period, only Wal-Mart has produced positive returns.

Taking a somewhat longer-term view, here we are looking at the value of $100 invested in each of these same 15 companies five years ago. For this period, only the companies to the left of the yellow S&P 500 bar have retained their initial investment. It's interesting to note that Target's return is among the top one-third of the competitors in this peer group for both the year-to-date and the five-year time frame I've just shown.

And while we're certainly not satisfied with our shareholder performance in either of these periods, I hope that our discussions today will give you more insight in how we intend to reassume what I think is our rightful place to the far left of charts like these over the next three to five years.

With that, I would like to invite all of you to join us for lunch in the Greenway Ballroom on the second floor. And following lunch, at about 1:20 -- at exactly 1:20, please -- we will regather here for some more presentations, followed by a Q&A session. Thank you.

Kathee Tesija - *Target Corporation - EVP, Merchandising*

Our "Expect More, Pay Less" strategy over time has consistently guided our success through economic booms and downturns, and we're not abandoning it now. And as Gregg showed you, Target is focused on six strategic priorities that are key to Target's long-term success. I would like to talk to you today about how merchandising is focusing on initiatives related to two of these priorities, growth drivers and gross margin and profitability.

We believe that differentiated content and exceptional value are key to driving growth at Target. Now more than ever, we need to give guests compelling reasons to shop our stores. While our frequency-driving categories drive traffic to our stores, we increase basket size once guests are in the store by enticing them with new, innovative offerings at a great value. Great design at a great price is part of what we are known for, and it's what will help us stand out during this current economic downturn and once the economy recovers.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Our ongoing commitment to partnering with emerging high-end designers on affordable collections continues, as exemplified by our GO International designer collections and our limited-time-only approach in other categories, like accessories, shoes, and home. Our research shows us that newness drives guest visits and guest purchases. To remain relevant, our approach has evolved to an increased focus on limited-time partnerships with emerging designers. While we continue to have productive long-term relationships with world-renowned designers across the store, we also infuse newness with the energy and creativity emerging designers are bringing to our assortments.

To ensure we have the right balance of good, better, and best items within appropriate categories, we review our assortments on an ongoing basis. Even in this environment, our guests are continuing to buy best price points, as exemplified by sales performance in C9 by Champion, Converse One Star, and Smith & Hawken, as well as all the better and best brands in Beauty. Even at higher price points, these brands offer amazing quality and a great value relative to specialty and department stores, and that value continues to resonate with our guests. In every assortment, we remain committed to providing an appropriate level of price points so guests can shop within their budgets.

Being our guests' preferred retailer for seasonal businesses continues to be a critical component of Target's strategy. This year, we will drive profitable sales with the right balance of fashion, basics, and value. In toys, electronics, and entertainment, three categories which account for roughly one third of our total holiday sales, we are focused on having the right mix of must-have items and differentiated assortments, including exclusives in entertainment. In addition to having the most-wanted toys and entertainment releases, we are leveraging the rapidly-growing trend of social and active gaming, driven by women and kids, which is in perfect alignment with our core guest segment.

All of our assortments this holiday season, from food to home decor, will offer guests gift-giving and holiday entertaining options that will allow them to make their budgets work in this economy. While our long-term positioning remains firmly in place, we continually evolve our merchandising and marketing tactics to ensure we maintain our ongoing relevance. That means in today's economic climate, we're emphasizing the Pay Less side of our brand promise.

We remain keenly focused on ensuring our prices match Wal-Mart's on all identical and similar products in local markets, something we have been doing for well over a decade. Our pricing team consistently shops the competition, and for years we have been within 1% to 2% of Wal-Mart's pricing, and we are diligently ensuring that we stay there.

We're focused on more clearly communicating the value and convenience that we have always provided to our guests. For example, we have increased the number of end caps that showcase low-price-point merchandise to help guests identify ways to save money throughout the store. And we've reinforced this message with in-store signing. We have made changes to the format of our weekly circular, creating two-page spreads that showcase fewer products and larger images, along with bold price points and strong value headlines.

Our frequency categories play a critical role in our ability to drive traffic to our stores and convey value at a time when guests are spending less. Our continued commitment to food and commodities is central to our success in this regard, particularly when it comes to our own brand assortments. Total sales of Target brand commodities, such as tape paper towels and over-the-counter items, have increased at an average of more than 15% each year over the past five years. But we believe there's an opportunity to go even further. We will continue to increase our SKU count in Target brand, offering guests the quality of the national brands at significantly lower price points and driving significantly higher gross margin. From a current penetration of 10%, we expect to increase this by 1 to 2 percentage points annually.

Our grocery business is also critical to driving sales and traffic to our stores. Our food guest spends nearly 8% more every trip she shops, and she shops more often. Therefore, she spends approximately 4 times more every year than our non-food guest. As you saw in the store this morning, we are testing the addition of perishable items to our general merchandise formats. While it's still in the test phase, we are excited about initial results, and we will keep you posted on progress as we learn.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Also as you heard this morning during the tour of our own brands food lab, we continue to innovate and add items to our own brand food offering in all of our stores. Just seven years ago, our own brand foods accounted for 1% of food sales. This year, they will account for more than 20%, and will continue to increase sales penetration by 2 to 3 percentage points, driving higher gross margin in a traditionally lower gross margin category. To give you a chance to taste our great own brand foods, we are sending you home with some samples.

Health and wellness is a key merchandising strategy at Target, encompassing everything from healthy food and fitness apparel to sporting goods and pharmacy. By establishing Target as our guests' one-stop shop for all their health and wellness wants and needs, we will boost shopping frequency and guest loyalty.

We are driving sales with Target Pharmacy through pharmacy rewards and our extended generic drug program, with a 30-day supply for $4 and a 90-day supply for $10. Last year, our Pharmacy comp sales grew at 7 times the Company rate. And looking ahead, we foresee continued strong growth. A Target guest, once converted to a Target Pharmacy guest, will visit five times more a year. By increasing guest awareness, we will keep converting loyal Target guests into loyal Target Pharmacy guests.

We bring guests into stores more often through the Pharmacy Rewards program. Last year we increased the number of enrollees by 70%. Pharmacy guests who enrolled in Pharmacy Rewards shopped Target an additional five times and spent an additional $90 million in the rest of the store. This year, we are increasing our marketing efforts and expect to increase enrollment by an additional 50%.

While the slowdown in the pace of sales in our higher-margin discretionary categories is affecting our overall gross margin rate, we continue to offset a portion of this impact by improving our gross margin within categories. We're accomplishing this through several major, long-term strategies, including our focus on collaborative planning our merchandising business directly with our key strategic vendors results in mutual sales and margin increases, which you heard about this morning in your tour of the e-sourcing room.

Through enhancements in our already robust clearance price management system, we effectively determine the right markdown level by store to ensure we are driving sales and profitability, while also managing inventory flow. We are analyzing every local market to determine appropriate price points by market, and we're adjusting accordingly. We are significantly increasing the percent of sales in our own brands across the store, and we are implementing raw materials and low-volume store segmentation strategies, which you will hear more about in our presentations today.

Through these initiatives and others, during the first six months of the year, we were able to offset most of the adverse impact of product mix on gross margin. While it will be difficult to fully neutralize the impact of mix as long as discretionary sales remain soft, we believe we continue to offset a meaningful portion.

Before I close, I would like to take a moment to address market share growth. Along with many of our competitors, we partner with the Nielsen Company, IRI, and the NPD Group to voluntarily provide sales information and analyze household panel data to measure and monitor our market share. I would like to highlight some sizable gains in some key categories during the first six months of the year.

For example, our children's apparel market share increased by 30 basis points, reflecting our ongoing commitment to being the preferred shopping destination for moms. Our focus on frequency-driving businesses is also delivering favorable results. We have gained share in 20 out of 21 commodity categories. Our share of sales in the household, personal, and baby category increased by more than 70 basis points. And our market share in beauty, a business we have expanded with new natural and designer assortments, has increased by more than 75 basis points.

Our ability to increase market share is a result of our keen focus on remaining relevant to our guests' ever-evolving wants and needs. Through our comprehensive and rigorous guest research efforts, we are able to better understand their shopping

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

preferences and evolve our merchandising and marketing strategies appropriately to meet their expectations and increase our sales.

