

Dear shareholders, associates and customers: Throughout our history, Walmart has been an innovator in retail. We're now living in a new period of disruption, largely driven by rapid technological advances, and that change is likely to accelerate even further. Our efforts are squarely focused on emerging as the retail leader. Around the world, we face stiff competition, but our future is within our control. We are a strong and profitable business, with unique strengths and assets. Our people, stores and supply chain, combined with our customer relationships and willingness to change, provide the opportunity for us to continue to win with customers. In fiscal 2016, we took several important steps to reimagine Walmart, including initiating an approximately \$2.7 billion investment in our people over two years and ramping up Online Grocery. And we will move even faster going forward. The bottom line is this: we have the resources to chart our own destiny, we know where we are going, and we will win with a strategy that only Walmart can execute. Our work starts and ends with the customer. Technology has changed customer expectations. Customers used to compare us with the store down the street; now they compare us with the best online shopping experience. And beyond just retail, they compare us with every business they interact with in their lives. They compare our pickup experience to the speed and friendliness of the best drive-through. They compare our checkout process to the ease of paying with an app. Our customers have high expectations of us. And they absolutely should. People have limited time, limited money and limited patience. With so many options and technological tools available today, shopping shouldn't be a hassle. Our customers deserve and demand value, professional service and a simple, easy experience. And when they're searching for an item or paying for their purchase, they want it to be fast. Winning with customers today means being actively on their side – making their daily lives better. Customers should be able to shop on their own terms – in a great store or club, with a quick pickup stop on the way home from work, or with items reliably arriving at the front door. And

customers want to have some money left over to put toward their priorities: an experience together as a family, a special gift every once in a while, or savings for a rainy day. Retail is not just about putting items on a shelf anymore. It's about fighting for our customers, cutting out the hassles and the headaches and advocating for them on price, too. We're moving beyond just selling products to being the brand customers rely on to make their lives simpler and more meaningful as they save money. The winners in this time of change will be those who put the customer first. Our plan to win is clear. It starts with unparalleled assets that only Walmart has – our 2.3 million people; more than 11,500 retail locations; e-commerce websites and apps; and a dynamic, optimized supply chain. But it also requires new capabilities and fresh thinking. This includes new digital tools for customers and frontline associates, as well as back-end software and platform work that benefits the entire enterprise. The use of data, algorithms, advanced forecasting capabilities – and more – is of extreme strategic significance. We will put these pieces together in a way no one else can. We will reimagine Walmart by being the first and only to deliver a truly seamless shopping experience at scale, with great savings and massive selection. We want customers to:

- Trust us to save them money,
- Find it simple and easy to do business with us, whether digitally or physically,
- Know they can find whatever they're looking for, either in stores, on our e-commerce sites, or with our marketplace vendors, and
- Get items when and where they want them – in stores and clubs, through pickup on or off-site, or delivered to their door. Ultimately, customers don't care about what channel they're shopping in, or about how we deliver them a product or service. They simply know they're shopping with Walmart. We made great progress against this strategy over the past year. To help our associates succeed and better serve our customers, we're making big changes – including investing approximately \$2.7 billion over two years in higher wages, education and training to make Walmart U.S. a better place to work and shop. This is an investment to strengthen

our company, and we're already seeing positive results: our fourth quarter of fiscal 2016 marked six consecutive quarters of positive comps and five straight quarters of positive traffic at Walmart U.S. There is an underlying strength to the U.S. business that was not there a year ago. Everything we're doing in omnichannel depends on customers having great interactions with us in our stores. We're also accelerating e-commerce and technology advances globally. We expanded Online Grocery shopping to new markets, ramped up in-store and in-club pickup, fully acquired the Chinese online retailer Yihodian, and began to add new mobile services such as Walmart Pay. We developed a technology platform that we can scale across the business. We improved our fulfillment capabilities with new centers that are helping us get orders to customers' doors faster and more efficiently. Last year, we also took difficult but necessary steps to sharpen the focus of our portfolio. The decision to close stores is not one we took lightly, but we must do what's right for the company. We'll continue to evaluate our portfolio as part of the normal course of business. Overall, we served nearly 260 million customers a week last year in 28 countries. In the United States, more than 78 percent of Americans shopped with us during the year, and traffic was up over last year. Excluding more than \$17 billion in currency impacts, we delivered revenue of \$499.4 billion, up 2.8 percent, which is \$13.7 billion of growth. As we win with the customer, we will also create a great place to work. We will create tremendous opportunities for people from all walks of life, with all kinds of skill sets and education levels. We're striving to create a true meritocracy. Diversity and inclusion are core to who we are and make us a stronger company. No matter where you start from or what your unique and special characteristics are, you can fulfill your potential here. We believe in opportunity and that hard work, dedication and talent should be rewarded. We will also shape global systems using our size, mindset and policies and help make the world a better place. We create opportunity throughout our global supply chain – on farms and in factories,

by buying more from women-owned businesses, by hiring veterans and by strengthening the retail industry workforce. We also work to be more sustainable, both in our own operations and in our supply chain. We have three big goals: creating zero waste, running on 100 percent renewable energy and selling products that sustain people and the environment. And we give back to the communities we serve – supporting American manufacturing, preparing for and responding to natural disasters and fighting hunger. Customers can be proud to shop at Walmart. When you put it all together, we'll enable customers around the world to save money and time, so they can invest more of both in the things they love. And we'll help make the world a better place one community at a time. We will win with a differentiated, disruptive strategy and a foundation of operational excellence. As we do, we believe shareholders will benefit by receiving above-average returns. We have a continued commitment to our shareholders that we're very proud of. Last year, we were able to return more than \$10 billion to shareholders through dividends and share repurchases. This year, we announced a dividend increase to \$2.00 per share, marking the 43rd consecutive year of dividend increases for Walmart. Although this will be another year of foundational investments, we believe we will soon be growing faster than the retail market. We are a growth company; we just happen to be a large one. The road ahead will not always be easy, but by being customer-focused, hungry, fast and accountable, we will win and have a good time doing it. Thank you for your continued interest in our company. It's an incredible time to be a part of Walmart. Sincerely,