

**Table of Contents****Safeway**

We operate 1,247 Safeway stores in 19 states across the Western, Southern and Mid-Atlantic regions of the United States. We operate these stores under the *Safeway* banner, which dates back to 1926, as well as the *Vons*, *Pavilions*, *Randalls*, *Tom Thumb* and *Carrs* banners. Our Safeway stores also provide convenience to our customers through a network of 980 in-store pharmacies and 340 adjacent fuel centers.

The Safeway acquisition has better positioned us for long-term growth by providing us with a broader assortment of products, a more efficient supply chain, enhanced fresh and perishable offerings and a high-quality and expansive portfolio of own brand products. These improvements enable us to respond to changing customer tastes and preferences and compete more effectively in a highly competitive industry.

Safeway has achieved consistent positive identical store sales growth over the past 16 fiscal quarters, driven in part by continued investment in the store base (with approximately 87% of Safeway stores new or remodeled since 2003) and the implementation of local marketing programs to enhance sales. Safeway has also begun to experience an acceleration in identical store sales growth, from 1.4% in fiscal 2013 to 3.0% in fiscal 2014 and 3.8% in the first quarter of fiscal 2015.

***Acme, Jewel-Osco, Shaw's and Star Market***

Under the *Acme*, *Jewel-Osco*, *Shaw's* and *Star Market* banners, we operate 446 stores, 302 in-store pharmacies and five adjacent fuel centers in 12 states across the Mid-Atlantic, Midwest and Northeast regions of the United States. Each of these banners has an operating history going back more than 100 years, has excellent store locations and has a loyal customer base.

The operating performance of these banners has significantly improved since we acquired them in 2013. During the four fiscal quarters prior to their acquisition, our *Acme*, *Jewel-Osco*, *Shaw's* and *Star Market* stores were averaging negative 4.8% identical store sales compared to positive 9.1% for fiscal 2014 and positive 4.1% for the first quarter of fiscal 2015.

***United Supermarkets***

In the North and West Texas area, we operate 54 stores under the *United Supermarkets*, *Amigos* and *Market Street* banners, together with 29 adjacent fuel centers and 11 *United Express* convenience stores. Our acquisition of United in December 2013 represented a unique opportunity to add a growing and profitable business in the growing Texas economy with an experienced and successful management team in place. Retaining the local management team was critical to our acquisition thesis. We have leveraged their abilities by both re-assigning and opening additional stores under their direct oversight. The United management team has considerable expertise in meeting the preferences of an upscale customer base with its *Market Street* format. United addresses its significant Hispanic customer base through its *Amigos* format, which we intend to leverage across other relevant regions going forward. We also benefit from distribution center and transportation efficiencies as a result of United's adjacencies to our other operating divisions in the Southwest.

**Our Organizational Structure and Operating Playbook*****Our Organizational Structure***

We are organized across 14 operating divisions. We operate with a decentralized management structure. Our division and district-level leadership teams are responsible and accountable for their own sales, profitability and capital expenditures, and are empowered and incentivized to make