In this environment, we know we must be more focused than ever on creating compelling reasons for our guests to shop more often and spend more on each visit. By offering unique, well-designed merchandise and delivering exceptional value, we will accomplish that. Through our commitment to our "Expect More, Pay Less" brand promise and the disciplined execution of our merchandising strategy, we will believe we will continue to drive profitable market share growth in our Retail segment in both challenging and robust times. Thank you.

Stacia Andersen - *Target Corporation - President - Target Sourcing Services*

Target Sourcing Services plays a critical role in supporting Target's "Expect More, Pay Less" brand promise by providing own brand merchandise to our guests at a great value. In collaboration with teams across Target and our strategic vendor partners, we deliver on our mission to source competitively-priced, high-quality products on time to support profitable market share growth.

Today, I will provide an overview of our sourcing organization, briefly review our commitment to product quality and global compliance, and share how our efforts to increase speed to market are driving competitive advantage for Target.

Direct imports at Target account for approximately 30% of our purchases. Of these direct imports, the majority is owned-brand product. TSS is comprised of more than 1500 experienced and engaged team members around the world who are now exclusively focused on sourcing for Target. One quarter of the team is located here in Minneapolis.

To deliver trend-right, high-quality products to our guests, it takes a collaborative effort. Merchandising teams determine the business strategy; product design and development teams create design specifications; and our sourcing team ensures that the merchandise is manufactured in compliance with our quality standards, delivery requirements, and with local and US laws. This means TSS determines which own-brand vendors we use, which merchandise programs we place with each vendor, which merchandise programs are placed in particular countries, and how we ensure the quality assurance for our own-brand assortment.

Depending on the needs of the business, we have developed specific sourcing models to support different merchandise categories. The expertise of TSS helps Target drive sourcing decisions that mitigate potential risks, while balancing cost and speed to market. We continually evaluate the mix of countries from which we source and adjust for factors that include trade legislation, currency fluctuations, and production quality and capacity.

By leveraging our global structure, we ensure that we do the right business in the right countries, while avoiding overexposure in any one country. For example, in apparel and accessories, we are diversifying to emerging countries like India, Egypt, Vietnam, and Indonesia to reduce the impact of rising raw material costs and increasing labor rates in China.

Aside from country risk, it is increasingly important for us to maintain reliable vendor partnerships and manufacturing capabilities in a variety of countries around the world. As a result, we ask our vendors to have production facilities in multiple countries when possible to give us the greatest flexibility in our production and replenishment.

To shorten the time it takes to get product from the factories to our store shelves, we have implemented replenishment strategies for a number of programs placed in Central America. For instance, we arranged to have blank T-shirts held with vendors in these countries. These vendors are then able to screen print the latest designs as soon as we need them, allowing for quick replenishment of items that are in high demand.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

We complement our country strategy with our vendor strategy, which thoughtfully matches the unique capabilities and expertise of our vendors with requirements of specific merchandise programs. Because of the variety within our assortment and the complexity within our business, we have intentionally developed a balanced mix of international vendors.

For example, we turn to vendors with a speed advantage to support our fast fashion categories, like our GO International collection. For our core brands, like Morona, we ensure we are on trend by turning to vendors who are aligned with our product development calendar and can deliver quantities of high-quality merchandise to our stores in a timely and cost efficient manner. And we turn to vendors with large production facilities in low-cost countries to support our opening price point brands, like Room Essentials.

While we depend on our vendors to share their expertise, we hold our team accountable for the results, providing clear direction and creating transparency throughout the supply chain. This accountability ensures that our guests enjoy exceptional product quality and that we maintain appropriate in-stock levels in our stores and that Target's strong reputation is protected.

Beyond building vendor partnerships, we continuously enhance our tools and processes to ensure our vendors meet our stringent compliance and quality assurance expectations. Within the retail industry, Target is recognized for having a thorough and balanced global compliance program. Initiatives such as vendor education and our comprehensive testing and inspection process ensure that all own-brand merchandise meets our requirements for safety, reliability, and quality. In addition, we require all factories to comply with our standards for workplace environment and conditions, wages and benefits, and working hours and minimum age requirements.

Our ability to react quickly to market changes drives competitive advantage for Target. To continue to increase our speed to market, we are working to further streamline our product development processes. One example is our raw material strategy. To deliver scalability and drive our competitive advantage, we are implementing a major initiative that will have several benefits in Target, including improved speed to market, enhanced product quality, and incremental sales and margin.

To become a world-class apparel sourcing organization, we are evolving our own-brand apparel supply chain to incorporate fabric management. Fabric is the single largest cost and leadtime contributor to producing apparel. We are leveraging our size to deliver cost savings and improved quality through standardizing the versions of fabric and positioning it with mills. In addition, we are elevating raw materials management in our development process, which will reduce our lead times and increase our ability to respond quickly to business and market trends. We are introducing this strategy in select categories by the end of the year, and plan to expand it to all apparel departments over the next several years.

In addition, we are increasing accountability and speed to market by certifying mills and vendors to approve the color and fit of a garment. By training and certifying our vendors to perform these functions, time to production has been significantly reduced. And in hardlines, we have already taken six weeks out of our development calendar by strategically eliminating process redundancies with our vendors. And we plan on streamlining it further by collaborating with vendors to jointly develop product and build specifications together and streamline our sample process to create greater efficiencies while delivering what our guests want.

With expert partners at Target and all around the world, sophisticated processes and innovative sourcing strategies, TSS is well-positioned to deliver exceptional own-brand products with greater speed, quality, and profitability, demonstrating our sustainable advantage in delivering an essential part of our "Expect More, Pay Less" brand promise to our guests. Thank you.

Rick Maguire - *Target Corporation - SVP-Merchandise Planning*

I'm excited to have the opportunity to speak with you about the work that we do every day to build and maintain an efficient supply network that meets the wants and needs of our guests and our stores. This is the first time I've had the opportunity to

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

present to this group, so I'll begin by providing a little background on the merchandise planning team which consists of about 550 team members.

While the merchandising teams focus on what products we sell, merchandise planning ensures we have the appropriate quantity of those products in total and by location for all stores. For more than 20 years we've separated these roles, allowing us to build expertise in both areas and to develop a sophisticated and disciplined approach to inventory management that maximizes sales while limiting our markdown risk.

The merchandise planning team also works closely with distribution, stores and our vendor partners to ensure the entire supply chain is as efficient as possible. Today our supply chain delivers 85% of Target merchandise, or 2.3 million cartons per day, to more than 1,680 stores and we use the Target distribution network to do this. That network includes 26 regional distribution centers, four import warehouses, two perishable food distribution centers and one Target.com facility.

While our supply chain isn't the biggest in retail I believe it is among the best, reflecting our focus on driving strong in-stock levels, controlling clearance markdowns and reducing expense and working capital. Target's overall in-stocks, ad in-stocks and top item in-stocks have all shown steady and meaningful improvement in the last 10 years. For instance, overall in-stocks improved 240 basis points between 1997 and 2007.

In addition, thanks to efforts across merchandising and merchandise planning, our markdown rate has improved by more than 100 basis points over the same 10-year period. We drive results like these by investing in technology, executing with discipline, collaborating cross functionally at every point in the supply chain, and using a rigorous and detailed approach to financial planning and forecast process. These are the reasons we've been able to improve results during a period when Target has grown rapidly in size, scope and complexity.

Frequency categories like food, commodities and health and beauty are given the highest priority in our supply chain; these items drive loyalty and repeat business. Since there is little markdown risk, managing inventory ensuring these items are always available on the shelves in every store. In contrast, fashion merchandise and seasonal programs can quickly become unprofitable if we chase the last sale or place the inventory in the wrong stores. For these items we plan sales and inventory receipts much more conservatively.

By forecasting these types of programs more cautiously we take the calculated risk that we might sell out of an item when the merchandise is still at full price. In exchange we minimize our markdown risk and excess store labor expense. In addition, this approach gives our merchants greater flexibility to buy when they see an opportunity and it allows our stores to transition to the next merchandise program more quickly, reinforcing the newness and excitement our guests expect.

Though we've made significant progress on in-stocks in recent years, continuing to improve that performance remains a top priority. For example, on our fast selling items in high-volume stores we've implemented processes to capture detailed sales information in the early afternoon, pick and load cartons at the distribution center and deliver product that same night so those stores are fully replenished and stocked before reopening the next morning.

