PRESS RELEASE

ACE HARDWARE REPORTS THIRD QUARTER 2009 RESULTS

- *Increased net income to $26.7 million, up 1.0 percent*
- *Increased adjusted EBITDA to $44.2 million, up 4.1 percent*
- *Reported revenues of $832.6 million, down 13.9 percent*
- *Named the top distributor in the industry on "Home Channel News" 2009 Top 150 Distributors list for the second consecutive year*

Oak Brook, Ill. (November 17, 2009) – Ace Hardware Corporation, the largest retailer-owned hardware cooperative in the industry, today reported net income of $26.7 million for the third quarter of 2009, an increase of $0.3 million or 1.0 percent, compared to $26.4 million in the third quarter of 2008. For the nine-month period ended October 3, 2009, net income was $83.3 million, an increase of $12.7 million or 18.0 percent over 2008.

After excluding certain non-comparable items, Ace reported adjusted EBITDA (earnings before interest, loss on early extinguishment of debt, taxes, depreciation and amortization expenses) of $44.2 million for the third quarter of 2009, an increase of $1.7 million or 4.1 percent, as compared to $42.5 million in 2008. For the nine-month period ended October 3, 2009, adjusted EBITDA was $135.4 million as compared to $137.2 million in 2008.

"While we are not pleased with our top line results during the quarter, our overall performance in the third quarter is solid in what has been a very challenging year," said Ray Griffith, Ace president and chief executive officer. "We delivered a solid bottom line performance while continuing to invest in our technology systems. In addition, we are controlling our costs and strengthening our foundation which is built on a strong, nationally recognized brand, a superior distribution system and the most helpful hardware professionals in the industry."

Revenues

Total revenues for the third quarter of 2009 were $832.6 million, a decrease of $134.4 million or 13.9 percent from $967.0 million in 2008. For the nine-month period ended October 3, 2009, total revenues were $2.7 billion, a decrease of $245.5 million or 8.5 percent from 2008.

Merchandise sales to comparable domestic stores in the third quarter of 2009 decreased $99.6 million primarily due to a soft economy. On a regional basis, sales were most negatively impacted in the Gulf Coast region which experienced a decline of hurricane-related merchandise sales compared to the prior year period. On a category basis, domestic sales were most negatively impacted by declines in the plumbing, electrical and hardware categories. Merchandise sales to new domestic stores activated in the 2008 and 2009 fiscal year periods contributed $12.1 million in incremental sales in the current year third quarter. Ace added 24 new stores and cancelled 43 stores in the third quarter. This brought the company's total store count to 4,511 at the end of the third quarter in 2009.

Merchandise sales from Ace's international business decreased $12.2 million, or 21.8 percent, in the third quarter of 2009 as compared to the prior year quarter. On a regional basis, international sales were most negatively impacted by declines in the South America, Middle East and Pacific Rim regions due to a slow global economy. On a year to date basis, international sales decreased $30.3 million, or 19.9 percent.

Gross profit

Gross profit in the third quarter of 2009 was $110.0 million, a decrease of $10.8 million from 2008 and the gross profit percentage was 13.2 percent as compared to 12.5 percent in 2008. A significant portion of this percentage increase was attributable to LIFO inventory deflationary benefits in 2009 as compared to inflationary costs in 2008. Additionally, higher vendor rebate recoveries and a shift from direct ship sales towards a higher percentage of warehouse sales that carry higher handling charges also had a positive impact. The increase in gross profit percentage resulting from these factors was partially offset by lower product margins on merchandise sales. Warehouse sales represented 79.9 percent of merchandise sales in the 2009 quarter compared to 78.3 percent in 2008, while direct ship sales were 20.1 percent, down from 21.7 percent.

Expenses

Operating expenses decreased $11.1 million, or 12.7 percent, to $76.2 million in the third quarter of 2009 and increased to 9.2 percent as a percentage of revenues as compared to 9.0 percent in 2008. The decrease in operating expenses was primarily due to lower bad debt expense, the timing of employee benefit expenses and lower retail support center expenses.

Interest expense was $0.8 million lower in the third quarter of 2009 as compared to 2008, reflecting lower net debt levels.

Balance sheet

Inventories decreased $63.3 million to $460.1 million at the end of the third quarter of 2009 as compared to the third quarter of 2008 reflecting lower sales volume. However, service levels (fill rates) to Ace retailers improved to 96.8 percent for the third quarter compared to 96.6 percent for the prior year reflecting Ace's ongoing commitment to support its retailers' needs.

Total debt including patronage refund certificates, net of cash, decreased $43.3 million to $224.7 million at the end of the third quarter of 2009 as compared to the third quarter of 2008.

Capital expenditures for the nine-month period ended October 3, 2009 were $39.0 million, an increase of $20.7 million over the comparable period in 2008 driven primarily by technology spending to support Ace's supply chain initiative.

