Albertson's, Inc., 1998 Annual Report

celebrations

Albertsons

At Albertson's, we know that a birthday—or any day—holds the promise of celebration as we look for ways to step in and meet customer needs. It's important to our customers, to our communities and to all of us at Albertson's. We call it neighborhood marketing. We've been doing it for 60 years, and today it's as important as ever.

celebrating our customers

On the covers Shelby Hall (front) and Roby Liebbe (back) know how to make a birthday fun, and so does Albertson's.

In our bakeries, parents who purchase a birthday cake for baby's first birthday receive an 8-inch second cake free, and we personalize it just for baby.

Store Director Angela Jackson helps Elizabeth Ricks pick out partyware. Albertson's great customer service is more than just fast, friendly service at the checkstand. It's also providing solutions to customer needs.

celebrating 60 years

1939–1999

This year Albertson's celebrates its Diamond Jubilee—60 years of success in the grocery industry. It all started in 1939 when Joe Albertson left a secure managerial position with a major grocery company, took all his savings, added some borrowed money and opened a revolutionary new kind of grocery store in Boise, Idaho. His focus? Great customer service.

celebrating new stores

1998

This year, Albertson's completed five acquisitions, announced our pending merger with American Stores Company and continued our aggressive internal expansion program. We celebrated the opening of 132 stores, including 74 acquired stores. Neighborhood marketing was an important part of our move into five new states and many new neighborhoods. The American Stores merger will take us into an additional 13 states.

About the Company

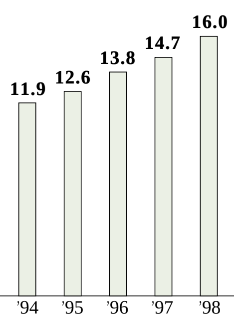
Albertson's, Inc., is one of the largest retail food-drug chains in the United States. The Company operates 983 stores in 25 Western, Midwestern and Southern states. Retail operations are supported by 11 Company-owned distribution centers. Albertson's is headquartered in Boise, Idaho, and employs 100,000 people. The Company's stock is traded on the New York and Pacific stock exchanges under the symbol ABS.

Contents

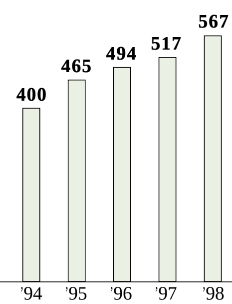
Financial Highlights

(Dollars in thousands)	**52 Weeks Ended January 28, 1999**	52 Weeks Ended January 29, 1998	Percentage Change
Sales	$ 16,005,115	$ 14,689,511	9.0
Net earnings	$ 567,153	$ 516,814	9.7
Net earnings as a percent to sales	3.54%	3.52%	
Earnings per share:			
Basic	$ 2.31	$ 2.09	10.5
Diluted	$ 2.30	$ 2.08	10.6
Dividends per share	$ 0.68	$ 0.64	6.3
Total assets	$ 6,233,968	$ 5,218,590	19.5
Stockholders' equity	$ 2,810,454	$ 2,419,456	16.2
Common shares outstanding	245,697,000	245,736,000	(0.0)
Return on average assets	10.0%	10.6%	
Return on average stockholders' equity	21.9%	22.6%	
Number of stores	983	878	12.0
Number of employees	100,000	94,000	6.4
Average store size (square feet)	49,200	48,700	1.0

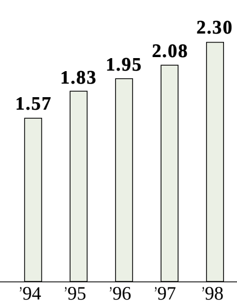
Sales
(dollars in billions)



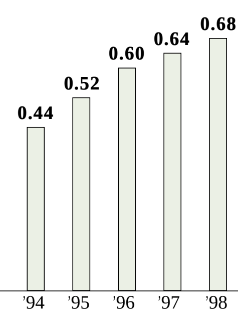
Net Earnings
(dollars in millions)



Diluted Earnings Per Share
(dollars)



Annual Dividends Per Share
(dollars)



Message to Stockholders

Gary G. Michael (right) and
Richard L. King

When Joe Albertson opened his first grocery store in 1939, he was excited about the future—a future filled with opportunities. Today, on the 60th anniversary of our founding, we too are excited about our future, and for the same reason. We see many opportunities—opportunities we believe will become milestones for us to celebrate.

We added five new states—Georgia, Iowa, Missouri, North Dakota and Tennessee—to our operating area.

As this is being printed, Albertson's is working to complete a merger with American Stores Company. This merger is expected to make Albertson's the second-largest food and drug retailer in the United States. It will take the new Albertson's into 13 new states and more than a thousand new neighborhoods, and it will create tremendous growth opportunities for the Company.

And it's our neighborhoods—served by our existing stores, new stores and acquired stores—that are the focus of this Annual Report.

The success of our neighborhood marketing is reflected in our financial results for 1998. Last year, our more than 100,000 employees focused more clearly than ever on providing the products and services appropriate for each of our neighborhoods. In doing so, they achieved our 29th consecutive year of increased sales and earnings. The results were:

- **Sales** for 1998 rose 9.0%, to $16 billion. A year earlier, sales totaled $14.7 billion. Identical store sales increased 0.3%, and comparable store sales, which include replacement stores, rose 0.5%.
- **Net earnings** were $567 million, an increase of 9.7%. That equals 3.54% to sales.
- **Diluted earnings per share** rose to $2.30 per share, an increase of 10.6%.
- **Return on average assets** was 10.0%.
- **Return on average stockholders' equity** was 21.9%.

Marketing to New Neighborhoods

Neighborhood marketing was an important part of our move into new neighborhoods in 1998. We opened 58 newly built stores and acquired 74 stores in new and existing markets. We added five new states—Georgia, Iowa, Missouri, North Dakota and Tennessee—to our operating area. Our acquisitions included:

Seessel's On the first day of the fiscal year, January 30, 1998, we acquired 10 Seessel's stores in Memphis, Tennessee. We operate these stores under the community-embraced Seessel's name and have incorporated our proven Albertson's programs.

Smitty's We purchased 10 Smitty's stores, three of which have fuel centers and convenience stores, on April 20, 1998. We have introduced our successful programs and systems into these stores in southwest Missouri.

Super One Albertson's completed the purchase of three Super One stores in Des Moines, Iowa, on June 21, 1998. We operate these large, warehouse-type stores under the Super One banner, but we plan to remodel them and convert them to our name in 1999.

Bruno's On August 24, 1998, Albertson's acquired 14 stores—and one store under construction—from Bruno's, Inc. These stores, which are located in the metropolitan areas of Nashville and Chattanooga, Tennessee, are operated under the Albertson's name.

Buttrey The acquisition of Buttrey Food and Drug Stores Company, completed October 1, 1998, resulted in a net gain of 29 stores in Montana, North Dakota and Wyoming. In order to complete the transaction, Albertson's was required by the Federal Trade Commission to divest nine Buttrey stores and six Albertson's stores. The new stores, operating under the Albertson's name, strengthen the Company's presence in several smaller towns where we had not operated before.

Our merger with American Stores Company will increase our operating area tremendously.

Retail Square Footage

In addition to our 132 total store openings in 1998, we remodeled 27 stores and completed 30 strategic retrofits. Strategic retrofits allow us to fine-tune existing stores to fit their neighborhoods better. Our retrofits have included adding one or more destination categories, such as baby care, meal center, snack or beverage. They have also allowed us to add departments such as service seafood and meat, pharmacy or coffee bar.

During the first quarter of 1998, the Company recorded a charge to earnings (Impairment – store closures) for the closure of 16 underperforming stores in eight states. For the year, we closed 27 stores, replacing five of them with larger Albertson's stores.

Albertson's retail square footage grew 13.1% during 1998. We ended the year with 983 stores, representing 48.4 million square feet of retail space in 25 states across the West, Midwest and South.

Distribution

We are also expanding our distribution system. Construction began in August 1998 on a new full-line, mechanized distribution center in Tulsa, Oklahoma. This 730,000-square-foot facility, our 12th major distribution center, is expected to begin serving stores in the Midwest and mid-South in August 1999.

American Stores Company Merger

Our merger with American Stores Company, approved by stockholders of the two companies on November 12, 1998, will increase our operating area tremendously. At its fiscal year end on January 30, 1999, American Stores operated 1,580 stores, including 773 free-standing drugstores, and 10 distribution operations in 26 Eastern, Midwestern and Western states. Completion of the merger depends upon regulatory approval and other conditions, but we hope to finalize it during the latter part of Albertson's first fiscal quarter or early in the second fiscal quarter of 1999.

The merger will create a company with revenues of more than $35 billion, based on 1998 reported results. An estimated 200,000 employees will operate approximately 2,500 stores throughout 38 states.

Our three-phase integration process is going well. In the first phase, we studied both companies and recommended the best practices for the combined company. The second phase involves planning for the implementation of those recommendations. The final phase will be full-scale implementation, which we will be ready to begin the day the merger closes.

The merger will strengthen Albertson's position in existing markets such as California and the Southwest, as well as taking us into important new urban markets such as Chicago and Philadelphia. It will provide the Company with a new format, the stand-alone drugstore, and will create tremendous opportunities for expansion.

Albertson's remains committed to maintaining a strong financial position.

Capital Expenditures

Albertson's capital expenditure plan for the next five years is based upon the combined companies. We plan to spend about $11 billion, including leases, on capital expenditures, with almost 90% of that allocated to new stores and remodels. We plan to open 750 combination food/drug stores and 500 stand-alone drugstores. In addition, we plan to add 600 fuel centers to new and existing stores and to remodel about 730 stores.

For 1999, we plan to spend $1.7 billion, including leases. This money will pay for projects already planned by each of the companies. Under the combined plan, we expect to open 95 combination food/drug stores, 40 stand-alone drugstores and 60 fuel centers. We will also remodel about 100 stores.

Continued Value

Albertson's remains committed to maintaining a strong financial position, giving the Company flexibility to react to changing conditions and opportunities in the retail food and drug industry.