What began as a test of a dozen items in five stores now includes almost 1,000 of our best-selling items in 109 of our highest volume stores. Because of our success with this program we're applying key elements to more items and we're expanding special delivery service to another 175 stores.

Another effort -- to speed the set of product for key seasonal and basic programs while enhancing in-stock levels at our highest volume stores involves using trailers with segregated merchandise. A segregated trailer contains only transition set product, for example, or only back-to-college merchandise, or only trim-a-tree product. This approach helps us control store hourly payroll and improve the execution and timeliness of seasonal sets and transitions.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

We began testing segregated trailers in 10 stores for two seasonal programs just a couple of years ago. Today we segregate deliveries on more than 70 programs in about 250 of our highest volume stores. To ensure all stores have the right amount of product we segment replenishment based on each store's volume. Our system adjusts a store stocking process based on that store's volume and that store's traffic pattern.

Supply chain segmentation ensures we continue to drive consistent and improving in-stock levels. In addition, segmentation saves stores millions of payroll dollars. We continue to look for additional opportunities to ensure that each store gets what they need when they need it.

For example, consider food. To support an expanded food assortment in all stores we're more closely managing the procurement and distribution of perishable items. This year we began using Target systems in two food distribution centers which give us more control over the food supply chain and allow us to negotiate directly with our food suppliers. This leads to improved in-stock levels and enhanced freshness and quality.

While in-stocks are a key driver of guest satisfaction, loyalty and top-line growth, it's also important to protect our profitability by controlling clearance markdowns. One way we do this is through a rigorous approach to financial forecast and plans. Our financial process establishes a very detailed receipt plan by week for each merchandising team, but also provides the flexibility to exploit sales opportunities by business when those arise.

This disciplined process involves updating and reviewing detailed expectations with each senior vice president. [Kathy Tesha] and I review every division's forecast with each (inaudible) on an ongoing basis to ensure we're planning purchases consistent with future expectations, maintaining reserve open to buy, and supporting buyers who have identified a key item or category to exploit. Let me give you an example.

As you know, recent sales in apparel have been very soft; however, the swimwear team identified an opportunity early in the season to impact June and July noting that we've historically run out of stock in those months leading to a market share decline compared to the rest of the season. As a result the team determined key dates to invest some late incremental receipts; this drove a comp store sales increase of more than 7% in swim this year.

This example shows how conservative planning and forecasting still allows room to exploit key business opportunities while efficiently managing inventory. As a result, we drive sales, markdown sale on plan and we help stores manage payroll expense.

Our average markdowns are a more significant issue in our low volume stores. Our systems have always managed replenishment differently for low-volume versus high-volume stores, but new systems and new processes now allow initial assortments to be based more on volume and demographics. We can now edit each low-volume store's assortment based on their sales in each category and eliminate items that aren't selling well, which is especially important in fashion merchandise like apparel and home.

This fall women's apparel and select home categories will set low-volume versions of planograms in many categories. This will reduce inventory in these stores and these categories by 20% to 30%. To preserve the brand experience in these stores will ensure that all categories are represented and assortments are balanced to include the full range of basic and fashion product.

But by strategically reducing the amount of fashion merchandise in low-volume stores will improve gross margin, reduced clearance markdowns and reduce store payroll without impacting sales. Next year every merchandise division will implement low volume planograms.

I've already highlighted how these initiatives help reduce expense in stores, but I want to share other strategies we employ to reduce extensive and improve productivity. To better service all stores and decrease supply chain related expense we aggregate and hold select future set and ad product at the distribution centers until it needs to flow to the stores.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

For example ad items and new planogram product used to arrive in stores up to three weeks before it was needed. Now it arrives in stores just three to five days prior to it going to the sales floor. By reducing inventory in store's back room until it's needed we help stores save significant payroll dollars.

Finally, as we focus more on customized assortments by store we're undertaking an initiative to rationalize SKU count. An average Target store carries about 85,000 items. We know we have an opportunity to strategically eliminate many slow selling items from assortments while still maintaining our brand. This will increase efficiency, reduce workload and expense and drive sales.

With a commitment to disciplined execution our teams are focused on driving sales through strong in-stocks and improving profitability by reducing clearance markdowns and expense. The result is a Target supply chain from factory to shelf that is truly fast, efficient and guest focused.

Michael Francis - *Target Corporation - EVP and Chief Marketing Officer*

As you've heard today, we remain committed to our Expect More, Pay Less brand promise. Within marketing we strive to keep that promise fresh and relevant in the minds of our guests. Our success in connecting with our guests at the emotional level has always relied on our ability to pay off the brand promise by providing our guest with more, whether that means more style, more design or more service while ensuring that they're paying less.

Obviously with the recent changes in the economy we feel that it's more important than ever to underscore this special bond by reassuring our guests that not only are we in this with them, but that we're working harder than ever to deliver great prices and incredible values on the kinds of assortments and goods that they've always associated with the Target brand.

With this in mind we have four key objectives in marketing. First is promoting value for our guests. As you'll see in a moment, the majority of our new campaigns have been designed to acknowledge our understanding of the economic landscape and pressure and that we are uniquely positioned to respond to changes.

Our second objective is to drive traffic, promoting Target as a store where guests can fulfill nearly all of their shopping needs under one roof.

Our third objective is promoting Target's differentiated shopping experience and merchandise from that of our competitors, one of the true strengths of the Target brand.

And our fourth objective is innovation, whether through owned brands or through design partnerships or through new media and technology.

The enduring strength of Target's Expect More, Pay Less brand promise has always been in how we balance these two statements to remain relevant to our guests.

Given the current economic downturn our guests are naturally more focused on price. We know that there is a perception among some guests that our competitors offer lower prices. While this isn't true we're working hard to promote products and solutions that will both help our guests get through these tough times and help erase these misconceptions.

Despite the current state of the economy we also see an opportunity. We don't believe that over the long term simply having the lowest price on household commodities is an ownable point of differentiation for us. In fact, in terms of loyalty guests who are motivated solely by price tend to be fickle. Emphasizing value, relevance and solution orientation, on the other hand, allows us to show our guests that they can expect more and pay less at Target, and this is a message that will resonate not only in the current economy but also when things recover.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

We believe we're uniquely positioned to gain share in this environment that will stick with us as conditions improve. To put it another way, to our guests the true wow that underpins the fact that Target features fashions by designers such as Jonathan Saunders or Anya Hindmarch is that we offer couturier designs at prices that they can afford even now and that's the kind of value story that differentiates the Target brand.

Our opportunity is to do a better job of telling guests who are doubtlessly feeling stretched that they don't have to sacrifice style or quality in this economy; that Target stands as it's always stood, for newness, for great design, for great fashion at great prices which in combination provide relevant value to our guests.

For this reason we've now rebalanced our media mix and our budgets so that nearly three quarters of our spend will be devoted to supporting key merchandising initiatives with a clear value proposition. We intend to be much more explicit about Target's Pay Less proposition in all of our businesses because the economic pain that our guests are feeling is real.

(technical difficulty) In the months ahead we're working to ensure that nearly every communication vehicle we create contains bolder statements about Target value. But let me restate, it's about the balance. While we emphasize value we will also continue to innovate, to push boundaries and market in ways that are uniquely Target. In fact, while our New Day television campaign for fall speaks directly to the economic reality that our guests are facing, it also delivers as indelible a Target brand message as any campaign we've done.

(Video in progress)

In all of our testing these ads have performed extremely well with the message truly resonating with our guests. In September we introduced a new campaign that describes the Target value philosophy in two words, For Less. We'll use For Less to make a statement about Target's value in every corner of the store including our style businesses.

(Video in progress)

Another area where we're emphasizing value is in store. Our new $4 generic drug offer aimed at building frequency by converting guests into Target Pharmacy guests features a robust signing package as well as in-store digital marketing in many markets. Additional media is being used to support this initiative and includes circular, radio, receipt marketing, direct mail and online advertising.

Other ways we're promoting Target value in store, new price signs that focus on the one nugget of information our guest is increasingly concerned about, the price. Guests are also finding new value signing in key areas and new headers that emphasize value by price categories such as under $5, under $10 or under $15. In grocery we've updated our signing program to increase appetite appeal and emphasize freshness and quality while delivering a strong value message.

As we're dialing up our value proposition we're also expanding our programs designed to drive traffic. Our direct-mail programs this year have been extremely successful, reaching 50 million of our best guests and providing a 30% sales lift. In keeping with our more explicit approach to value we've rebranded our direct mail catalogs for beauty, style, entertaining and grand openings to reflect a stronger value message underscored by our Expect More promise.

