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- difficulties assimilating the operations and personnel of the acquired company;
- our inability to retain key personnel of the acquired company;
- the incurrence of unexpected expenses and working capital requirements;
- our inability to achieve the financial and strategic goals, including synergies, for the combined businesses; and
- difficulty in maintaining internal controls, procedures and policies.

Any of the foregoing obstacles, or a combination of them, could decrease gross profit margins or increase selling, general and administrative expenses in absolute terms and/or as a percentage of net sales, which could in turn negatively impact our net income and cash flows.

We may not be able to consummate acquisitions in the future on terms acceptable to us, or at all. We recently made a preliminary proposal for an additional acquisition, which is subject to a competitive auction process and due diligence, and there can be no assurance the acquisition will be consummated. In addition, future acquisitions are accompanied by the risk that the obligations and liabilities of an acquired company may not be adequately reflected in the historical financial statements of that company and the risk that those historical financial statements may be based on assumptions which are incorrect or inconsistent with our assumptions or approach to accounting policies. Any of these material obligations, liabilities or incorrect or inconsistent assumptions could adversely impact our results of operations and financial condition.

A significant majority of our employees are unionized, and our relationship with unions, including labor disputes or work stoppages, could have an adverse impact on our operations and financial results.

As of February 28, 2015, approximately 174,000 of our employees were covered by collective bargaining agreements. During fiscal 2014, collective bargaining agreements covering approximately 50,000 employees were renegotiated. During fiscal 2015, collective bargaining agreements covering approximately 73,000 employees are scheduled to expire. In future negotiations with labor unions, we expect that health care, pension costs and/or contributions and wage costs, among other issues, will be important topics for negotiation. If, upon the expiration of such collective bargaining agreements, we are unable to negotiate acceptable contracts with labor unions, it could result in strikes by the affected workers and thereby significantly disrupt our operations. As part of our collective bargaining agreements, we may need to fund additional pension contributions, which would negatively impact our free cash flow. Further, if we are unable to control health care and pension costs provided for in the collective bargaining agreements, we may experience increased operating costs and an adverse impact on our financial results.

Increased pension expenses, contributions and surcharges may have an adverse impact on our financial results.

In connection with the Safeway acquisition, we assumed Safeway's defined benefit retirement plans for substantially all Safeway employees not participating in multiemployer pension plans. We also assumed defined benefit retirement plans in connection with the United and NAI acquisitions. The funded status of these plans (the difference between the fair value of the plan assets and the projected benefit obligation) is a significant factor in determining annual pension expense and cash contributions to fund the plans. In recent years, cash contributions have declined due to improved market conditions and the impact of the pension funding stabilization legislation, which increased the discount rate used to determine pension funding. However, in the fourth quarter of fiscal 2014, under a settlement agreement with the PBGC in connection with the closing of the Safeway acquisition, Safeway contributed \$260 million to its largest pension plan. As a result, we do not expect to make additional contributions to this plan until 2018.