At its meeting in March 1999, the Board of Directors increased the regular quarterly cash dividend to $0.18 per share from $0.17 per share, for an annual rate of $0.72 per share. This is the 28th consecutive year we have increased our dividend to stockholders.

We thank you for your continuing support of Albertson's. We look forward to updating you throughout 1999 on our merger, our growth and our many other reasons to celebrate.

March 17, 1999

Gary G. Michael
Chairman of the Board and
Chief Executive Officer

Richard L. King
President and
Chief Operating Officer

neighborhood marketing

It might be a first birthday, with vanilla frosting smeared on the nose of a child in a high chair. It might be a winning touchdown at a high school stadium, with teens and their parents united in victory. It might be a renewal of wedding vows, with aging hands joined to repeat what young hearts declared 50 years ago. It might be something as simple as a smile.

Life is full of celebrations. People join in family gatherings. They attend retirement parties for colleagues. They celebrate their company's millionth customer.

Albertson's is celebrating 60 years in the grocery business. It's been six decades—six wonderful decades—since founder Joe Albertson opened his first store in Boise, Idaho. On this anniversary, we are tipping our hats to the two groups of people responsible for Albertson's success: our customers and our employees.

Celebrating Our Customers

Our customers have shared their celebrations with us for decades. Each person, each event, each purchase over the years has become part of Albertson's history. From seven carts of groceries for a camping trip to one chocolate chip cookie for a 4-year-old, each transaction has helped to make Albertson's what it is today. Each customer has given us cause to celebrate—and to renew our commitment to our customers.

That commitment is as old as the Company itself. Joe Albertson gave us words to live by: "You've got to give the customers the merchandise they want, at a price they can afford to pay, complete with lots of tender loving care." We've never wavered in our belief in that tender loving care, and our commitment to great customer service is as firm today as it was 60 years ago. We're making sure that the service our customers receive throughout our stores—in the deli, at the meat counter, in the checkstand—meets Albertson's high standards.

We're keeping a sharp focus on customers in another way too—through neighborhood marketing. Neighborhood marketing isn't new to Albertson's; Joe Albertson understood the value of it 60 years ago. The tools have become a bit more sophisticated, though.

In the early days, Joe drove through neighborhoods looking for diapers on clotheslines and tricycles in driveways. He knew these were signs of families with many mouths to feed and neighborhoods that promised future growth. Thus they also were good neighborhoods in which to build stores. His methods worked well; his first store, although replaced and remodeled and expanded over the years to meet the needs of today's customers, is still operating in the same location where he opened it in 1939.

Neighborhood Marketing

Customer Service

Excellent customer service has always been our standard. Service First pins are awarded to employees who consistently provide outstanding customer service and display eagerness to help their fellow members of Team Albertson's.

Our methods today blend the science of technology and the art of human relations. Together they give us the information we need to provide customers in each neighborhood with the products and services they want. We use that information to operate each store as if it were our only store.

Courtesy Clerk Michael Lazarine helps Andrea Faison and baby Thomas with their groceries. Getting to know customers is one way our employees help our stores connect with the communities they serve.

Neighborhood Marketing

Quick Fixin' Ideas®

Albertson's Quick Fixin' Ideas allow customers to pick up meal ideas and recipes to make quickly at home or to select from a variety of meals already prepared—or both. They're handy and tasty.

The first step in our neighborhood marketing process is to identify our customers. On the scientific side, demographic information tells us who lives in each neighborhood: Are most of the customers in this neighborhood married? Single? Do they have children? Are they of a particular religious or ethnic background that would indicate a need for special products?

The next step is to ask our neighbors what products and services they want in their grocery store. We ask them through community questionnaires and focus groups, and we listen carefully to their answers. We want each store to offer the right variety, the right departments and the right services for its neighborhood. For instance, a store in a neighborhood with many young families might offer destination categories such as baby care, candy city and pet care.

We also study the lifestyles—and thus the shopping habits—of our customers. Albertson's must appeal to all types of shoppers in order to maintain its success, but statistics help us fine-tune our stores to match the demographic makeup of each neighborhood. For example, in a neighborhood with a large percentage of working moms, we might emphasize Quick Fixin' Ideas that help busy customers provide tasty and nutritious meals for their families quickly and easily. Our Quick Fixin' Ideas program allows customers to pick up meal ideas and recipes to make quickly at home or to select from a variety of meals already prepared—or both.

Such a neighborhood might also be a good candidate for an Albertson's Express℠ fuel center, which enables customers to fill up their cars and their pantries in the same trip.

A store with a large percentage of price-conscious shoppers might put more emphasis on Albertson's Brands products. These products provide a great value, and our customers know they can expect quality at a price they can afford. Albertson's Brands products help customers stretch their food dollars further while maintaining the high quality they desire.

Albertson's is even studying cyber-customers. In the Dallas/Fort Worth area, we're testing on-line shopping over the Internet. Through our Web site, customers can order groceries for home delivery and we can market directly to individuals. It's just one additional way Albertson's is providing solutions to customer needs.

Statistical tools are a great help to our Company in providing customers with the products and services they need, but we also have other ways to identify our customers and their needs. The human connections between Albertson's and the communities in which we operate help us go beyond information found in a statistic. These human connections give us special knowledge that allows us to be better friends and neighbors.

We gain this personal knowledge of the community in many ways. A store director may be an active member of the local Chamber of Commerce. As such, he becomes aware of upcoming community events in plenty of time to plan for, and participate in, those events. A produce manager might coach youth soccer. Because of that, she knows that the league will need refreshments for out-of-town soccer players attending a local tournament. A front-end manager may volunteer in the library of a local elementary school, thus learning about children who need donated school supplies in order to get a good start on their education.

Albertson's has more than 100,000 employees, and each one is a part of his or her community. We encourage our employees to learn about and participate in their communities, each in his or her own way, and we honor them for doing so. Such community involvement provides valuable information our employees use to help them serve each neighborhood well. It helps create satisfied employees. And it is an Albertson's tradition.

Our employees share in community celebrations—county fairs, sporting events and community service projects. And when they put on celebrations of their own—in-store events such as Shrimp Fest and Western Days—they invite their communities to share the excitement.

Richard Hernandez samples shrimp offered by Butcher Block Supervisor Brenda Ryan. Special events such as Shrimp Fest tie in to neighborhood events and create excitement in our stores.

We're also involved as a company in each of the communities we serve. We help our communities in many different ways, including our Community Partners Card program. This Companywide program allows our customers to designate donations for local schools and for churches and charities that directly help young people. Approved organizations distribute cards to their supporters, who use the cards when they shop at Albertson's. The Company then contributes a percentage of those purchases each quarter to the designated local school, church or charity. It's all part of serving our neighborhoods well.

Neighborhood Marketing

Albertson's Brands

Albertson's Brands products provide a great value, and our customers know they can expect quality products at affordable prices. These products help customers stretch their food dollars further while maintaining the high quality they desire.

Celebrating Our Employees

Serving our neighborhoods and our customers well is a top priority for Albertson's. Excellent customer service has always been our standard. It's up to each and every Albertson's employee to offer great customer service to each and every customer. We're creating new tools to help them do that more effectively. Technological advances such as our check authorization system and touch-tone pharmacy refills will free our employees from procedural tasks and allow them to focus even more on our customers.

While our *Dear Albertson's* advertising and our scientific research might bring customers into our stores the first time, it's our employees who keep customers coming back. Our employees recognize and meet the needs of individual customers. They make sure our stores are clean and safe. They provide fast, friendly service, and they fill special requests for customers.

Front End Manager Philip Revland listens to customers Louise and A.D. DuMont. Listening to customers has always been and will always be the most important step in meeting customer needs.

Our employees are the best in the industry; we recognize that they are our most valuable asset. We attract and retain these great employees by offering competitive wages, opportunities for advancement and some of the best benefit packages in the industry. We also provide our employees with the education and training they need to keep up with our ever-changing industry.

Joe Albertson always said, "If we take care of our employees, they will take care of our customers." Our employee programs—both traditional and new—are meant to do just that. We have four goals for these programs:

- To give our employees the skills and training they need to meet our customers' needs,
- To offer our employees the opportunity to learn and grow professionally,
- To build a pool of skilled, trained employees that will allow us to continue to promote from within and
- To increase our industry standing as an employer of choice.

Celebrating Our Growth

Our employee training programs were particularly important in helping us successfully integrate into Albertson's the more than 6,000 employees at the stores we acquired during 1998. During the year, Team Albertson's welcomed employees of Seessel's, Smitty's, Super One, Bruno's and Buttrey.

Neighborhood Marketing

Community Partners Card

Albertson's Community Partners Cards allow our customers to designate donations for local schools and for churches and charities that directly help young people. They're part of listening to our neighbors and serving our neighborhoods well.

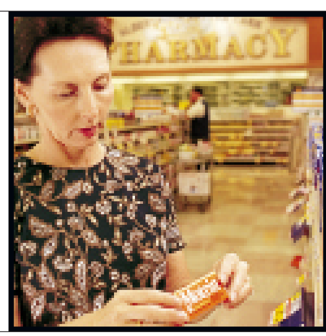
They brought with them great enthusiasm, incredible knowledge of their communities and a wealth of experience. They have already proven themselves to be valuable members of Team Albertson's, and we are excited about the contributions they are making.

The acquisitions we made in 1998 are important to Albertson's future growth. They filled in existing operating areas. They took us into new marketing areas—including the states of Georgia, Iowa, Missouri, North Dakota and Tennessee. They allowed us to begin providing solutions to customer needs in our new neighborhoods.

Our merger with American Stores Company will effectively double the size of Team Albertson's and take us into an additional 13 states. We look forward to welcoming the employees of Acme Markets, Jewel Food Stores, Lucky Stores, Osco Drug and Sav-on.