We're also driving traffic through receipt marketing programs where we expect to generate tens of millions of dollars in incremental sales this year. Our Sunday circular remains our most important communication tool. Reaching more than 50 million households each week, the circular is unique in that it affords us the opportunity to present our total brand to our guests. It's more than presenting compelling values -- we can also share the full breadth of our store offerings; our services such as pharmacy, photo and optical; our new exclusive and differentiated product as well as our seasonal trends and campaigns.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

More often than not the circular is the foundation vehicle for all of our marketing campaigns. Typically we begin with the circular and then we layer on other media as necessary. Our Halloween campaign, for example, started with planning circular exposure for our key Halloween businesses such as our differentiated assortment of costumes and home decor.

We also looked at frequency of exposure for such Halloween essentials as candy and party supplies. And for differentiation we introduced an exclusive license of the Japanese property, Domo. On this foundation we've built an aggressive online campaign including viral advertising, a stop action Domo video along with in-store marketing, Target TV and newspaper.

One additional way that we're promoting value and driving traffic to the store is by adding incremental traffic driving messages to both the print and our online circular. New circular formats are creating stronger, higher impact spreads that feature fewer items on the page all grouped within the same price range.

We've also added more enterprise messages to the circular, bold, eye catching headlines that drive home some of Target's key messages such as "one run and you're done" or "you don't have to wait for a sale to save". In support of these key messages we've also rolled out a new value campaign that puts the spotlight on traffic driving essentials.

(Video in progress)

Our rebalanced approach is not only reflected in some of the work I'm sharing today, but it will be the dominant theme in 2009. While we seek new ways to drive traffic and to emphasize value we're not suddenly becoming a different brand. We're just being more explicit in an economic environment that has amplified the importance of value. We're still out there taking creative risks and looking for opportunities to put the Target imprint on things.

A good recent example is our Target Bodega concept for New York. Instead of re-creating the familiar corner Bodega that New Yorkers know and love, we've brought the city a new concept, a design Bodega featuring affordable designs by 22 different Target designers all in one store, all at incredibly low prices. It was a classic Target [hop up] event with one big difference -- press coverage of the Bodegas generated more than 280 million media impressions, that's nearly $10 million of free advertising. But this time it was Target's incredible value that became the dominant headline.

I stated at the onset another focus was differentiation. When we tell our guests to expect more, what we're telling them is that Target will offer them assortments in products that aren't typically associated with this level of retail. Within a broad category of differentiation we have four key areas of focus.

First, we have our signature national brands such as C9 by Champion or Converse One Star. Exclusive national brands like these help us appeal to guests by offering credible brand names at excellent quality at surprisingly low prices.

Second is Target owned brands. At Target we're taking a deliberate approach to creating and managing our growing stable of powerful owned brands. Through thoughtful benchmarking of companies like Procter & Gamble, we've expanded our own brand presence throughout the store.

Our Merona collection, for example, allows us to offer modern classic, high-quality fashion collections in women's, men's, accessories and shoes. Our Market Pantry brand provides guests with fantastic prices on national brand equivalents. And Archer farms, our premium food brand, offers guests the highest quality foods made with the finest ingredients all at an incredible value.

Third, seasonal events such as Christmas or back-to-school and secondary holidays like Valentine's Day and Halloween are another area where Target offers differentiated assortments and exclusive licenses that compel our guests back into our stores and that drive incremental traffic.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

And finally, our emphasis on affordable design by established or emerging designers continues to be a sustainable point of differentiation for Target. In fact, in this economy we believe guests who are no longer shopping their favorite upstairs businesses are attracted to Target because on offer them a credible alternative.

To these more affluent guest segments we're saying, yes, we have the things that you wouldn't expect from a discount store. But beyond that we have the things that you could legitimately expect to find at a Macy's or a Barney's. We've simply reinterpreted them at a more affordable price point that's even more appealing in this current environment.

As Kathy mentioned, newness is what's selling in our stores right now. We know that punctuating our assortments with up-and-coming designers is effective. As you've heard, we have added many new designers this year including Rogan Gregory who designed your gift bag today. Some of the other emerging designers will be fully supported in print in newspaper, circular and in-store campaigns.

The difference this year is the greater emphasis on value, in the designer's own voice as well as in bold headline treatments that underscore the concept of attainable design.

Beauty is another key focus area for Target, an area that is hugely important to our core guest and one that has really become a terrific destination business for us. Capitalizing on the success we've had with Sonia Kashuk, we continue to look for emerging talent and beauty -- designers who can offer us that extra dimension of differentiation. We've now added a trio of beauty experts to the mix -- Jemma Kidd, Petra Strand and Napoleon Perdis.

No mass retailer has ever been able to land prestige cosmetic brands like these let alone create in-store environments that allow our guests to test and sample the products. These three new industry insiders are featured in a wide variety of media types and in this television spot.

(Video in progress)

Closely linked to the topic of design is innovation, another area of focus for Target. Innovation applies not only to the product we bring into the store, it's a driving force behind our efforts to create a more seamless Target experience, whether in the circular, online, on your cell phone, in the print media or on television.

Multichannel is important to Target because industrywide Web influenced store sales are expected to grow in the range of 15% to 20% between 2007 and 2012. While we didn't invent multichannel integration, our pioneering efforts in the past few years have made it easier than ever before for our guests to access and interact with our brand. Already Target.com attracts more unique visitors than any other multichannel retailer in the world including Wal-Mart who we've outdrawn every month for the past 18 months.

Every month more than 25 million unique visitors come to Target.com to find information, to create shopping lists and to purchase online, resulting in a mid-teen percent increase in year-to-date online traffic and a high single-digit percent increase in year-to-date online sales. We're also now able to leverage user behavior to develop stronger marketing programs.

More and more Target.com is becoming an indispensable online extension of the store, replacing the print circular for many guests. This year there will be more than 60 million visits to the online weekly ad, up nearly 40% from last year and resulting in a similar increase in sales productivity.

I should also mention that for our plans in Alaska with the grand opening, it included forgoing a print circular, relying instead on an online only circular. This online only approach not only saved us the cost of producing and running a print circular, it gave us the opportunity to address price issues specific to the market as well as to offer some of the unique assortments to our Alaskan guests. An online circular also offers us an antidote to the steady decline in newspaper circulation.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

From an innovation standpoint we have a number of new goals, among them to put the entire store assortments online, available to be located, researched, reviewed and put on a Target list. When we achieve it we'll be the only general merchandiser in the US to allow guests the entire store assortment online.

Another .com initiative is to improve our targeted content which will give us the ability to display more relevant content based on guest shopping behavior, online and in-store. For example, guests who live close to a SuperTarget and browse our SuperTarget website will see the SuperTarget circular when they open up the Target.com homepage.

We also expect 50 million Find It At A Target Store searches on Target.com this year as more and more of our guests go online to check inventory availability before they travel to a store. This figure is up more than 50% from last year and in addition guests will create over 500,000 new lists this year using our Target List device, a significant feature since these lists have an average rate value greater than $600 a piece.

We developed a strategic plan that will enable us to build and integrate a mobile commerce platform into our broader retail operation. We started executing on this plan by launching the first mobile Internet site in May. Among its features is a store locator as well as a mobile version of our weekly ad. And this holiday we'll launch our first ever Target ap for the iPhone, giving guests access to the Target Gift Finder directly from their iPhone.

Future plans for the mobile site include a search and browse function for all Target.com products plus access to Find It At A Target Store along with ratings and the review of products. Looking ahead Target will continue to focus on the strategies that have guided our success to date, yet remain flexible enough to adjust to the changing conditions of the economy.

Our holiday theme this year is We've Got Christmas Wrapped, an approach that allows us to position Target as a store where you can do all of your holiday shopping, from great gifts to holiday entertaining to wrapping paper and decorations. But it also includes an important value promise, where we underscore that when it comes to finding value this holiday Target has a savings wrapped.

We've rebuilt the entire holiday season to ensure that everything underscores our commitment to value and differentiation and we have the tools in place to capture as much traffic as possible. We've fine-tuned our weekly circulars and will implement a number of strategies to ensure consistent guest traffic throughout the week. we've intensified our media mix to include midweek advertising in major markets as well as increases in radio.

