

TO OUR MEMBERS, SUPPLY PARTNERS AND ASSOCIATES

DEAR TRUE VALUE COLLEAGUES:

We have completed the first full year of executing our long-term strategic plan to build a stronger, faster growing, more profitable True Value. It was a year spent doing the hard work required to drive transformation. We're proud of the progress we have made and grateful for the part you've played in it.

Transformational change in progress

When we first developed our strategic plan, we knew the key to a long-term future was transformational change. This is not incremental change, with small improvements here and there. We're looking to drive significant improvement across every aspect of our business, organizing our efforts and initiatives under three pillars: engagement, growth and efficiency.

We're very pleased with the progress we have made across each of the three pillars. Not everything went exactly as planned. No transformation ever does. Our journey together is still in the early stages, but we're starting to see positive momentum. The results are starting to come.

Investing in the future of True Value

Transformation requires investment. As planned, this year we made much-needed investments in True Value's infrastructure and capabilities to support member growth and profitability.

We are reinvesting significant resources to build a better True Value—for today's members, today's customers, and for

the members and customers of the future. This reinvestment will last for the next several years and create an organization for the next generation.

So, what are we getting so far for our investment?

- **National advertising that far surpasses past strategies** in sophistication and reach. Our investment is driving real gains in brand awareness and, more important, for event program participants it's delivering dramatically better sales in promoted items than non-participants. See page 6 of the annual report for more detail.



JOHN R. HARTMANN AND
BRENT A. BURGER



NATIONAL ADVERTISING HAS BEEN POSITIVELY IMPACTING BRAND AWARENESS AND, FOR PROGRAM PARTICIPANTS, SALES.

- **Educational support like our new Customer Service Training Program**, which we developed to help our members teach their people how to be more effective customer relationship builders. Read more about it on page 8.

- **Programs like our Customized True Blue (CTB) assortments and our Every Day Low Pricing (EDLP) program**, to help our members make sure their customers find what they want, for a price they like. See page 10 for more detail on the CTB program.



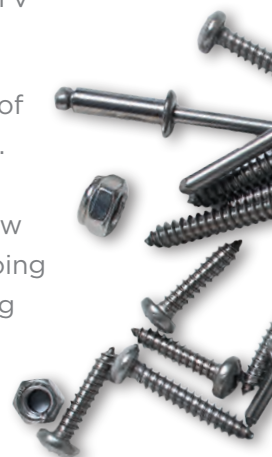
- **An overhaul of our technology and infrastructure** that will drive next-level efficiency aimed at increasing your margins and improving the quality of service we provide you. Our initiatives range from revamps of our network, applications and business capabilities to a brand-new, more user-friendly intranet site, to an expanded relationship with our partner, transportation leader Ryder. See page 12 for the Ryder story.

Positive 2014-2015 performance

During this time of transformation, sales growth performance has improved significantly. Between 2005 and 2013, our sales declined. In 2014 and 2015, the first two years of our strategic plan, growth averaged 3.5 percent. And for the five years prior to the start of our plan, your retail sales growth averaged less than one percent. In 2014 and 2015, year-over-year retail sales growth has averaged 3.1 percent, with Destination True Value (DTV) stores averaging 4.75 percent.

It was a solid year for DTV, with members completing a total of more than 600,000 square feet in remodels during the year just past, and there's even more in the pipeline for 2016. This is great news for the co-op, because DTV works. All our data continues to show that stores with a modern, relevant format like DTV grow much faster than non-updated ones.

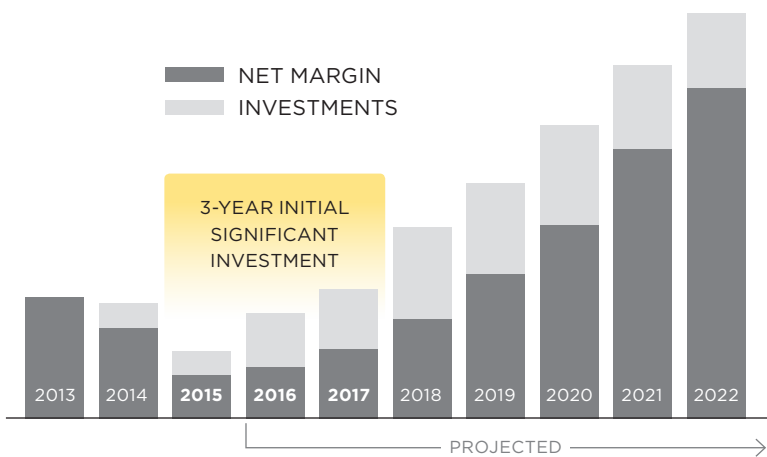
Another highlight for 2015 was the addition of 380,000 square feet of relevant retail space. And the best part is, with solid performers like new co-op member Busy Beaver and new space using the latest DTV designs, we're doing much more than adding space. We're making our co-op stronger and better.