The merger will also provide us with a new format and vehicle for growth—the stand-alone drugstore. The average stand-alone drugstore is 18,600 square feet and offers pharmacy service and a wide assortment of general merchandise, health and beauty care, over-the-counter medication, greeting cards and photo processing. This format will help us take advantage of the rapid growth in the U.S. pharmacy business. Statistics show that, as the U.S. population ages, this growth will continue. Medical researchers—more than 50,000 of them—continue to seek medicines to cure, treat and prevent hundreds of diseases. More and more products are being developed to treat conditions that could not be treated before, and more and more diseases are being treated through drug therapy rather than hospitalization.

We are also positioning our existing pharmacies to meet the growing needs of our customers, through such programs as Albertson's Better Care℠. Our pharmacies are more than just a place to fill prescriptions; we are dedicated to helping our customers achieve and maintain good health.



Albertson's Better Care pharmacies are dedicated to helping customers such as Lyndia Thornton achieve and maintain good health. Destination categories and departments provide convenient one-stop shopping for our customers.

New growth, new products and new formats won't change Albertson's operating principles, though. Neither will new states and new neighborhoods. No matter what tomorrow brings, Albertson's is in business to serve our customers in each and every neighborhood in the best way we can. We will continue to operate each store as if it were our only store. We will continue to be a vital part of each community in which we do business. And we will continue to provide great customer service. Albertson's commitment to our employees, to our customers and to our communities will bring us many more reasons to celebrate.

Neighborhood Marketing

Special Request Card

We provide special request cards to Albertson's customers who need special items they can't find on our shelves. They fill out the cards, and we do our best to supply each requested product.

Celebrating Our Employees. Cathy Gardecki, "special request coordinator" at our store in Evergreen, Colorado, believes in personalized service. So when Jessie Davis, a former mountain climber, broke her ankle, Cathy came to the rescue. In the ordinary course of her job, she delivered Jessie's groceries to her home. Since then, they've become fast friends. And why not? They share that "can-do" attitude.

giving a little extra

Customer service isn't just a buzzword at Albertson's. It's the way we do business. It's our job—and our pleasure—to respond to customer needs. We do our best to fill individual requests for special items. We deliver groceries to homebound customers. We provide fast, friendly service. From one end of the store to another, from one side of the country to the other, customer service is the name of our game. The members of Team Albertson's—more than 100,000 strong—wouldn't have it any other way.

to customers

getting involved in communities

Community involvement can provide the richest of human experiences. Albertson's understands the value of that sense of belonging, and so do our employees. They help children learn to read. They raise money for needy families. They belong to local Chambers of Commerce. They serve on school boards. Members of Team Albertson's help where they can, each in his or her own way. In the communities we serve, you'll find Albertson's employees right in the thick of things. They are part of the communities in which they live and work.

Celebrating With Our Communities. At high school football games in DeSoto, Texas, everyone knows where to find Albertson's Store Director Bill Walker—he's handing out drinks and hot dogs at the concession stand. Albertson's Checker Monica Garcia helps out while student employees dodge tackles on the field, lead cheers on the sidelines or play in the band. When it comes to community involvement, Bill and his team are winners.

knowing the neighborhood

Albertson's stores are as different as the neighborhoods they serve. That's because we don't use the cookie-cutter approach. We customize our stores to fit their neighborhoods. From architecture to decorating themes to products and services, our stores are tailored to the desires of their neighbors. How do we do it? We analyze sales data. We talk to community leaders. We survey customers to learn what they want. Most of all, we listen to the answers. The result? Custom merchandising. We operate each store as if it were our only store.

Celebrating Everyday Life. Anthony Nguyen, a student at Boise State University, swaps tales with James Meade, a former educator, at the coffee bar at Albertson's Broadway Market in Boise, Idaho. This small, urban store offers a variety of products that cater to the diverse lifestyles, tastes and shopping needs of its university neighborhood.

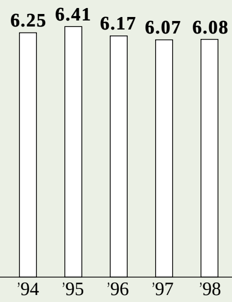
Celebrating Our New Neighborhoods. Bring on the cookies! That's what "child event coordinator" Wendy Howe said in response to the significant number of children in her new store's neighborhood. Before our Alden Bridge store in The Woodlands, Texas, even opened, Wendy helped plan an open house so kids and their parents could get to know the store. And now monthly events are so popular they have a waiting list.

really making

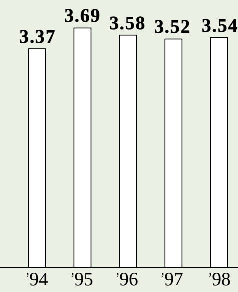
As you move into a new neighborhood, you study it. You get to know the neighbors. You try to catch and understand the "feel" of the community. Albertson's does the same thing. It's part of our neighborhood marketing philosophy. We begin learning about a new neighborhood months before our store opens. Demographic information helps us get started. Personal contact in the community takes us a step further. It all helps us meet our customers' needs, and it's the start of a process that continues throughout the life of the store.

a difference

Operating Profit as a Percent to Sales

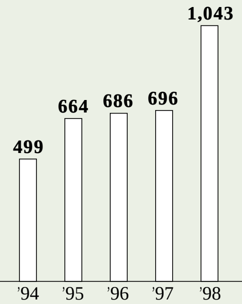


Net Earnings as a Percent to Sales



Capital Expenditures[1]

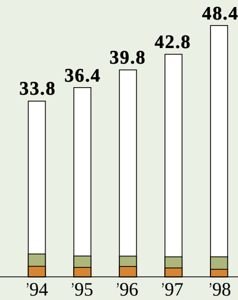
(dollars in millions)



[1] Includes Acquisitions and Excludes Operating Leases

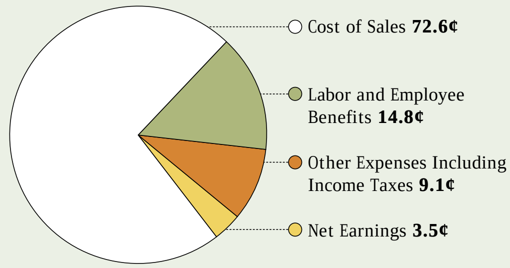
Retail Square Footage by Store Format

(in millions)



Store Format by Percent	'94	'95	'96	'97	'98
○ Combination	87	89	90	91	92
● Conventional	7	6	5	5	5
● Max	6	5	5	4	3

1998 Sales Dollar Analysis



Financial Review

Business Combinations

On August 2, 1998, the Company entered into a definitive merger agreement with American Stores Company (ASC) which was approved by the stockholders of Albertson's and ASC on November 12, 1998. The agreement provides for a business combination between the Company and ASC in which ASC will become a wholly owned subsidiary of the Company. Under the terms of the agreement, the holders of ASC common stock will be issued 0.63 shares of Albertson's, Inc., common stock in exchange for each share of ASC common stock, with cash being paid in lieu of fractional shares, in a transaction intended to qualify as a pooling of interests for accounting purposes and as a tax-free reorganization for federal income tax purposes. The transaction is subject to certain regulatory clearance and is expected to close during the latter part of the Company's first fiscal quarter or early in the second fiscal quarter of 1999.

During 1998 the Company acquired Seessel Holdings, Inc. (Seessel's), Smitty's Super Markets, Inc. (Smitty's), Buttrey Food and Drug Stores Company (Buttrey) and the assets of 15 Bruno's, Inc., stores in transactions accounted for using the purchase method of accounting. Seessel's, acquired on January 30, 1998, included 10 grocery stores in Memphis, Tennessee, and a central bakery and central kitchen, which manufacture fresh bakery and prepared foods for distribution to the Seessel's stores. Smitty's, acquired on April 20, 1998, included 10 combination stores and 3 fuel centers with convenience stores in southwest Missouri. Buttrey, acquired on October 1, 1998, included 44 stores in Montana, North Dakota and Wyoming. In accordance with an agreement with the Federal Trade Commission, 9 Buttrey stores and 6 Albertson's stores were divested. The assets of the 15 Bruno's, Inc., stores, acquired on August 24, 1998, included 14 operating stores and 1 store under construction located in the metropolitan areas of Nashville and Chattanooga, Tennessee, as well as 1 store in northern Georgia.

Results of Operations

The Company has reported increased sales and earnings for 29 consecutive years. Sales for 1998 were $16.0 billion, compared to $14.7 billion in 1997 and $13.8 billion in 1996. The following table sets forth certain income statement components expressed as a percent to sales and the year-to-year percentage changes in the amounts of such components:

	Percent to Sales			Percentage Change		
	1998	1997	1996	**1998 vs. 1997**	1997 vs. 1996	1996 vs. 1995
Sales	100.00	100.00	100.00	9.0	6.6	9.5
Gross profit	27.39	26.43	25.88	12.9	8.9	11.0
Selling, general and administrative expenses	21.15	20.36	19.71	13.2	10.1	12.9
Impairment – store closures	0.15					
Operating profit	6.08	6.07	6.17	9.1	5.0	5.2
Net interest expense	0.67	0.56	0.47	29.7	27.9	16.1
Earnings before income taxes	5.59	5.63	5.77	8.2	4.0	4.8
Net earnings	3.54	3.52	3.58	9.7	4.7	6.2

Increases in sales are primarily attributable to the continued expansion of net retail square footage, and identical and comparable store sales increases. During 1998 the Company opened 132 stores, remodeled 27 stores, completed 30 strategic retrofits and closed 27 stores for a net retail square footage increase of 5.6 million square feet. Included in store openings are 74 acquired stores (net of 9 Buttrey stores divested) and included in store closings are 6 Albertson's stores divested in connection with the Buttrey acquisition. Net retail square footage increased 13.1% in 1998, 7.4% in 1997 and 9.6% in 1996. Identical store sales, stores that have been in operation for two full fiscal years, increased 0.3% in 1998 and 1997, and 2.0% in 1996. Comparable store sales, which include replacement stores, increased 0.5% in 1998, 0.4% in 1997 and 2.1% in 1996. Identical and comparable store sales continued to increase through higher average ticket sales per customer. Management estimates that there was overall deflation in products the Company sells of approximately 0.4% in 1998 compared to inflation of approximately 0.3% in 1997 and 0.6% in 1996.