We're implementing an extensive direct-mail campaign that includes a holiday catalog mailed to 12 million of our best guests plus midweek mailers offering category and storewide offers. We've even done a value-oriented media look book, identifying Target's top gifts at under $25. Online we'll increase our free shipping offer to include 50,000 items this year versus the 20,000 we offered last year.

We'll also offer extended circular pages online and we've created new categories to shop including top 10 items, top gifts and gifts under a specified amount of dollars as well as new and improved gift finder.

Our commitment to driving traffic to the store's website coupled with our efforts to promote Target value and our competitive prices will continue to shape our tactics going forward. Our emphasis on differentiation and innovation mean that our pipeline of new, bold and surprising ideas will continue to flourish and deliver exceptional values. Ultimately our goal is to engage the guest by striking that balance between Target's reputation for innovative and affordable design and great everyday values. Thank you.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

Thank you for your interest this morning and this afternoon. As we shift into our Q&A session I'm going to pose the first question and give you a couple minutes of an answer. Throughout the day and at lunch and continuing back into this room just before we began presentations again,

I have been asked a series of related questions for clarification surrounding how harsh our contingency planning is, how we stand this fall and into 2009 in terms of liquidity and access to capital resources. What kind of commitments we have for capital investment in 2009 and beyond and how all this might pull together in the event that the environment turns out to be much, much harsher than any of us might expect or hope for. It means that I'm about to make a set of very unique forward-looking statements, these aren't projections, this is a forward-looking what-if in some cases of the harshest kind.

First, let's focus on this fall. In my remarks a while ago I mentioned that we are already finished raising all of the capital we need for this fourth-quarter seasonal working capital build. We raised that at the margin in the commercial paper markets, we had not attempted to raise any commercial paper this year up until a couple weeks ago. And as we usually do, we intended to fund this year's peak with CP and that's exactly what we did.

At this point in time we have about $1.2 billion of CP outstanding, all of it raised, with maturities out into the holiday season. In other words, none of this was raised with overnight maturities or even 30-day maturities, all of it essentially 60 days plus and it is at this point money in the bank.

Our working capital profile from a seasonality standpoint almost always peaks with our highest needs around Thanksgiving weekend. And even in the most harsh holiday season remotely imaginable, a Six Sigma event if you will, we would expect to receive cash flow in December far in excess of the CP that we have outstanding and therefore don't anticipate any kind of needs to refinance CP by rolling it over in that case.

Our working capital then builds again toward year-end and, give or take, I would expect to be plus or minus either invested a couple hundred million dollars or outstanding a couple hundred million dollars in CP by the end of the year. But in short, we expect to have absolutely positively no liquidity related issues here in the near term and our seasonal needs are already 100% met.

Looking forward into 2009, some of you have even bigger imaginations than I do about how harsh the environment could turn out to be, but I'll run with the some of those for a moment to try to give some flavor of the variability on the downside case. Earlier in my presentation I remarked that at the margin in the short run a percentage point of same-store sales translates short term into give or take $120 million or $0.10 a share. Within boundaries that I can imagine that is rather linear or so let your mind wander, negative 5 comp missing $600 million or something like that if that happens to be your '08 Outlook.

I suppose if that were your '08 -- pardon me, that would be '09, that's one more than 8. Separately, clearly we've had some challenges, to put it mildly, in our card operation so far this year. We have addressed those in a variety of ways, Terry and I attempted to describe some of those ways among the centerpieces beyond line tightening and so forth we also engineered recently a terms change with an across the board 300 basis point increase in our finance charge revenue across all categories of our portfolio from the lowest risk to the highest risk inclusive.

That was designed to return our portfolio to premium profitability here as we turn the corner from '08 into '09 even at these heightened levels of risk. Yet I would clearly observe that the possibility exists that the risk continue to harshen even more than we may have predicted. And if so I attempted to put some numbers around that as well -- $8.6 billion of receivables. In round numbers if we miss the mark by the let's say two full percentage points in write off rate in '09 that translates into $170 million or something approaching $0.15 a share.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

In addition -- that would be the cash effect of course; in addition we would have to rethink the accrual accounting entry that's appropriate to build a reserve for risks coming out of '09 into 2010. I don't think the case I've just laid out is very likely at all, but certainly it is a moment in our history where never say never is probably the best watchword.

Collectively if all that were to happen simultaneously I'd also observe that I've just described an environment in which we're extraordinarily unlikely to purchase even $1 of our own shares under our share repurchase program. And separately I think that that kind of environment would peel back our capital investment in '09 to simply the commitments that we have in the pipeline right now.

And if you think about the projection that I made in August of investing in our business something in excess -- slightly in excess of $4 billion of CapEx predicated on assumptions we laid out at the time, I would observe that today something less than $3 billion of that, maybe $2.5 billion to $3 billion is committed in one sense or another and therefore there's certainly $1 billion to $1.5 billion of next year's originally projected CapEx that in the kind of environment I've just laid out would be capital we would certainly not elect to invest.

Net net, in an odd kind of way unless we get out to negative 10 comps, negative 15, negative 20 -- I don't know where you'd like to stop this. (multiple speakers)

Gregg Steinhafel - *Target Corporation - President, CEO*

I'd like you to stop.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

Without getting out --

Gregg Steinhafel - *Target Corporation - President, CEO*

You're scaring me.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

-- into that kind of tail, in an odd kind of way we become more cash flow positive in the kind of environment I've just described because the combination of cash not reinvested in capital investment and share repurchase would become a larger figure in the short run than the cash not generated by operations. There were a lot of negatives in that sentence, I hope you were able to track with it.

Again, I don't think that's the environment we're in, but I can't stress enough that if that is the environment that turns out to be in I don't think you need to do much other than go back to that 15 retailer credit rating visual to figure out who will be standing and who won't 12 months from now in the event that that environment comes to pass. There were five out of the 15 with A or better credit ratings and I think that it would be a very different competitive world in 2010 and beyond if we went through that kind of a style in '09. I hope that didn't scare you.

Gregg Steinhafel - *Target Corporation - President, CEO*

You were moving there.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

But with that thought in mind --.

Gregg Steinhafel - *Target Corporation - President, CEO*

Anybody that has a question just raise your hands. We've got John and Susan walking around with portable mics and that way everybody can hear the question. Just raise your hand and they'll get to you.

QUESTIONS AND ANSWERS

Unidentified Audience Member

So, Doug, to continue along the lines of the discussion, if we think about from a real estate perspective, you had said that you'd plan to open less stores in 2010 than 2009. Is it realistic that we'll get back to 2007, 2008 levels sometime in the next five years?

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

That entirely depends on the macroeconomic environment. As John walked through earlier, we underwrite these new store ideas literally one address, one proposed new site at a time and take a careful look at our projected sales, our projected profits and cash flow, relate that through backward, if you will, through an investment model to back into the answer to the question of how much can we afford to invest in the land given the rest of the dynamics and assumptions and make an investment proposition out of this?

I think that the answer to your question depends 100% on what happens to the macros from this point forward, but even if we went through some relatively quick and shallow slow down and had a terrific recovery by the back half of say '09 it would take us to probably 2011 or '12 to get back to where we were in '06 or '07 in store counts.

Greg Melich - *Morgan Stanley - Analyst*

It's Greg Melich with Morgan Stanley. Gregg, could you look out -- we heard a lot about food today and that was great to see how you're trying to differentiate in food. Historically in the US that's been a tough thing to do, but you seem to be doing pretty well at it. How far can you really go with that, if you think out 10 years are we going to be talking about Target doing to food in the US what Tesco say did in Europe?

And then a second question along those lines -- if you think -- historically Target's very much focused on growing in the US. Would you consider going overseas in these sorts of environments where you might be able to get great assets at great prices?

Gregg Steinhafel - *Target Corporation - President, CEO*

Regarding your first question I would say we are a general merchandise retailer that carries a wide assortment, that's our strength. We're a destination for a variety of categories from toys and sporting goods, electronics, apparel, home, pharmaceuticals and food is a growing category for us. I don't ever envision the day that we become a pure grocery store.

We are using food as one of the frequency driving vehicles to draw more traffic into our stores. Our guests have told us they are busy, they're time pressed and they want to have a store that can satisfy the majority of their needs. So we think food is an

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

important component of the Target experience, but that we in all likelihood would not evolve away from our roots in terms of being a multipurpose store.