Cash Flow

Ace continues to generate strong cash from operations. For the nine months ended October 3, 2009, the company generated $157.3 million of cash through its operations, compared to $130.0 million during the same period in the prior year.

About Ace Hardware

Throughout its 85-year history, Ace Hardware has been known as the helpful hardware store by both customers and communities. In 2009, Ace ranked "Highest in Customer Satisfaction among Home Improvement Stores for the Third Consecutive Year," according to J.D. Power and Associates. With approximately 4,500 locally owned and operated hardware, home center and building materials stores that generate annual retail sales of approximately $12 billion, Ace is the largest hardware cooperative in the industry. Headquartered in Oak Brook, Ill., Ace currently operates 14 distribution centers in the U.S. and one in Shanghai, China, and its retailers' stores are located in all 50 states and more than 60 countries. For more information on Ace, visit www.acehardware.com.

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ACE HARDWARE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Nine Months Ended	
	October 3, 2009 (13 Weeks)	September 27, 2008 (13 Weeks)	October 3, 2009 (39 Weeks)	September 27, 2008 (39 Weeks)
	(Unaudited, in thousands)			
Revenues	$ 832,574	$ 967,010	$ 2,656,887	$ 2,902,382
Cost of revenues	722,528	846,120	2,315,293	2,554,505
Gross profit	110,046	120,890	341,594	347,877
Distribution operations expenses	24,377	26,507	72,329	67,898
Selling, general and administrative expenses	27,353	32,739	86,081	94,184
Retail success and development expenses	24,490	28,040	77,649	84,468
Total operating expenses	76,220	87,286	236,059	246,550
Operating income	33,826	33,604	105,535	101,327
Interest expense	(8,768)	(9,543)	(26,907)	(24,720)
Loss on early extinguishment of debt	—	—	—	(11,857)
Interest income	1,248	2,326	3,361	5,475
Other income, net	1,109	395	3,060	3,227
Income tax expense	(737)	(381)	(1,768)	(2,881)
Net income	$ 26,678	$ 26,401	$ 83,281	$ 70,571
Accrued patronage distributions	$ 25,699	$ 26,146	$ 80,269	$ 66,786

ACE HARDWARE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	October 3, 2009	January 3, 2009
	(In thousands, except share data)	
	(Unaudited)	(Audited)
Assets		
Cash and cash equivalents	$ 129,497	$ 80,326
Marketable securities	44,202	31,147
Receivables, net of allowance for doubtful accounts of $8,023 and $12,382, respectively	248,649	260,933
Inventories	460,119	460,431
Prepaid expenses and other current assets	17,114	25,671
Total current assets	899,581	858,508
Property and equipment, net	316,273	301,693
Notes receivable, net of allowance for doubtful accounts of $14,014 and $14,636, respectively	44,692	48,462
Other assets	63,599	62,855
Total assets	$ 1,324,145	$ 1,271,518
Liabilities and Member Retailers' Equity		
Current maturities of long-term debt	$ 4,421	$ 3,358
Short-term borrowings	—	1,100
Accounts payable	453,004	431,880
Patronage distributions payable in cash	30,046	17,216
Patronage refund certificates payable	19,306	19,457
Accrued expenses	129,121	126,694
Total current liabilities	635,898	599,705
Long-term debt	295,225	292,498
Patronage refund certificates payable	35,278	54,654
Other long-term liabilities	57,526	61,522
Total liabilities	1,023,927	1,008,379
Member Retailers' Equity:		
Class A voting common stock, $1,000 par value, 10,000 shares authorized, 2,973 and 2,989 issued and outstanding, respectively	2,973	2,989
Class B nonvoting common stock, $1,000 par value, $2,000 redemption value, 6,500 shares authorized, -- and 6,499 issued, -- and 1,296 outstanding, respectively	—	6,499
Class C nonvoting common stock, $100 par value, 4,000,000 shares authorized, 2,912,806 and 2,879,152 issued and outstanding, respectively	291,281	287,915
Class C nonvoting common stock, $100 par value, issuable to retailers for patronage distributions, 243,423 and 142,708 shares issuable, respectively	24,342	14,271
Additional stock subscribed, net	218	148
Contributed capital	6,986	13,485
Variance allocation	(7,292)	(29,210)
Accumulated deficit	(16,704)	(19,716)
Accumulated other comprehensive loss	(1,586)	(2,836)
Treasury stock, at cost	—	(10,406)
Total member retailers' equity	300,218	263,139
Total liabilities and member retailers' equity	$ 1,324,145	$ 1,271,518

