

Table of Contents**BUSINESS****Our Company**

We are one of the largest food and drug retailers in the United States, with both strong local presence and national scale. As of June 20, 2015, we operated 2,205 stores across 33 states under 18 well-known banners, including *Albertsons*, *Safeway*, *Vons*, *Jewel-Osco*, *Shaw's*, *Acme*, *Tom Thumb*, *Randalls*, *United Supermarkets*, *Pavilions*, *Star Market* and *Carrs*. We operate in 121 MSAs and are ranked #1 or #2 by market share in 68% of them. We provide our customers with a service-oriented shopping experience, including convenient and value-added services through 1,698 pharmacies, 1,090 in-store branded coffee shops and 378 adjacent fuel centers. We have approximately 265,000 talented and dedicated employees serving on average more than 33 million customers each week.

Our operating philosophy is simple: we run great stores with a relentless focus on driving sales growth. We believe that our management team, with decades of collective experience in the food and drug retail industry, has developed a proven and successful operating playbook that differentiates us from our competitors.

We implement our playbook through a decentralized management structure. We believe this approach allows our division and district-level leadership teams to create a superior customer experience and deliver outstanding operating performance. These teams are empowered and incentivized to make decisions on product assortment, placement, pricing, promotional plans and capital spending in the local communities and neighborhoods they serve. Our store directors are responsible for implementing our operating playbook on a daily basis and ensuring that our employees remain focused on delivering outstanding service to our customers.

We believe that the execution of our operating playbook, among other factors, including improved economic conditions and consumer confidence, has enabled us to grow sales, profitability and free cash flow across our business. During fiscal 2014 and the first quarter of fiscal 2015, excluding Safeway, our identical store sales grew at 7.2% and 5.1%, respectively. At Safeway, prior to our acquisition, the rate of identical store sales growth was 3.0% in fiscal 2014, and accelerated in the first quarter of fiscal 2015 to 3.8%. We believe that implementation of our playbook, together with improved economic conditions and consumer confidence, will enable us to further accelerate this rate. We are currently executing on an annual synergy plan of approximately \$800 million related to the acquisition of Safeway, which we expect to achieve by the end of fiscal 2018. We expect to deliver annual run-rate synergies of approximately \$440 million by the end of fiscal 2015.

For fiscal 2014 on a pro forma basis, we would have generated net sales of \$57.5 billion, Adjusted EBITDA of \$2.4 billion and free cash flow (which we define as Adjusted EBITDA less capital expenditures) of \$1.5 billion. For the 12 months ended June 20, 2015 on a pro forma basis, we would have generated net sales of \$57.9 billion, Adjusted EBITDA of \$2.5 billion and free cash flow of \$1.7 billion. For the first quarter of fiscal 2015, we generated net sales of \$18.1 billion, Adjusted EBITDA of \$728 million and free cash flow of \$513 million. In addition to realizing increased sales, profitability and free cash flow through the implementation of our operating playbook, we expect synergies from the Safeway acquisition to enhance our profitability and free cash flow over the next few years.

Our Integration History and Banners

Over the past nine years, we have completed a series of acquisitions, beginning with our purchase of Albertson's LLC in 2006. This was followed in March 2013 by our acquisition of NAI from SuperValu, which included the *Albertsons* stores that we did not already own and stores operating under the *Acme*, *Jewel-Osco*, *Shaw's* and *Star Market* banners. In December 2013, we acquired