In addition to new store development, the Company plans to increase sales through its continued investment in programs initiated in recent years which are designed to provide solutions to customer needs. These programs include the Front End Manager program; home meal solutions called "Quick Fixin' Ideas®"; special destination departments such as Albertson's Better Care℠ pharmacies, baby care, pet care and snack and beverage centers; and increased emphasis on training programs utilizing Computer Guided Training. To provide additional solutions to customer needs, the Company has added new gourmet-quality bakery products and organic grocery and produce items. Other solutions include neighborhood marketing, targeted advertising and destination departments in new and remodeled stores.

Gross profit, as a percent to sales, increased primarily as a result of continued improvements made in retail stores, including substantial improvements in underperforming stores and improved sales mix of partially prepared, value-added products. Gross profit improvements were also realized through the continued utilization of Company-owned distribution facilities and increased buying efficiencies. All of the Company's retail stores are serviced by Company-owned distribution centers, which provide approximately 75% of all products purchased by Albertson's retail stores. The Company's distribution facilities provide product exclusively to the Company's retail stores. Utilization of the Company's distribution centers has enabled the Company to improve its control over product costs and product distribution. The pre-tax LIFO adjustment, as a percent to sales, reduced gross margin by 0.05% in 1998, 0.06% in 1997 and 0.11% in 1996.

Selling, general and administrative (SG&A) expenses, as a percent to sales, increased primarily due to increased salary and related benefit costs resulting from the Company's initiatives to increase sales, increased depreciation expense associated with the Company's expansion program and integration costs associated with the various acquisitions in 1998. In addition to increasing sales, the Company continued to implement new technology designed to increase productivity, and emphasize cost containment programs to control SG&A expenses.

The Company recorded a charge to earnings (Impairment – store closures) in 1998 related to management's decision to close 16 underperforming stores in 8 states. The charge included impaired real estate and equipment, as well as the present value of remaining liabilities under leases, net of expected sublease recoveries. As of January 28, 1999, 13 of these stores had been closed and management believes the 1998 charge and remaining reserve are adequate.

Increases in net interest expense resulted from higher average outstanding debt. The average outstanding debt has increased as a result of the Company's continued investment in new and acquired stores.

The Company's effective income tax rate for 1998 was 36.6%, as compared to 37.5% for 1997 and 37.9% for 1996. The reduction is primarily due to the effect of increases in the cash surrender value of Company-owned life insurance, which is a non-taxable item.

Liquidity and Capital Resources

The Company's operating results continue to enhance its financial position and ability to continue its planned expansion program. Cash provided by operating activities during 1998 was $825 million, compared to $868 million in 1997 and $650 million in 1996. During 1998 the Company invested $834 million for capital expenditures and $260 million for business acquisitions. The Company's financing activities for 1998 included new long-term borrowings of $317 million, a net increase of commercial paper borrowings of $46 million, bank line borrowings of $171 million, $165 million for the payment of dividends (which represents 29.0% of 1998 net earnings) and $17 million to purchase and retire stock.

The Company utilizes its commercial paper and bank line programs primarily to supplement cash requirements for seasonal fluctuations in working capital and to fund its capital expenditure program. Accordingly, commercial paper and bank line borrowings will fluctuate between the Company's quarterly reporting periods. The Company had $500 million of commercial paper and bank line borrowings outstanding at January 28, 1999, compared to $283 million at January 29, 1998, and $329 million at January 30, 1997. As of January 28, 1999, the Company had a revolving credit agreement for $600 million (which was reserved as alternative funding for the Company's commercial paper program) and bank lines of credit for $635 million (of which $175 million was drawn as of January 28, 1999). The revolving credit agreement contains certain covenants, the most restrictive of which requires the Company to maintain consolidated tangible net worth, as defined, of at least $750 million.

During 1998 the Company issued a total of $317 million in medium-term notes under a $500 million shelf registration statement filed with the Securities and Exchange Commission (SEC) in December 1997. Under a shelf registration statement filed with the SEC in May 1996, the Company issued $200 million of medium-term notes in 1997 and $200 million of 30-year 7.75% debentures in 1996. Proceeds from these issuances were used to reduce borrowings under the Company's commercial paper program.

The Company filed a shelf registration statement with the SEC, which became effective in February 1999, to authorize the issuance of up to $2.5 billion in debt securities. The remaining authorization of $183 million under the 1997 shelf registration statement was rolled into the 1999 shelf registration statement. The Company intends to use the net proceeds of any securities sold pursuant to the 1999 shelf registration statement for general corporate purposes, including retirement of debt, working capital, acquisitions and other business opportunities.

Since 1987 the Board of Directors has continuously adopted or renewed programs under which the Company was authorized, but not required, to purchase and retire shares of its common stock. The remaining authorization under the program adopted by the Board on March 2, 1998, which authorized the Company to purchase and retire up to 5 million shares through March 31, 1999, was rescinded in connection with the pending merger with American Stores Company. Under these programs, the Company purchased and retired 0.3 million shares in 1998, 5.4 million shares in 1997 and 1.6 million shares in 1996.

The following leverage ratios demonstrate the Company's levels of long-term financing as of the indicated year end:

	January 28, 1999	January 29, 1998	January 30, 1997
Long-term debt and capitalized lease obligations to capital[1]	37.5%	31.8%	31.9%
Long-term debt and capitalized lease obligations to total assets	27.0	21.7	22.3

[1] Capital includes long-term debt, capitalized lease obligations and stockholders' equity

The average size of stores opened in 1998, 50,400 square feet, increased the Company's average store size to 49,200 square feet. At January 28, 1999, 95% of the Company's retail square footage consisted of stores over 35,000 square feet. Retail square footage has also increased due to the Company's remodel program. In 1998, 9 of the 27 remodeled stores were expanded in size. The Company continues to retain ownership of real estate when possible. As of January 28, 1999, the Company held title to the land and buildings of 53% of the Company's stores and held title to the buildings on leased land of an additional 10% of the Company's stores. The Company also holds title to the land and buildings of the Company's corporate headquarters in Boise, Idaho, 8 division offices and all of the distribution facilities.

During the past three years, the Company has invested $130 million (excluding inventory) in its distribution operations and has added 412,000 square feet of new or expanded facilities. During 1998 the Company began construction of a new 730,000-square-foot distribution center in Tulsa, Oklahoma. This new center is scheduled to begin operations in August 1999.

The Company is committed to keeping its stores up to date. In the last three years, the Company has opened or remodeled 370 stores representing 40% of the Company's retail square footage as of January 28, 1999. The following summary of historical capital expenditures includes capital leases, stores acquired in business and asset acquisitions, assets acquired with related debt and the estimated fair value of property financed by operating leases (in thousands):

	1998	1997	1996
New and acquired stores	$ 746,576	$ 515,773	$ 460,188
Remodels	139,739	96,973	117,358
Retail replacement equipment and technological upgrades	59,004	41,628	52,478
Distribution facilities and equipment	67,170	28,399	34,812
Other	30,328	13,658	21,171
Total capital expenditures	1,042,817	696,431	686,007
Estimated fair value of property financed by operating leases	95,000	44,000	47,000
	$ 1,137,817	$ 740,431	$ 733,007

The Company's strong financial position provides the flexibility for the Company to grow through its store development program and future acquisitions. The Board of Directors at its March 1999 meeting increased the regular quarterly cash dividend to $0.18 per share, for an annual rate of $0.72 per share.

Recent Accounting Standards

In June 1998 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This new standard establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This standard is effective for the Company's 2000 fiscal year. The Company has not yet completed its evaluation of this standard or its potential impact on the Company's reporting requirements.

Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to certain market risks that are inherent in the Company's financial instruments which arise from transactions entered into in the normal course of business. Although the Company currently utilizes no material derivative financial instruments which expose the Company to significant market risk, the Company is exposed to cash flow and fair value risk due to changes in interest rates with respect to its long-term debt borrowings.

The Company is subject to interest rate risk on its long-term fixed interest rate debt and bank line borrowings. Commercial paper borrowings do not give rise to significant interest rate risk because these borrowings have maturities of less than three months. All things being equal, the fair value of debt with a fixed interest rate will increase as interest rates fall, and the fair value will decrease as interest rates rise. The Company manages its exposure to interest rate risk by utilizing a combination of fixed rate, commercial paper and bank line borrowings.

The table below presents principal cash flows and related weighted average interest rates of the Company's long-term debt and bank line borrowings (excluding commercial paper) at January 28, 1999, by expected maturity dates (in millions):

	1999	2000	2001	2002	2003	Thereafter	Total	Fair Value
Long-term debt	$ 180.8	$ 295.3	$ 1.5	$ 1.7	$ 1.9	$ 726.8	$ 1,208.0	$ 1,284.9
Weighted average interest rate	5.48%	6.33%	9.04%	9.29%	9.49%	6.94%	6.58%	

Year 2000 Compliance

The Year 2000 issue results from computer programs being written using two digits rather than four to define the applicable year. As the year 2000 approaches, systems using such programs may be unable to accurately process certain date-based information. To the extent that the Company's software applications contain source code that is unable to interpret appropriately the upcoming calendar year 2000 and beyond, some level of modification or replacement of such applications will be necessary to avoid system failures and the temporary inability to process transactions or engage in other normal business activities.

In September 1995 the Company formed a project team to assess the impact of the Year 2000 issue on the software and hardware utilized in the Company's internal operations. The project team is staffed primarily with representatives of the Company's Information Systems and Technology department and reports on a regular basis to senior management and the Company's Board of Directors.

The initial phase of the Year 2000 project was assessment and planning. This phase is substantially complete and included an assessment of all computer hardware, software, systems and processes ("IT Systems") and non-information technology systems such as telephones, clocks, scales, refrigeration controllers and other equipment containing embedded microprocessor technology ("Non–IT Systems"). The completion of upgrades, validation and forward date testing for all systems is scheduled for early 1999 although many systems have been completed. The Company expects to successfully implement the remediation of the IT Systems and Non–IT Systems.