ACE HARDWARE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	October 3, 2009 (39 Weeks)	September 27, 2008 (39 Weeks)
	(Unaudited, in thousands)	
Operating activities		
Net income	$ 83,281	$ 70,571
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,497	23,081
Amortization of deferred gain on sale leaseback	(961)	(958)
Amortization of deferred financing costs	2,047	964
Loss on early extinguishment of debt	—	11,857
Payments for early extinguishment of debt	—	(6,594)
Settlement of interest rate swap	—	(4,602)
Provision for doubtful accounts	3,133	5,984
Loss on disposal of assets, net	334	710
Deferred income tax expense (benefit)	2,638	(823)
Change in operating assets and liabilities:		
Receivables	6,932	38,952
Inventories	312	(51,112)
Other current assets	4,931	(2,026)
Other long-term assets	(1,810)	905
Accounts payable and accrued expenses	35,407	38,152
Other long-term liabilities	(3,447)	4,902
Net cash provided by operating activities	157,294	129,963
Investing activities		
Purchases of marketable securities	(20,945)	(39,834)
Proceeds from sale of marketable securities	8,502	34,163
Purchases of property and equipment	(39,015)	(18,329)
Increase in notes receivable, net	(2,120)	(4,217)
Net cash used in investing activities	(53,578)	(28,217)
Financing activities		
Payments of short-term borrowings, net	(1,100)	(130,453)
Proceeds from long-term debt	—	295,800
Principal payments on long-term debt	(2,662)	(185,660)
Payments of deferred financing costs	—	(12,521)
Change in cash book overdraft	(11,946)	1,296
Payments of cash portion of patronage distribution	(15,599)	(17,443)
Payments of patronage refund certificates and patronage financing deductions	(19,526)	(20,222)
Proceeds from sale of stock	853	1,251
Repurchases of stock	(4,565)	(7,047)
Net cash used in financing activities	(54,545)	(74,999)
Increase in cash and cash equivalents	49,171	26,747
Cash and cash equivalents at beginning of period	80,326	84,385
Cash and cash equivalents at end of period	$ 129,497	$ 111,132
Supplemental disclosure of cash flow information:		
Interest paid (net of amount capitalized)	$ 20,302	$ 23,705
Income taxes paid	$ 8,429	$ 429

Non-GAAP Financial Measures

The company defines "EBITDA" as earnings before interest, loss on early extinguishment of debt, taxes, depreciation and amortization. The company defines "adjusted EBITDA" as EBITDA adjusted to exclude certain items which the company considers non-comparable and which the company believes are not indicative of future performance. The company cautions investors that amounts presented in accordance with its definition of EBITDA and adjusted EBITDA may not be comparable to similar measures disclosed by other companies, because not all companies calculate EBITDA or adjusted EBITDA in the same manner.

EBITDA and adjusted EBITDA, as presented in this earnings release, are supplemental measures of the company's performance that are not required by, or presented in accordance with, accounting principles generally accepted in the United States ("GAAP"). They are not measurements of the company's financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as alternatives to cash flows from operating activities as measures of the company's liquidity.

The company presents EBITDA and adjusted EBITDA because the company considers it an important supplemental measure of its performance and believes it is frequently used in the evaluation of companies in its industry. In addition, the instruments governing the company's indebtedness use EBITDA (with additional adjustments) to measure the company's compliance with covenants such as interest coverage and debt incurrence. The company also includes a quantitative reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP financial performance measure, which is net income.

	Three Months Ended		Nine Months Ended	
	October 3, 2009 (13 Weeks)	September 27, 2008 (13 Weeks)	October 3, 2009 (39 Weeks)	September 27, 2008 (39 Weeks)
	(Unaudited, in thousands)			
EBITDA Reconciliation:				
Net income	$ 26,678	$ 26,401	$ 83,281	$ 70,571
Income tax expense	737	381	1,768	2,881
Interest expense (including loss on early extinguishment of debt in 2008)	8,768	9,543	26,907	36,577
Depreciation and amortization	8,229	8,050	24,497	23,081
EBITDA	$ 44,412	$ 44,375	$ 136,453	$ 133,110
Adjustments:				
Interest income (a)	(1,248)	(2,326)	(3,361)	(5,475)
Debt restructuring and restatement related expenses (b)	—	—	—	4,204
Remediation expenses (c)	—	466	—	3,953
Severance (d)	1,079	—	1,643	1,407
Other adjustments	—	—	651	—
Adjusted EBITDA	$ 44,243	$ 42,515	$ 135,386	$ 137,199

(a) Non-cash interest income received from patronage loans to member retailers plus cash interest earned by the company's insurance subsidiary and from interest bearing cash balances.

(b) Expenses related to the restatement of the company's 2004, 2005 and 2006 audited financial statements and related waivers, and similar fees paid to the company's lenders.

(c) Expenses related to the implementation of the company's inventory accounting error remediation plan.

(d) Expenses related to headcount reductions, primarily at the company's corporate headquarters.