

Table of Contents

- *Expanding Our Own Brand Offerings.* We continue to drive sales growth and profitability by extending our own brand offerings across our banners, including high-quality and recognizable brands such as *O Organics*, *Open Nature*, *Eating Right* and *Lucerne*.
- *Leveraging Our Effective and Scalable Loyalty Programs.* We believe we can grow basket size and improve the shopping experience for our customers by expanding our *just for U*, *MyMixx* and fuel-based loyalty programs. In addition, we believe we can further enhance our merchandising and marketing programs by utilizing our customer analytics capabilities, including advanced digital marketing and mobile applications, and through the expansion of our online and home delivery options.
- *Capitalizing on Demand for Health and Wellness Services.* We intend to leverage our portfolio of pharmacies and our growing network of wellness clinics to capitalize on increasing customer demand for health and wellness services. Pharmacy customers are among our most loyal, and their average weekly spend is over 2.5x that of our non-pharmacy customers. We plan to continue to grow our pharmacy script counts through new patient prescription transfer programs and initiatives such as clinic, hospital and preferred network partnerships, which we believe will expand our access to patients. We believe that these efforts will drive sales growth and generate customer loyalty.
- *Continuously Evaluating and Upgrading Our Store Portfolio.* We plan to pursue a disciplined capital allocation strategy to upgrade, remodel and relocate stores to attract customers to our stores and to increase store volumes. We believe that our store base is in excellent condition, and we have developed a remodel strategy that is both cost-efficient and effective.
- *Driving Innovation.* We intend to drive traffic and sales growth through constant innovation. We will remain focused on identifying emerging trends in food and sourcing new and innovative products. We will also seek to build new, and enhance existing, customer relationships through our digital capabilities.
- *Sharing Best Practices Across Divisions.* Our division leaders collaborate to ensure the rapid sharing of best practices. Recent examples include the expansion of our *O Organics* offering across banners, the accelerated roll-out of signature products such as Albertsons' fresh fruit and vegetables cut in-store and a broader assortment and new fixtures for our wine and floral shops, implementing Safeway's successful strategy across many of our banners.

We believe the combination of these actions and initiatives, together with the attractive industry trends described in more detail under "Business—Our Industry," will continue to drive identical store sales growth.

Enhance Our Operating Margin. Our focus on identical store sales growth provides an opportunity to enhance our operating margin by leveraging our fixed costs. We plan to realize further margin benefit through added scale from partnering with vendors and by achieving efficiencies in manufacturing and distribution. In addition, we maintain a disciplined approach to expense management and budgeting.

Implement Our Synergy Realization Plan. We are currently executing on an annual synergy plan of approximately \$800 million from the acquisition of Safeway, which we expect to achieve by the end of fiscal 2018, with associated one-time costs of approximately \$690 million (net of estimated synergy-related asset sale proceeds). Our detailed synergy plan was developed on a bottom-up, function-by-function basis by combined Albertsons and Safeway teams. The plan includes capturing opportunities from corporate and division cost savings, simplifying business processes and rationalizing headcount. Over time, Safeway's information technology systems will support all of our stores, distribution centers and systems, including financial reporting and payroll processing, as we