In addition to the remediation of the IT systems and Non–IT systems, the Company has identified relationships with third parties, including vendors, suppliers and service providers, which the Company believes are critical to its business operations. The Company is in the process of communicating with these third parties through questionnaires, letters and interviews in an effort to determine the extent to which they are addressing their Year 2000 compliance issues. The Company will continue to communicate with, assess and monitor the progress of these third parties in resolving Year 2000 issues.

The total costs to address the Company's Year 2000 issues are estimated to be approximately $14 million, of which approximately $4 million has been or will be expensed and approximately $10 million has been or will be capitalized. These costs include expenditures accelerated for Year 2000 compliance. To date, the Company has spent approximately 90% of the estimated costs. These costs have been funded through operating cash flow and represent an immaterial portion of the Company's IT budget.

The Company is dependent on the proper operation of its internal computer systems and software for several key aspects of its business operations, including store operations, merchandise purchasing, inventory management, pricing, sales, warehousing, transportation, financial reporting and administrative functions. The Company is also dependent on the proper operation of the computer systems and software of third parties providing critical goods and services to the Company, including vendors, utilities, financial institutions, government entities and others. The Company believes that its efforts will result in Year 2000 compliance. However, the failure or malfunction of internal or external systems could impair the Company's ability to operate its business in the ordinary course and could have a material adverse effect on its results of operations.

The Company is currently developing its contingency plans and intends to formalize these plans with respect to its most critical applications during the first half of 1999. Contingency plans may include manual workarounds, increased inventories and extra staffing.

Cautionary Statement for Purposes of "Safe Harbor Provisions" of the Private Securities Litigation Reform Act of 1995

From time to time, information provided by the Company, including written or oral statements made by its representatives, may contain forward-looking information as defined in the Private Securities Litigation Reform Act of 1995, including statements about the ability of the Company and ASC to obtain the necessary regulatory approvals and satisfy other conditions to the closing of the merger transaction and with respect to the future performance of the combined companies. All statements, other than statements of historical facts, which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as expansion and growth of the Company's business, future capital expenditures and the Company's business strategy, contain forward-looking information. In reviewing such information it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based on various factors and was derived utilizing numerous assumptions. Many of these factors have previously been identified in filings or statements made by or on behalf of the Company.

Important assumptions and other important factors that could cause actual results to differ materially from those set forth in the forward-looking information include changes in the general economy, changes in consumer spending, competitive factors and other factors affecting the Company's business in or beyond the Company's control. These factors include changes in the rate of inflation, changes in state or federal legislation or regulation, adverse determinations with respect to litigation or other claims (including environmental matters), labor negotiations, adverse effects of failure to achieve Year 2000 compliance, the Company's ability to recruit and develop employees, its ability to develop new stores or complete remodels as rapidly as planned, its ability to implement new technology successfully, stability of product costs, the ability of the Company and ASC to obtain the required regulatory approvals on terms acceptable to them, adverse changes in the business or financial condition of the Company or ASC prior to the closing of the merger transaction and the Company's ability to integrate the operations of ASC.

Other factors and assumptions not identified above could also cause the actual results to differ materially from those set forth in the forward-looking information. The Company does not undertake to update forward-looking information contained herein or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Consolidated Earnings

(In thousands except per share data)	**52 Weeks January 28, 1999**	52 Weeks January 29, 1998	52 Weeks January 30, 1997
Sales	$ 16,005,115	$ 14,689,511	$ 13,776,678
Cost of sales	11,622,026	10,807,687	10,211,348
Gross profit	4,383,089	3,881,824	3,565,330
Selling, general and administrative expenses	3,385,531	2,990,172	2,715,776
Impairment – store closures	24,407		
Operating profit	973,151	891,652	849,554
Other (expenses) income:			
Interest, net	(107,074)	(82,563)	(64,569)
Other, net	28,768	17,814	9,862
Earnings before income taxes	894,845	826,903	794,847
Income taxes	327,692	310,089	301,068
Net Earnings	$ 567,153	$ 516,814	$ 493,779
Earnings Per Share:			
Basic	$ 2.31	$ 2.09	$ 1.96
Diluted	2.30	2.08	1.95
Weighted average common shares outstanding:			
Basic	245,637	247,735	251,710
Diluted	246,808	248,497	252,730

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

(Dollars in thousands)	**January 28, 1999**	January 29, 1998	January 30, 1997
Assets			
Current Assets:			
Cash and cash equivalents	$ 80,646	$ 108,083	$ 90,865
Accounts and notes receivable	153,714	121,023	98,364
Inventories	1,503,164	1,308,578	1,201,067
Prepaid expenses	38,871	44,426	42,823
Deferred income taxes	57,510	45,747	42,804
Total Current Assets	1,833,905	1,627,857	1,475,923
Other Assets	277,728	207,360	184,070
Goodwill, net	148,322		
Land, Buildings and Equipment, net	3,974,013	3,383,373	3,054,640
Total Assets	$ 6,233,968	$ 5,218,590	$ 4,714,633
Liabilities and Stockholders' Equity			
Current Liabilities:			
Accounts payable	$ 873,956	$ 742,557	$ 682,305
Salaries and related liabilities	171,706	149,898	135,681
Taxes other than income taxes	76,923	80,842	67,086
Income taxes	47,142	37,657	14,409
Self-insurance	73,066	69,982	63,999
Unearned income	64,418	46,069	36,539
Other	53,282	52,395	46,161
Current maturities of long-term debt	6,991	86,511	975
Current portion of capitalized lease obligations	11,347	9,608	7,938
Total Current Liabilities	1,378,831	1,275,519	1,055,093
Long-Term Debt	1,527,432	989,650	921,704
Capitalized Lease Obligations	157,102	140,957	130,050
Other Long-Term Liabilities and Deferred Credits	360,149	393,008	360,768
Commitments and Contingencies			
Stockholders' Equity:			
Preferred stock – $1.00 par value; authorized – 10,000,000 shares; designated – 3,000,000 shares of Series A Junior Participating; issued – none			
Common stock – $1.00 par value; authorized – 1,200,000,000 shares; issued – 245,697,363 shares, 245,735,633 shares and 250,690,105 shares, respectively	245,697	245,736	250,690
Capital in excess of par value	5,239	4,271	92
Retained earnings	2,559,518	2,169,449	1,996,236
Total Stockholders' Equity	2,810,454	2,419,456	2,247,018
Total Liabilities and Stockholders' Equity	$ 6,233,968	$ 5,218,590	$ 4,714,633

See Notes to Consolidated Financial Statements

Consolidated Cash Flows

(In thousands)	**52 Weeks January 28, 1999**	52 Weeks January 29, 1998	52 Weeks January 30, 1997
Cash Flows From Operating Activities:			
Net earnings	$ 567,153	$ 516,814	$ 493,779
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	375,395	328,795	294,341
Net deferred income taxes	(27,968)	(1,299)	33,868
Increase in cash surrender value of Company-owned life insurance	(22,670)	(14,113)	(9,021)
Impairment – store closures	24,407		
Changes in operating assets and liabilities, net of business acquisitions:			
Receivables and prepaid expenses	(54,251)	(19,180)	(18,072)
Inventories	(144,719)	(107,511)	(170,821)
Accounts payable	100,563	60,252	33,342
Other current liabilities	17,112	57,984	14,514
Self-insurance	(1,808)	12,619	(11,234)
Unearned income	(16,797)	21,705	(10,735)
Other long-term liabilities	9,029	12,081	(313)
Net cash provided by operating activities	825,446	868,147	649,648
Cash Flows From Investing Activities:			
Capital expenditures	(834,373)	(674,053)	(673,310)
Proceeds from disposals of land, buildings and equipment	47,632	37,098	31,095
Business acquisitions, net of cash acquired	(259,672)		
Increase in other assets	(9,274)	(14,258)	(21,542)
Net cash used in investing activities	(1,055,687)	(651,213)	(663,757)
Cash Flows From Financing Activities:			
Proceeds from long-term borrowings	317,000	200,000	202,000
Payments on long-term borrowings	(154,692)	(8,995)	(88,202)
Net commercial paper activity	46,259	(45,692)	119,601
Proceeds from bank line borrowings	170,695		
Proceeds from stock options exercised	4,644	5,206	3,530
Cash dividends paid	(164,584)	(156,261)	(146,060)
Stock purchased and retired	(16,518)	(193,974)	(55,008)
Net cash provided by (used in) financing activities	202,804	(199,716)	35,861
Net (Decrease) Increase in Cash and Cash Equivalents	(27,437)	17,218	21,752
Cash and Cash Equivalents at Beginning of Year	108,083	90,865	69,113
Cash and Cash Equivalents at End of Year	$ 80,646	$ 108,083	$ 90,865

See Notes to Consolidated Financial Statements

Consolidated Stockholders' Equity

(In thousands except per share data)	Common Stock $1.00 Par Value	Capital in Excess of Par Value	Retained Earnings	Total
Balance at February 1, 1996	$ 251,919	$ 3,269	$ 1,697,335	$ 1,952,523
Exercise of stock options	351	2,977		3,328
Tax benefits related to stock options		3,310		3,310
Stock purchased and retired	(1,580)	(9,464)	(43,964)	(55,008)
Cash dividends, $0.60 per share			(150,914)	(150,914)
Net earnings			493,779	493,779
Balance at January 30, 1997	250,690	92	1,996,236	2,247,018
Exercise of stock options	414	3,186		3,600
Tax benefits related to stock options		3,974		3,974
Stock purchased and retired	(5,368)	(2,981)	(185,625)	(193,974)
Cash dividends, $0.64 per share			(157,976)	(157,976)
Net earnings			516,814	516,814
Balance at January 29, 1998	245,736	4,271	2,169,449	2,419,456
Exercise of stock options	310	2,537		2,847
Tax benefits related to stock options		4,550		4,550
Stock purchased and retired	(349)	(6,119)	(10,050)	(16,518)
Cash dividends, $0.68 per share			(167,034)	(167,034)
Net earnings			567,153	567,153
Balance at January 28, 1999	$ 245,697	$ 5,239	$ 2,559,518	$ 2,810,454

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

(Dollars in thousands except per share amounts)

The Company

Albertson's, Inc. (the "Company") is incorporated under the laws of the State of Delaware and is the successor to a business founded by J. A. Albertson in 1939. Based on sales, the Company is one of the largest retail food–drug chains in the United States. As of January 28, 1999, the Company operated 983 stores in 25 Western, Midwestern and Southern states. Retail operations are supported by 11 Company-owned distribution centers, strategically located in the Company's operating markets. The Company's distribution centers provide product exclusively to the Company's retail stores.