Despite a tough spring season, total gross billings came in at \$2,033,196,000, growing by 2.0 percent over last year on a comparable 52-week basis. As we had planned, our net margin was down, largely due to the considerable investments we're making.

THREE-YEAR PERIOD OF SIGNIFICANT INVESTMENT TO ACCELERATE PERFORMANCE



We continued to keep our commitment to pay a consistent cash dividend to our members. This year's cash dividend is comparable to last year, and we expect to continue this level of cash returns during this period of heavy reinvestment.

The best is still ahead

When we first presented this plan to you, we said it would not be a large binder that collects dust on a shelf. This strategic plan is a roadmap for action, and we are taking action. Bold action. That's what it takes to drive transformation.

The results are starting to come. Many of our investments are already gaining traction. With your help and continued commitment, we are building on that momentum to create the kind of company that we will all be proud to be a part of.

Sincerely,

John R. Hartmann

President and Chief Executive Officer

Brent A. Burger

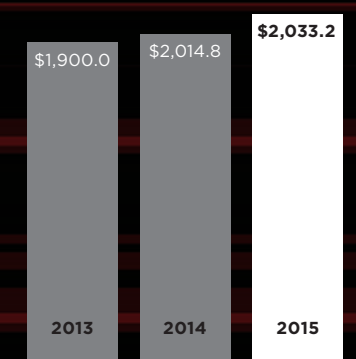
Chairman of the Board

2015 FINANCIAL HIGHLIGHTS

We have begun to generate momentum in a year of significant investment in our future, and we expect to continue to build from here.

GROSS BILLINGS*

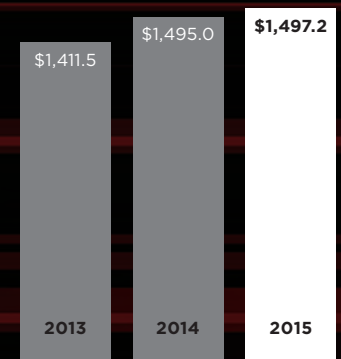
\$ IN MILLIONS



*Note: fiscal 2014 figures are based on a 53 week year, fiscal 2013 and 2015 figures are based on 52 week years

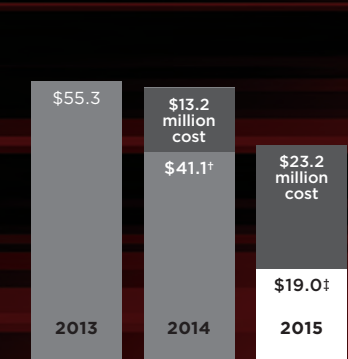
REVENUE*

\$ IN MILLIONS



NET MARGIN

\$ IN MILLIONS



[†]Including 2014 Strategy Cost
[‡]Including 2015 Strategy Cost

RETAIL SPACE: MORE/BETTER

With DTV, new stores and conversions, we're doing more than adding retail space. We're making the co-op stronger.

~ 1,000,000

Added square feet of relevant retail space

127

New Stores

63

Conversions

THE VALUE OF TRUE VALUE

(\$ IN MILLIONS)

	2014	2015
PATRONAGE DIVIDEND/CASH	\$20.5	\$19.0
PATRONAGE DIVIDEND/NOTES & STOCK	\$20.6	0.0
INTEREST ON NOTES	\$6.2	\$6.1
PROMOTIONAL DISCOUNTS	\$35.1	\$36.0
DATING & ANTICIPATION	\$17.1	\$17.9
REUNION SPIFFS/RACKING	\$7.5	\$7.8
MARKETING REIMBURSEMENTS	\$10.9	\$10.3
GROWTH CREDITS & LOANS	\$33.7	\$41.0
PROMOTIONAL FREIGHT	\$3.6	\$5.8
SUBTOTAL	\$155.2	\$143.9
% OF PURCHASES	8.2%	7.5%
STRATEGIC INVESTMENT	\$13.2	\$23.2
TOTAL INVESTMENT	\$168.4	\$167.1
% OF PURCHASES	8.9%	8.8%