As it relates to future growth internationally, as you heard today, we believe we have the capacity to nearly double in size here domestically where the risk profile is a lot less, where our brand is well understood and where the returns are superior. So in the near term and midterm we are focused on making sure that we get our retail business back on track, our credit business back on track and we take advantage of the terrific opportunity that exists here in America which represents a pretty sizable amounts of the world's GDP.

And because we are not the lowest cost provider our strategy is a differentiation-based model and it's not the low cost model, our brand would not translate as well as Wal-Mart or a pure food retailer would in emerging countries. So if we were to go international in the hypothetical case years out when we reach that point of saturation and we said that would be -- and that would be a possible next step, in all likelihood we would look to our borders first and Canada and Mexico before we would take the risk and go to Europe or Asia.

But as I said, we are not focused at all on that right now. We are a very domestic focused company because that's where the money is and that's where the returns are.

Bob Drbul - *Barclays Capital - Analyst*

Questions on credit, Doug -- Bob Drbul, Barclays Capital. The first one is when you look at the charge off rates in what we saw this week in the expectation, can you give us any range of what you think charge-offs will peak at and timeframe from your perspective in a best case scenario?

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

Yes, absolutely. I'll try not to answer it in the best case, but maybe a realistic case with some variation on the theme. There is no doubt about the fact that as we looked forward into '08 turning the corner end of '07, beginning of the year, we misjudged where this issue would land. If you go back 12 months ago our first statement about '08 write-offs is that we expected the write-off rate as a percentage of average receivables to not rise much above 7%.

We have modified that, I am uncomfortable acknowledging, twice, not once, most recently stating that we expect a net write-off rate for the year to most likely lie in the 8% to 9% range. Certainly the risks have continued to develop. The portfolio is not yet at a stable standpoint and I'll boldly make another statement and hopefully not need to amend it again. I think against the backdrop of that former statement of 8% to 9% today I'd say more like about 9%. And about 9% doesn't mean 9.00 or less with absolute certainty. Certainly for the year that rate could be 9.1 or 9.2, it's not at all likely to be 9.5% or 10%.

However, as we look forward into '09, certainly we're coming out of '08 with a sharply higher write-off rate than we entered the year, and that certainly means that the '09 rate is destined to be higher than the '08 rate. I personally don't think it's likely to rise too much further than our current experience. It could, but I don't think it's very likely. I personally think that it is most likely to peak sometime in the Q1-Q2 timeframe and not at all likely to continue rising in Q3-Q4.

I know some others who have larger portfolios have laid out an expectation that's a bit different in timing. And it isn't that I think they're wrong regarding their own portfolio, but obviously one of the more profound impacts in our portfolio in '08 has been the cohort of so-called 2007 product change accounts where, layered on top of a natural background set of risks driven by the macro environment, we layered a large new set of receivables into this equation that in hindsight, to put it quite mildly, turned out to be bad timing.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

And the write-off rates from that layer in our portfolio, a very meaningful layer, clearly will be peaking in the very near future. And so it becomes an interesting set of simultaneous equations on the improvement in that cohort relative to anything that might be going on in the rest of the portfolio.

But perhaps I've used a thousand words where 50 would do, but I would urge you to think about everything I've just said in light of the entire context of our card operation including the beneficial and substantial impact of our most recent round of terms changes, which I hope represent the last time we feel compelled to adjust terms in this fashion.

But I will tell you with great clarity that if I turn out to be wrong on me write-off rate we will execute another round of terms changes to restore the portfolio to a proper level of profitability and pay secondary or tertiary attention to the growth in the portfolio.

Robbie Ohmes - *Merrill Lynch - Analyst*

Thanks. Robbie Ohmes from Merrill Lynch. I think everybody that saw the grocery presentation today at the store was pretty impressed. And I know it's only two stores and a test, but it's running ahead of expectations. Can you talk a little bit more about how quickly you could roll that out and what the barriers to that would be in terms of local grocery rights and things like that? And also, if you were going to roll it out on a big scale to your store base could you talk a little bit about the distribution model and sort of who out there it would look most like? Thanks.

Gregg Steinhafel - *Target Corporation - President, CEO*

Yes. As we said, we just took the plastic down about 10 days ago, two weeks, and so we don't really want to get ahead of ourselves as it relates to what the potential is. Because in the first weeks of anything it would be like the slide that Doug showed of our store in Wasilla; our parking lot we only hope would look like that every day. We know that's not going to be the case. And when you introduce new test concepts like this there are times when they get off to these resounding starts like this particular test has.

But having said that, if you look at the portfolio of stores we have today, we have a single entry store with a fairly modest food footprint and then we have a SuperTarget. This concept really could be that bridge if it proved to continue to test out well and bridge the gap between a current 34 sided single-entry Target store and a SuperTarget; it could potentially be a very economic way to get into that middle ground where we don't have a perishable presence in our existing store base.

So as we think about it going forward, and provided it continues to do well, we will introduce this into our new store base. We open our new stores, as you know, in three cycles a year, a March, July and October cycle. So we currently have two stores scheduled to open in March from the ground up with 55 sides of food including that concept positioned exactly where we'd like it to be positioned in a single entry Target store.

We are anticipating continued assortment changes and progressing on that. We are already looking forward to our July cycle store in terms of how many of those we could potentially convert to this type of format. It would be a -- maybe a third of that cycle and then as we project forward we'll get to 50% or 100% by the time we get out a year from now.

That really is the new store cycle. Again, if we like what happens and after we open the new stores in March and if we can test this in some other demographic environments, because today it's in a downtown urban environment, there is no grocery competition down here. So we knew it was going to be a home run down here because there's nobody else to compete with. And we also have it in one of our suburban stores where there is a grocery store in the parking lot, it's doing well but it's not going anywhere near as well as the downtown store.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

So we're going to continue to test this in other environments to determine what demographics, what locations, what volumes does this economically makes sense for us to do. We then ramp that through our new store program and then we'll begin introducing this at the very end of next year into our remodel program. We've already done all the remodels for the first half of the year so we can't catch those, so it would be our last cycle of remodel.

Supply chain -- we have a hybrid supply chain, we'll continue to have a hybrid supply chain where we have SuperValu, C&S, McLane, our regional distribution centers deliver all of our dry products and we will use our own facilities and we'll have that network that will support any future rollout in food. And depending upon where the geography of these stores are will determine what supply chain supports them.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

Some of us do remember when you could draw a line through those two data points we have, staple it in a prospectus and have quite an IPO. But I'm not sure that's today.

Adrianne Shapira - *Goldman Sachs - Analyst*

Adrianne Shapira from Goldman Sachs. Just following up on the food, can you just talk about now with some of the food DCs what the margin implications are for the category? And then following up, it seems as if segmentation strategy will play a part of determining where it makes sense to introduce food. How do you think about marketing the expanded offering to make Target a destination for this if it's not going to be a chainwide opportunity?

Gregg Steinhafel - *Target Corporation - President, CEO*

Well, the food distribution center, as we progress into our own it becomes we are laying out the capital, we have greater expense, the offset of that is the fees we're currently paying from our wholesale suppliers and additional gross margin in that we can buy better than our current wholesalers can. But in aggregate it is an NPV positive neutral decision to open our own facilities where we have sufficient density of Target stores to convert that -- to convert to our own versus a SuperValu facility. So we really are going to look at it geographically based to make sure that we're making the right supply chain decision.

There is a lot of complexity about how do you market something that is in a limited number of stores. We faced that challenge already with SuperTarget. We have 239 SuperTargets, they're geographically dispersed and we can't put that in every one of our Target circulars every single week. So currently we patch out the circular and we drop SuperTarget only content into our Target circulars on a monthly basis, we have to supplement that with ROP. And over time, as we expand our food footprint, we can add more and more of that into the circular.

But there is a lot of complexity with having customized geographic assortment because you can't get all of your own brand products into every store, you can't use the circular which is our most productive and our strongest marketing vehicle. So we have to come up with other ways to continue to market food until we get enough geographic density in any one market where we can overlay the circular and put a big patch in and say here's a SuperTarget offering. And that's what we currently today in markets like Denver, Dallas, Atlanta, Minneapolis.