Summary of Significant Accounting Policies

Fiscal Year End The Company's fiscal year is generally 52 weeks and periodically consists of 53 weeks because the fiscal year ends on the Thursday nearest to January 31 each year. Unless the context otherwise indicates, reference to a fiscal year of the Company refers to the calendar year in which such fiscal year commences.

Consolidation The consolidated financial statements include the results of operations, account balances and cash flows of the Company and its wholly owned subsidiaries. All material intercompany balances have been eliminated.

Cash and Cash Equivalents The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. Investments, which consist of government-backed money market funds and repurchase agreements backed by government securities, are recorded at cost which approximates market value.

Inventories The Company values inventories at the lower of cost or market. Cost of substantially all inventories is determined on a last-in, first-out (LIFO) basis.

Capitalization, Depreciation and Amortization Land, buildings and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful life of the asset. Estimated useful lives are generally as follows: buildings and improvements—10 to 35 years; fixtures and equipment—3 to 8 years; leasehold improvements—10 to 15 years; and capitalized leases—25 to 30 years. Long-lived assets are reviewed for impairment whenever events or changes in business circumstances indicate the carrying value of the assets may not be recoverable.

The costs of major remodeling and improvements on leased stores are capitalized as leasehold improvements. Leasehold improvements are amortized on the straight-line method over the shorter of the life of the applicable lease or the useful life of the asset. Capital leases are recorded at the lower of the fair market value of the asset or the present value of future minimum lease payments. These leases are amortized on the straight-line method over their primary term.

Beneficial lease rights and lease liabilities are recorded on purchased leases based on differences between contractual rents under the respective lease agreements and prevailing market rents at the date of the acquisition of the lease. Beneficial lease rights are amortized over the lease term using the straight-line method. Lease liabilities are amortized over the lease term using the interest method.

Upon disposal of fixed assets, the appropriate property accounts are reduced by the related costs and accumulated depreciation and amortization. The resulting gains and losses are reflected in consolidated earnings.

Goodwill Goodwill resulting from business acquisitions represents the excess of purchase price over fair value of net assets acquired and is being amortized over 40 years using the straight-line method. Accumulated amortization amounted to $2.7 million as of January 28, 1999. Periodically, the Company re-evaluates goodwill and other intangibles based on undiscounted operating cash flows whenever significant events or changes occur which might impair recovery of recorded asset costs.

Self-Insurance The Company is primarily self-insured for property loss, workers' compensation and general liability costs. Self-insurance liabilities are based on claims filed and estimates for claims incurred but not reported. These liabilities are not discounted.

Unearned Income Unearned income consists primarily of buying and promotional allowances received from vendors in connection with the Company's buying and merchandising activities. These funds are recognized as revenue when earned by purchasing specified amounts of product or promoting certain products.

Store Opening and Closing Costs Noncapital expenditures incurred in opening new stores or remodeling existing stores are expensed in the year in which they are incurred. When a store is closed, the remaining investment in fixed assets, net of expected recovery value, is expensed. For properties under operating lease agreements, the present value of any remaining liability under the lease, net of expected sublease recovery, is also expensed.

Advertising Advertising costs incurred to produce media advertising for major new campaigns are expensed in the year in which the advertising first takes place. Other advertising costs are expensed when incurred. Cooperative advertising income from vendors is recorded in the period in which the related expense is incurred. Net advertising expenses of $48.7 million, $44.0 million and $34.7 million were included with cost of sales in the Company's Consolidated Earnings for 1998, 1997 and 1996, respectively.

Stock Options Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, compensation cost of stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the option exercise price and is charged to operations over the vesting period. Income tax benefits attributable to stock options exercised are credited to capital in excess of par value.

Company-owned Life Insurance The Company has purchased life insurance policies to cover its obligations under deferred compensation plans for officers, key employees and directors. Cash surrender values of these policies are adjusted for fluctuations in the market value of underlying investments. The cash surrender value is adjusted each reporting period and any gain or loss is included with other income (expense) in the Company's Consolidated Earnings.

Income Taxes The Company provides for deferred income taxes resulting from temporary differences in reporting certain income and expense items for income tax and financial accounting purposes. The major temporary differences and their net effect are shown in the "Income Taxes" note.

Earnings Per Share Earnings per share (EPS) are computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share." Basic EPS is computed by dividing consolidated net earnings by the weighted average number of common shares outstanding. Diluted EPS is computed by dividing consolidated net earnings by the sum of the weighted average number of common shares outstanding and the weighted average number of potential common shares outstanding. Potential common shares consist solely of outstanding options under the Company's stock option plans. There were no outstanding options excluded from the computation of potential common shares (option price exceeded the average market price during the period) in 1998. Outstanding options excluded in 1997 and 1996 amounted to 1,520,000 shares and 24,000 shares, respectively.

Reclassifications Certain reclassifications have been made in prior years' financial statements to conform to classifications used in the current year.

Use of Estimates The preparation of the Company's consolidated financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Impairment – Store Closures

The Company recorded a charge to earnings in 1998 related to management's decision to close 16 underperforming stores in 8 states. The charge included impaired real estate and equipment, as well as the present value of remaining liabilities under leases, net of expected sublease recoveries. As of January 28, 1999, 13 of these stores had been closed and management believes the 1998 charge and remaining reserve are adequate.

Supplemental Cash Flow Information

Selected cash payments and noncash activities were as follows:

	1998	1997	1996
Cash payments for income taxes	$ 341,334	$ 284,030	$ 288,590
Cash payments for interest, net of amounts capitalized	95,553	65,930	59,284
Noncash investing and financing activities:			
Tax benefits related to stock options	4,550	3,974	3,310
Fair market value of stock exchanged for option price	1,460	2,021	768
Fair market value of stock exchanged for tax withholdings	1,796	1,606	202
Capitalized lease obligations incurred	24,857	22,228	12,005
Capitalized lease obligations terminated	5,509	1,632	3,240
Acquisition note payable	8,000		
Liabilities assumed in connection with asset acquisitions	1,840	150	692

Business Combinations

On January 30, 1998, the Company acquired Seessel Holdings, Inc., a wholly owned subsidiary of Bruno's, Inc. for cash consideration of approximately $88 million. This acquisition included 10 grocery stores in the Memphis, Tennessee, area, and a central bakery and central kitchen, which manufacture fresh bakery and prepared foods for distribution to the Seessel's stores. The Company operates these stores under the Seessel's banner.

On April 20, 1998, the Company acquired Smitty's Super Markets, Inc., for cash consideration of approximately $36 million plus an $8 million unsecured note payable. This acquisition included 10 combination stores and 3 fuel centers with convenience stores in the Springfield and Joplin, Missouri, areas.

On August 24, 1998, the Company purchased the assets of 15 Bruno's, Inc., stores for approximately $36 million. This acquisition included 14 operating stores and 1 store under construction which, when completed, will replace a store currently operating. The stores are located in the Nashville and Chattanooga, Tennessee, metropolitan areas. The Chattanooga area stores include a store in northern Georgia. The Company operates these stores under the Albertson's banner.

On October 1, 1998, the Company acquired Buttrey Food and Drug Stores Company for cash consideration of approximately $142 million. This acquisition included 44 stores in Montana, North Dakota and Wyoming. In accordance with an agreement with the Federal Trade Commission, 9 Buttrey stores and 6 Albertson's stores were simultaneously divested with the purchase. The Company operates the acquired Buttrey stores under the Albertson's banner.

All acquisitions were accounted for using the purchase method of accounting. The results of operations of the acquired businesses have been included in the consolidated financial statements from their date of acquisition. Pro forma results of operations have not been presented due to the immaterial effects of these acquisitions on the Company's consolidated operations. For each of these acquisitions, the excess of the purchase price over the fair market value of net assets acquired, of $151 million, was allocated to goodwill which is being amortized over 40 years. The Company has not finalized its purchase price allocation relative to all of the acquisitions; however, the final purchase price allocations should not differ significantly from the preliminary purchase price allocations recorded as of January 28, 1999.

On August 2, 1998, the Company entered into a definitive merger agreement with American Stores Company (ASC) which was approved by the stockholders of Albertson's and ASC on November 12, 1998. The agreement provides for a business combination between the Company and ASC in which ASC will become a wholly owned subsidiary of the Company. Under the terms of the agreement, the holders of ASC common stock will be issued 0.63 shares of Albertson's, Inc., common stock in exchange for each share of ASC common stock, with cash being paid in lieu of fractional shares, in a transaction intended to qualify as a pooling of interests for accounting purposes and as a tax-free reorganization for federal income tax purposes. Based on the number of common shares outstanding as of Albertson's and ASC's respective 1998 fiscal year ends, consummation of the merger would result in former stockholders of ASC holding approximately 42% of the outstanding Albertson's common stock (assuming no conversion of outstanding options). The transaction is subject to certain regulatory clearance and is expected to close during the latter part of the Company's first fiscal quarter or early in the second fiscal quarter of 1999.