Teresa Donahue - *Neuberger Berman - Analyst*

Teresa Donahue, Neuberger Berman. We've heard a lot about a number of operational steps that you're taking on the gross margin and on expense management right now, some of which are new to us. Could you give us a sense as to how the sensitivity of the store model is changing with this to a percentage change in comps versus what it might have been six months, a year or two years ago?

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Gregg Steinhafel - *Target Corporation - President, CEO*

Let me take a stab at it and then maybe Doug wants to provide additional color. As I said in my presentation, we had -- the prior five years we had same-store sales at approximately 4.5%, total sales were in that 11% to 13% range and we had an expense rate that grew in excess of that. We really are committed to lowering our center of gravity so that we can leverage SG&A and our fixed expenses in that two to three comp store range in a normalized environment.

So we're really focused on productivity and expense management on that side of the equation and, in a more normalized environment where we don't have such severe pressure on the discretionary categories, we believe we should be able to offset the majority of mixed deterioration that we have been experiencing as we've been growing our commodities in our food business.

Today we can't offset that because the shift is just too dramatic. In the past we were able to not only offset it but we were able to actually expand our gross margin rate. Now we know that we're not going to be able to do that in this environment or even in all likelihood in the future, but we'd like to minimize the mix implications and keep that into the 10, 20 basis points range on an annual basis.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

Virtually everything that we've accomplished from an SG&A standpoint this year is perfectly repeatable. So far this year through two quarters, the figures that are publicly available, about the only thing I'd call out of any substance in our SG&A picture net that I hope is not repeated is that there is a distinct lack of incentive compensation based on this year's results. And I don't serve that up for its value as humor, but rather as we think about a normalized year in Greg's terminology there would be a higher level of incentive compensation as a percent of sales, talking about a 10th or two, I'm not talking about multiple 10ths.

To the extent that there's anything at all in our profile in either Q3 or Q4 this year, once we report those figures we would certainly discuss that as well. But net net, I am very, very pleased with the quality and quantity of our progress in expense control in 2008 and I think that virtually all of it will pay splendid dividends, splendid benefits in 2009 and beyond.

Bill Ackman - *Pershing Square - Analyst*

Bill Ackman from Pershing Square. In light of where the stock is, obviously it would be a wonderful time to be an aggressive buyer of shares, at the same time it's an environment in which liquidity is obviously critically important. Have you -- in the past you've used mechanisms like buying and selling options and so on. Have you considered economically canceling shares, for example, through the purchase of an equity swap on your own shares as a way to economically retire shares without putting the same kind of demands on the balance sheet and liquidity?

I know that creates some potential noise from an accounting point of view, but I think the shareholders are sophisticated enough to understand that that's what the implications are. I just wonder what considerations you'd have for doing that, but I do think that would be an interesting way to -- I'd love for the Company to own more of its stock at 33.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

It's a great set of questions. As we have thought through that historically, you may recall that in Q4 last year we elected to enter into a derivatives transaction associated with our share repurchase program, but not in the form of a total return swap, but rather in the form of a purchase and sale of some structured call options in a particular kind of way that allowed us to get far more mileage out of the share repurchase program in advance of actually having the liquidity to cover it.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

You're correct that the accounting for a total return swap would expose our ongoing P&L to the impact of gains and losses in our shares. Equity accounting for an equity instrument doesn't apply in our case to that kind of a vehicle. I think looking forward we'd be far more interested, to the extent that we elected to execute anything at all related to derivatives in our shares, to repeating something like the structured call options transaction that we executed and disclosed in our 10-K last year and in our 10-Qs as well as opposed to a total return swap.

Unidentified Audience Member

You were talking about streamlining SKUs. What's driving that, what do you think you can achieve from that and would it be by category or price point?

Gregg Steinhafel - *Target Corporation - President, CEO*

It really is very business specific. The question was around SKU rationalization. As we customize and we really zero in on what is selling in what store and what market we also know that there are underperforming SKUs in those same stores and same markets that are just taking up space. They're expensive, they require us to mark them down at the end of the season and we now have better technology and better supply chain that enables us to create a planogram or cluster specific planograms that edit out those slow sellers, whatever they may be, within a given cluster of stores.

And so we just think, like anything, that we can prune and edit and SKU rationalize in that 5%, 6% or 8% range over the next couple of years. So this is not -- it's not a significant number of SKUs, but if you really look at and apply that 80-20 or 90-10 rule, these are the least productive items, they don't get advertised in our circulars, and in the past it's been too complex for us to edit those out of the assortment. And in today's world of technology we believe that we can edit them out and that it will make our merchandise impact even greater than it is today.

We think we do a pretty good job on merchandise presentation but when we've eliminated shelves and we've eliminated SKUs and we've simplified the shopping experience in some of these categories where we felt we were a little long on the SKU content, our consumer has liked the fact that we have done a better job of editing the assortment for her and we're able to double and triple face the best sellers.

So we've actually seen a sales lift and a reduction in markdowns. So it's category by category, there are going to be some categories like food where we are expanding our SKU base, skin care where we're expanding our SKU base and other categories where we're going to be editing and tailoring our SKU base. And we really are taking a very surgical look business by business throughout the store.

Unidentified Audience Member

(Inaudible question - microphone inaccessible)

Gregg Steinhafel - *Target Corporation - President, CEO*

4,000 or 5,000 on that 85,000 base, yes, it could be over a two-year time frame.

Uta Werner - *Sanford Bernstein - Analyst*

Uta Werner, Sanford Bernstein. A quick question regarding the consolidation we're seeing in the retail channel. Typically what you'd see is if there is a retailer going out of business you have a near-term impact because they have a liquidation sale and then you have a medium-term positive impact because the competition falls by the wayside.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

To what extent do you feel that customer base and merchandise of those retailers currently going out of business is close enough to feel the near-term negative and longer-term positive impact? Or to what extent do you feel those retailers are relatively irrelevant to your customer and merchandise base and therefore you will not feel it?

Gregg Steinhafel - *Target Corporation - President, CEO*

I think in the case of Mervyn's and Linens 'n Things in particular where they're really in the same trade area as our stores, there will be some short-term impact because demographically we're close enough, there may not be an exact match but it's close enough that they will draw some additional consumers out of our stores and into their stores.

So this may be a little bit more challenging in Southern California or Northern California where they have a greater density of stores. But as you said, over the long-term taking capacity out of the system is a terrific thing and we just hope that it accelerates and that this climate -- the silver lining in this climate is that those other retailers that are on the margin don't make it through and that will create better health and wellness for the industry in total over the long term.

Neil Currie - *UBS - Analyst*

Neil Currie, UBS. Given your guidance for the full year being above last year's level and also what you've talked about today regarding your expectations for the credit card profitability, what are your expectations for the holiday period? Do you feel that you have to do a positive comp or do you think that there are enough cost savings out there that you can get away with a negative comp toward the range that you're seeing right now?

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

It's a great question. Even though we attempted to communicate clearly on this point it's an awfully important one and I'll be very careful to repeat what we said about exceeding last year's EPS. We said that most recently that we would still expect to exceed last year's EPS in the event that we generated same-store sales of zero or better in the fourth quarter and in the event that our credit card portfolio stabilized at current rates, current experience.

And you've seen what that current experience is to date, or yesterday rather. Yesterday's filing was, of course, with respect to September's credit card operations. So the answer to your question of course is that in the event that our same-store sales turned out to be negative here in Q4, then we would clearly no longer expect necessarily to meet or exceed last year's EPS.

Unidentified Audience Member

First, I want to just comment how wonderful it is to be exposed to a much broader group of individuals and get a sense of the organization that you work with. So I think we all appreciate very much seeing more of the organization than we typically have at these meetings. Question for you.

Back in 2000 your comps went negative and food was a very, very small percentage of your business in those days. Today food is a much larger percentage of your business, but your comps are still on the margin, negative or close to negative. Why do you think you haven't gotten more traction in your business with food as a driver and are you surprised that your comps have done what they've done?

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Gregg Steinhafel - *Target Corporation - President, CEO*

Well, back in 2000 food was probably in the 2% or 3% range of our total store business. Today all in general merchandise SuperTarget, my estimation is it's perhaps 10. So it's bigger than it was in the year 2000, but clearly it is not at the same level or the same percentage of total as a Wal-Mart business or as a Costco.

So if you look at the retailer base and who's performing well and who's not performing well, really Costco and Wal-Mart are in a class by themselves as it relates to their mix of business being committed to frequency driving categories and specifically food and I believe that's the primary reason why their comps are as strong as they are.

If you took our food comps and their mix our same-store sales comps would be equal or better than theirs, we just don't have the share of store. We don't have enough critical mass in food to offset the impacts of the consumer and the lack of discretionary money that they have. 40% or over 40% of our business is still in apparel and home and so we have just greater exposure in these categories and those are the categories that are underperforming the most.

You look at Penney's and Kohl's and they're running down 8, down 10, down 12. We've got 40% of our business that has that same kind of exposure that are under pressure. So overall I would tell you I think we're performing very well in the marketplace considering the mix of business that we have. And would I like to wave my magic wand today and say we'd like to have this test store concept downtown Minneapolis in all of our stores and have a stronger footprint? Yes, I'd like to have that.

But the fact is we don't have that. We're committed to expanding our food footprint in a logical way, but we want to be smart about it and we don't want to expand into a concept before we really understand what it's going to cost us and what kind of return we're going to get.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

The US market for apparel and home products today is in far rougher shape than it was during the time period you're describing. The main source of our software sales at that point was retail price deflation; our unit sales were actually quite strong through that period in those categories, but of course we report sales in a nominal sense, not a real sense and we were engineering rates of deflation in our cost of sales at even more interesting rates, more favorable rates than the rate of deflation in our top line.

So it was actually a very satisfying period from a bottom-line standpoint, but a very, very different macro period. By the way, the earnings that go along with Gregg's pro forma, our mix -- their mix, our sales on an EBS basis -- that's earnings before bad stuff -- superstrong, superstrong earnings.

Unidentified Audience Member

There's a piece of legislation that's pending in Washington, I think it's called the Employee Free Choice Act.

Gregg Steinhafel - *Target Corporation - President, CEO*

Forced Choice Act.

Unidentified Audience Member

Fair enough. That certainly would make it much easier to unionize US workplaces. How concerned are you about passage of that legislation and how will that affect how you manage your human resource function if it passes? Obviously culture and flexibility are important in how you execute your business plan?

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Gregg Steinhafel - *Target Corporation - President, CEO*

Yes. You probably saw and felt the Target culture, we're a very collaborative team. We have a lot of volatility in our business model and our team members exchange jobs and they fill in for one another and they engage the guest in a lot of different ways and they do a lot of multitasking in our stores. That piece of legislation we think is very damaging to all of American business and we stand strongly opposed to it.

Senator Obama said he would sign that legislation and we know that the House has already passed that legislation. And so what we are hopeful for is that there is a -- if there was a President Obama, that there would be a filibuster proof Senate that would keep that legislation from becoming law.

We are not betting on that happening at this point in time, and so we have been really working hard as an organization to really develop even stronger culture in working with our key leaders in our distribution facilities and in our stores in particular to make sure that everybody understands how important it is to be the workplace of choice and to recognized team members contribution, be flexible in terms of scheduling and making sure that our leaders are paying attention to the signs and that we don't have any unionization or we don't create any incentive for our teams to believe that it would be better to have third-party representation.

So we're very concerned about it, we are fully engaged as an organization in training modes and education at this point in time and we're working hard with those senators in particular that we believe are more moderate in nature and that if it came down to that kind of vote they'd really understand the damage it would do to Target and all American business, whether you're a retailer, whether you're a wholesaler, whether you're a restaurant, small business, whatever it is. There's a lot to that legislation that we don't like. So we're concerned about it, but we're optimistic that it won't go through.

Unidentified Audience Member

Just first, as a follow-up to that question. In sort of a worst-case scenario if it did get through, any thoughts on what kind of a -- aside from the cultural service impact at the store level, what kind of expense kind of impact or cost structure that would mean for you versus where you are today?

And then secondly, you've talked a lot today about cutting costs and trying to keep service levels up. While somewhat anecdotal, stores have been in -- at times feel like there's less labor, maybe longer lines, it may be situation by situation. But how were the store managers motivated to keep the right balance, hit their targets, hit the cost structure that you want them to hit, but at the same time make sure that there's enough labor on the floor to keep the service levels as they should be?

Gregg Steinhafel - *Target Corporation - President, CEO*

Let me take your second question and maybe, Doug, you want to try and tackle the first question. Our store team leaders -- we look for organizational alignment. Jodee talked about that and I talked about that and how important that is. So we try and have a compensation system that all dovetails and all makes sense both from a sales, a profit and a guest experience standpoint.

So we incent our store team leaders to deliver both top line, bottom line and guest experience. And so we incorporate team member surveys and guest surveys on a regular basis and the brand standards. And so we add all of that into their compensation and their incentive programs so they don't get incented to do something that either damages the brand or cuts expenses inappropriately just to hit one metric. Because if they did that their service levels would go down. Their guest survey scores would go down and they would be docked meaningfully for that.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

So we believe we have struck the right balance of creating the right culture, guest experience and financial metrics in the stores so that how our store team leaders and our executive teams in the stores, they really support both the Target brand and the economic value that we're trying to create.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

With respect to your first question, Gregg tried to be very clear in his answer to the first half of your question, I'll try to be as clear here. I think if that legislation passes it would not necessarily represent a competitive problem for us because in the environment where I would presume we would be seeing substantial organized labor impacts at Wal-Mart, Costco, Depot, Lowe's and Target, I don't believe that would put us into a competitive disadvantage, but I think the collective impact of that would clearly be distinctly measurable in the health of US retail sales as measured by the federal government and it would not be a good change.

Gregg Steinhafel - *Target Corporation - President, CEO*

Just one last point on that. Developing a strong culture in our stores has been really a priority for Target for a long time. This is not something that we decided that we would begin focusing on because of [FCA] legislation.

We are -- as you know, we are a union free company today and we've worked hard at being that and our team member, culture and our open-door environment in creating and being the right employer of choice and providing flexible and the right incentive programs and recognition and reward and thoughtfully engaging our teams -- these have all been very conscious long-term efforts on our part to attract, develop and retain great talent.

So I think when you go into a Target store I would hope that you feel inspired by the team that's there and see that there's a noticeable difference in our teams versus some of the other retail teams because we really believe that over the years we have really tried to create that kind of culture that is really fast, fun and friendly, that's really positive, optimistic, enthusiastic and it's just something that we're committed to.

It's part of our values, part of our culture, part of our DNA, part of our heritage. So we would be by no means immune from FCA legislation, but I might take the risk, knock on wood, to say we might be slightly less vulnerable than others because of our commitment to the workplace and to our team member base and the commitment that we've made over a long period of time.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

It's approaching three o'clock, we're very, very dedicated to making sure that you can board the coaches outside at three fifteen. So I'd suggest maybe two more questions and then we'll wrap up this segment of our meeting with a few quick comments. So do I get to ask Gregg the questions?

Unidentified Audience Member

Doug, you talked earlier about striking the balance between capital investment and stores and share repurchase. And then it looks like with the store projections for '09 and '10 there will be incremental dollars that probably won't be spent on -- back in the stores. Should we expect that if the environment stabilizes where it is today, that capital which would have gone into the stores will be reallocated towards share repurchase? And we should hold leverage basically constant where it is today and it will be those dollars that will be used for share -- how should we think about that balance?

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.

Doug Scovanner - *Target Corporation - EVP-Finance, CFO*

You should be thinking about this not in terms of balance sheet leverage but in various forms of credit-related metrics, interest coverage for example or rent adjusted debt as a multiple of rent adjusted EBITDA, that sort of thing. In that light it means that with decent operating results then you'd see fairly constant share repurchase interest even on some diminished CapEx but of course at much harsher stress testing of operating results, the likes of which we went through a bit earlier, you'd see reduced CapEx and no share repurchase.

So it's all a matter of keeping the right balance and ultimately, borne out of our objective to take no intentional actions that would threaten or jeopardize our A1, P1, F1 short-term ratings. Certainly if the markets in some sense move us into an awkward position it doesn't mean that that's a promise that from now until eternity those ratings will be intact, but we certainly wouldn't execute discretionary share repurchase activity with the clear intent of trading off those credit ratings in exchange for the benefits, short run and long run, of share repurchase.

With that I'd like to thank you very much for your time and attention and traveling today to join us. And as always John [Hulbert], Susan [Kahn] and I are available to address any questions that you might have that come out of any of the material we've covered today or anything else. Thanks.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.

© 2008 Thomson Financial. Republished with permission. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Thomson Financial.