Accounts and Notes Receivable

Accounts and notes receivable consisted of the following:

	January 28, 1999	January 29, 1998	January 30, 1997
Trade and other accounts receivable	$ 152,226	$ 119,856	$ 97,186
Current portion of notes receivable	2,688	2,367	2,178
Allowance for doubtful accounts	(1,200)	(1,200)	(1,000)
	$ 153,714	$ 121,023	$ 98,364

Inventories

Approximately 96% of the Company's inventories are valued using the last-in, first-out (LIFO) method. If the first-in, first-out (FIFO) method had been used, inventories would have been $250.3 million, $242.0 million and $232.8 million higher at the end of 1998, 1997 and 1996, respectively. Net earnings (basic and diluted earnings per share) would have been higher by $5.3 million ($0.02) in 1998, $5.7 million ($0.02) in 1997 and $9.3 million ($0.04) in 1996. The replacement cost of inventories valued at LIFO approximates FIFO cost.

Land, Buildings and Equipment

Land, buildings and equipment consisted of the following:

	January 28, 1999	January 29, 1998	January 30, 1997
Land	$ 950,946	$ 795,246	$ 700,208
Buildings	2,419,971	2,055,276	1,799,976
Fixtures and equipment	2,087,977	1,779,469	1,607,454
Leasehold improvements	418,833	372,428	328,249
Capitalized leases	225,162	203,217	186,768
	6,102,889	5,205,636	4,622,655
Accumulated depreciation and amortization	(2,128,876)	(1,822,263)	(1,568,015)
	$ 3,974,013	$ 3,383,373	$ 3,054,640

Indebtedness

Long-term debt consisted of the following:

	January 28, 1999	January 29, 1998	January 30, 1997
Commercial paper	$ 326,425	$ 283,304	$ 328,996
Bank line	173,834		
Unsecured medium-term notes issued in 1998	317,000		
Unsecured medium-term notes issued in 1997	200,000	200,000	
Unsecured 7.75% debentures due June 2026	200,000	200,000	200,000
Unsecured 6.375% notes due June 2000	200,000	200,000	200,000
Unsecured medium-term notes issued in 1993	89,650	175,075	175,075
Industrial revenue bonds	13,515	14,230	14,860
Mortgage notes and other unsecured notes payable	13,999	3,552	3,748
	1,534,423	1,076,161	922,679
Current maturities	(6,991)	(86,511)	(975)
	$ 1,527,432	$ 989,650	$ 921,704

The Company has in place a $600 million commercial paper program. Interest rates on the outstanding commercial paper borrowings as of January 28, 1999, ranged from 4.82% to 4.93% with an effective weighted average rate of 4.86%. Interest rates on amounts drawn against bank line borrowings outstanding as of January 28, 1999, ranged from 5.38% to 5.41% with an effective weighted average rate of 5.40%. The Company has established the necessary credit facilities, through its revolving credit agreement, to refinance the commercial paper and bank line borrowings on a long-term basis. These borrowings have been classified as non-current because it is the Company's intent to refinance these obligations on a long-term basis.

During 1998 the Company issued a total of $317 million in medium-term notes under a $500 million shelf registration statement filed with the Securities and Exchange Commission (SEC) in December 1997. Medium-term notes of $84 million issued in February 1998 mature at various dates between February 2013 and February 2028, with interest paid semiannually at rates ranging from 6.34% and 6.57%. Medium-term notes of $77 million issued in April 1998 mature in April 2028, with interest paid semiannually at rates ranging from 6.10% to 6.53%. Medium-term notes of $156 million issued in June 1998 mature in June 2028, with interest paid semiannually at a rate of 6.63%. The weighted average interest rate on these notes outstanding at January 28, 1999, was 6.49%.

In July 1997 the Company issued $200 million of medium-term notes under a shelf registration statement filed with the SEC in May 1996. The notes mature at various dates between July 2007 and July 2027. Interest is paid semiannually at rates ranging from 6.56% to 7.15%. The weighted average interest rate on these notes outstanding at January 28, 1999, was 6.81%.

In June 1996 the Company issued $200 million of 7.75% debentures under a shelf registration statement filed with the SEC in May 1996. Interest is paid semiannually.

In June 1995 the Company issued $200 million of 6.375% notes under a shelf registration statement filed with the SEC in 1992. Interest is paid semiannually.

The medium-term notes issued in 1993 mature in March 2000. Interest is paid semiannually at rates ranging from 6.03% to 6.28%. The weighted average interest rate on these notes outstanding at January 28, 1999, was 6.14%.

The industrial revenue bonds are payable in varying annual installments through 2011, with interest paid semiannually at rates ranging from 4.60% to 6.95%. The weighted average interest rate on these amounts outstanding at January 28, 1999, was 6.00%.

The Company has pledged real estate with a cost of $10.8 million as collateral for a mortgage note which is payable semiannually, including interest at a rate of 16.5%. The note is payable from 1999 to 2013.

The scheduled maturities of long-term debt outstanding at January 28, 1999, are summarized as follows: $7.0 million in 1999, $295.3 million in 2000, $501.7 million in 2001, $1.7 million in 2002, $1.9 million in 2003 and $726.8 million thereafter. Medium-term notes of $30 million due July 2027 contain a put option which would require the Company to repay the notes in July 2007 if the holder of the note so elects by giving the Company a 60-day notice. Medium-term notes of $50 million due April 2028 contain a put option which would require the Company to repay the notes in April 2008 if the holder of the note so elects by giving the Company a 60-day notice.

The Company has in place a revolving credit agreement with several banks, whereby the Company may borrow principal amounts up to $600 million at varying interest rates any time prior to December 17, 2001. The agreement contains certain covenants, the most restrictive of which requires the Company to maintain consolidated tangible net worth, as defined, of at least $750 million.

In addition to amounts available under the revolving credit agreement, the Company had lines of credit from banks at prevailing interest rates for $635 million at January 28, 1999 (of which $175 million was drawn). The cash balances maintained at these banks are not legally restricted. There were no amounts outstanding under the Company's lines of credit as of January 29, 1998, or January 30, 1997.

The Company filed a shelf registration statement with the SEC, which became effective in February 1999, to authorize the issuance of up to $2.5 billion in debt securities. The remaining authorization of $183 million under the 1997 shelf registration statement was rolled into the 1999 shelf registration statement. The Company intends to use the net proceeds of any securities sold pursuant to the 1999 shelf registration statement for general corporate purposes, including retirement of debt, working capital, acquisitions and other business opportunities.

Net interest expense was as follows:

	1998	1997	1996
Debt	$ 87,946	$ 66,418	$ 48,534
Capitalized leases	18,132	16,629	15,168
Capitalized interest	(9,142)	(8,683)	(6,378)
Interest expense	96,936	74,364	57,324
Net bank service charges	10,138	8,199	7,245
	$ 107,074	$ 82,563	$ 64,569

Other Long-Term Liabilities and Deferred Credits

Other long-term liabilities and deferred credits consisted of the following:

	January 28, 1999	January 29, 1998	January 30, 1997
Deferred compensation	$ 48,899	$ 43,014	$ 37,905
Deferred income taxes	7,267	17,520	15,876
Deferred rents payable	59,806	64,674	69,305
Self-insurance	114,232	114,227	107,591
Unearned income	46,885	81,931	69,756
Other, primarily postemployment and postretirement benefit liabilities	83,060	71,642	60,335
	$ 360,149	$ 393,008	$ 360,768

Capital Stock

On December 2, 1996, the Board of Directors adopted a stockholder rights plan, which was amended on August 2, 1998 and March 16, 1999, under which all stockholders receive one right for each share of common stock held. Each right will entitle the holder to purchase, under certain circumstances, one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value

$1.00 per share, of the Company (the "preferred stock") at a price of $160. Subject to certain exceptions, the rights will become exercisable for shares of preferred stock 10 business days (or such later date as may be determined by the Board of Directors) following the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning 15% or more of the outstanding shares of common stock.

Under the plan, subject to certain exceptions, if any person or group becomes the beneficial owner of 15% or more of the outstanding common stock or takes certain other actions, each right will then entitle its holder, other than such person or group, upon payment of the $160 exercise price, to purchase common stock (or, in certain circumstances, cash, property or other securities of the Company) with a value equal to twice the exercise price. The rights may be redeemed by the Board of Directors at a price of $0.001 per right under certain circumstances. The rights, which do not vote and are not entitled to dividends, will expire at the close of business on March 21, 2007, unless earlier redeemed or extended by the Board of Directors of the Company.

Since 1987, the Board of Directors has continuously adopted or renewed programs under which the Company is authorized, but not required, to purchase and retire shares of its common stock. The program adopted by the Board of Directors on March 2, 1998, authorized the Company to purchase and retire up to 5 million shares through March 31, 1999. On August 2, 1998, the Board of Directors rescinded the remaining authorization in connection with the pending merger with American Stores Company. The Company has purchased and retired an equivalent of 22.3 million shares of its common stock for $500 million under these programs, at an average price of $22.40 per share.

Income Taxes

Deferred tax assets and liabilities consisted of the following:

	January 28, 1999	January 29, 1998	January 30, 1997
Deferred tax assets (no valuation allowances considered necessary):			
Nondeductible accruals for:			
Self-insurance	$ 72,426	$ 71,243	$ 67,547
Leases	19,073	19,517	20,238
Compensated absences	26,289	18,200	17,057
Deferred compensation	19,600	17,358	15,406
Postemployment benefits	18,598	15,407	13,721
Property valuation	13,637	8,845	8,339
Postretirement benefits	7,219	6,042	5,057
Pension costs	4,535	3,854	3,387
Other	10,886	4,495	3,996
Income unearned for financial reporting purposes	30,742	29,136	30,741
Costs capitalized for tax purposes	15,553	4,724	5,615
Total deferred tax assets	238,558	198,821	191,104
Deferred tax liabilities:			
Land, buildings and equipment	(143,981)	(130,344)	(127,078)
Pension costs expensed for tax purposes	(24,450)	(18,215)	(20,264)
Inventory valuation	(15,194)	(12,155)	(8,863)
Funded benefits	(3,540)	(9,014)	(7,778)
Other	(1,150)	(866)	(193)
Total deferred tax liabilities	(188,315)	(170,594)	(164,176)
Net deferred tax assets	$ 50,243	$ 28,227	$ 26,928

As a result of an acquisition that occurred during 1998, the Company has succeeded to federal and state net operating loss carryforwards of $21.6 million and $13.9 million, respectively, that will expire in various years through 2010. Based on management's assessment, it is more likely than not that all of the deferred tax assets associated with the net operating loss carryforwards will be realized; therefore, no valuation allowance is considered necessary.

Income tax expense was as follows:

	1998	1997	1996
Current:			
Federal	$ 303,073	$ 273,896	$ 229,006
State	46,807	37,664	38,367
	349,880	311,560	267,373
Deferred:			
Federal	(19,070)	(1,142)	29,008
State	(2,946)	(157)	4,860
	(22,016)	(1,299)	33,868
Amortization of deferred investment tax credits	(172)	(172)	(173)
	$ 327,692	$ 310,089	$ 301,068

The reconciliations between the federal statutory tax rate and the Company's effective tax rates were as follows:

	1998	**Percent**	1997	Percent	1996	Percent
Taxes computed at statutory rate	$ 313,196	35.0	$ 289,416	35.0	$ 278,196	35.0
State income taxes net of federal income tax benefit	29,155	3.3	24,268	2.9	28,345	3.6
Amortization of deferred investment tax credits	(172)		(172)		(173)	
Other	(14,487)	(1.7)	(3,423)	(0.4)	(5,300)	(0.7)
	$ 327,692	36.6	$ 310,089	37.5	$ 301,068	37.9

Stock Options

The Company has two stock option plans currently in effect under which grants may be made with respect to 10,400,000 shares of the Company's common stock. Under these plans, approved by the stockholders in 1995, options may be granted to officers and key employees, and to directors, respectively, to purchase the Company's common stock. Generally, options are granted with an exercise price at not less than 100% of the closing market price on the date of the grant, become exercisable in installments of 20% per year on each of the fifth through ninth anniversaries of the grant date and have a maximum term of 10 years. Upon consummation of the pending merger with American Stores Company, all outstanding options will become exercisable in accordance with the change of control provisions of the stock option plans.

During 1998 the stockholders approved Albertson's, Inc., Amended and Restated 1995 Stock-Based Incentive Plan. The amendment increased the number of shares available for issuance from 10 million to 30 million shares and will become effective upon the consummation of the pending American Stores merger.

A summary of shares reserved for outstanding options as of the fiscal year end, changes during the year and related weighted average exercise price is presented below (shares in thousands):

	January 28, 1999		January 29, 1998		January 30, 1997	
	Shares	**Price**	Shares	Price	Shares	Price
Outstanding at beginning of year	5,018	$ 32.58	4,056	$ 25.29	3,824	$ 21.51
Granted	24	45.94	1,524	45.48	790	35.14
Exercised	(370)	16.52	(507)	14.09	(376)	10.91
Forfeited	(128)	32.44	(55)	23.12	(182)	18.35
Outstanding at end of year	4,544	$ 33.96	5,018	$ 32.58	4,056	$ 25.29

As of January 28, 1999, there were 7,123,000 shares of common stock reserved for the granting of additional options.

The following table summarizes options outstanding and options exercisable as of January 28, 1999, and the related weighted average remaining contractual life (years) and weighted average exercise price (shares in thousands):

	Options Outstanding			Options Exercisable	
Option Price per Share	Shares Outstanding	Remaining Life	Price	Shares Exercisable	Price
$ 8.69 to $ 13.56	84	0.9	$ 13.28	52	$ 13.54
16.56 to 24.31	702	3.0	19.09	233	18.40
25.13 to 35.00	2,247	6.6	31.54	99	27.96
39.75 to 45.94	1,511	8.1	45.61	67	43.91
$ 8.69 to $ 45.94	4,544	6.5	$ 33.96	451	$ 23.73

The weighted average fair value at date of grant for options granted during 1998, 1997 and 1996 was $17.14, $15.26 and $10.74 per option, respectively. The fair value of options at date of grant was estimated using the Black-Scholes model with the following weighted average assumptions:

	1998	1997	1996
Expected life (years)	8.0	6.5	7.0
Risk-free interest rate	5.74%	5.92%	6.24%
Volatility	26.70	26.53	22.06
Dividend yield	1.48	1.41	1.70

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the stock options granted in the prior three years. Had compensation cost been determined based on the fair value at the grant date consistent with the provisions of this statement, the Company's pro forma net earnings and earnings per share would have been as follows:

	1998	1997	1996
Net earnings:			
As reported	$ 567,153	$ 516,814	$ 493,779
Pro forma	563,035	514,602	492,558
Basic earnings per share:			
As reported	2.31	2.09	1.96
Pro forma	2.29	2.08	1.96
Diluted earnings per share:			
As reported	2.30	2.08	1.95
Pro forma	2.28	2.07	1.95

The pro forma effect on historical net earnings is not representative of the pro forma effect on net earnings in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1995.

Employee Benefit Plans

Substantially all employees working over 20 hours per week are covered by retirement plans. Union employees participate in multi-employer retirement plans under collective bargaining agreements. The Company sponsors two funded plans, Albertson's Salaried Employees Pension Plan and Albertson's Employees Corporate Pension Plan, which are qualified, defined benefit, noncontributory plans for eligible employees who are 21 years of age with one or more years of service and (with certain exceptions) are not covered by collective bargaining agreements. Benefits paid to retirees are based upon age at retirement, years of credited service and average compensation. The Company's funding policy for these plans is to contribute the larger of the amount required to fully fund the Plan's current liability or the amount necessary to meet the funding requirements as defined by the Internal Revenue Code.

The Company also sponsors an unfunded Executive Pension Makeup Plan. This plan is nonqualified and provides certain key employees defined pension benefits which supplement those provided by the Company's other retirement plans.

Net periodic benefit cost is determined using assumptions as of the beginning of each year. The projected benefit obligation and related funded status is determined using assumptions as of the end of each year. Assumptions used at the end of each year for all Company-sponsored pension and postretirement benefit plans were as follows:

	1998	1997	1996
Weighted-average discount rate	6.25%	6.60%	7.50%
Annual salary increases	4.50–4.95	4.50–5.00	4.50–5.00
Expected long-term rate of return on assets	9.50	9.50	9.50

Net periodic benefit cost for Company-sponsored pension plans was as follows:

	1998	1997	1996
Service cost – benefits earned during the period	$ 41,627	$ 26,776	$ 24,138
Interest cost on projected benefit obligations	30,164	23,174	20,095
Expected return on assets	(42,263)	(34,118)	(30,600)
Amortization of transition asset	(6)	(6)	(6)
Amortization of prior service cost	944	944	944
Recognized net actuarial loss (gain)	2,605	(145)	39
	$ 33,071	$ 16,625	$ 14,610

The following table sets forth the funded status of the Company-sponsored pension plans:

	January 28, 1999	January 29, 1998	January 30, 1997
Change in projected benefit obligation:			
Beginning of year benefit obligation	$ 411,983	$ 293,842	$ 269,645
Service cost	41,627	26,776	24,138
Interest cost	30,164	23,174	20,095
Actuarial loss (gain)	72,195	75,565	(12,716)
Benefits paid	(9,419)	(7,374)	(7,320)
End of year benefit obligation	546,550	411,983	293,842
Change in plan assets:			
Plan assets at fair value at beginning of year	414,532	354,806	321,758
Actual return on plan assets	96,200	56,700	36,295
Employer contributions	47,570	10,400	4,073
Benefit payments	(9,419)	(7,374)	(7,320)
Plan assets at fair value at end of year	548,883	414,532	354,806
Funded status	2,333	2,549	60,964
Unrecognized net loss (gain)	45,560	29,922	(23,205)
Unrecognized prior service cost	3,539	4,483	5,427
Unrecognized net transition liability	548	542	536
Additional minimum liability	(3,747)	(2,612)	(1,080)
Net prepaid pension cost	$ 48,233	$ 34,884	$ 42,642
Prepaid pension cost included with other assets	$ 63,822	$ 47,559	$ 52,497
Accrued pension cost included with other long-term liabilities	(15,589)	(12,675)	(9,855)
Net prepaid pension cost	$ 48,233	$ 34,884	$ 42,642

The following table summarizes the Company-sponsored pension plans which have projected benefit obligations in excess of plan assets and the accumulated benefit obligation of the unfunded makeup plan in which the accumulated benefit obligation exceeds plan assets:

	January 28, 1999	January 29, 1998	January 30, 1997
Projected benefit obligation in excess of plan assets:			
Projected benefit obligation	$ 18,950	$ 240,869	$ 11,761
Fair value of plan assets		217,743	
Accumulated benefit obligation in excess of plan assets:			
Accumulated benefit obligation	15,589	12,675	9,855

Assets of the two funded Company plans are invested in directed trusts. Assets in the directed trusts are invested in common stocks (including $68.0 million, $52.4 million and $38.4 million of the Company's common stock at January 28, 1999, January 29, 1998, and January 30, 1997, respectively), U.S. Government obligations, corporate bonds, international equity funds, real estate and money market funds.

The Company also contributes to various plans under industrywide collective bargaining agreements, primarily for defined benefit pension plans. Total contributions to these plans were $23.5 million for 1998, $22.5 million for 1997 and $24.9 million for 1996.

The Company sponsors a tax-deferred savings plan which is a salary deferral plan pursuant to Section 401(k) of the Internal Revenue Code. Employees eligible to participate are those who are at least 21 years of age with one or more years of service and (with certain exceptions) are not covered by collective bargaining agreements. All contributions are determined and made by the employees and the Company incurs no material costs in connection with this plan.

Most retired employees of the Company are eligible to remain in its health and life insurance plans. Retirees who elect to remain in the Company-sponsored plans are charged a premium which is equal to the difference between the estimated costs of the benefits for the retiree group and a fixed contribution amount made by the Company. The net periodic post-retirement benefit cost was as follows:

	1998	1997	1996
Service cost	$ 1,898	$ 1,483	$ 1,304
Interest cost	1,290	1,138	989
Amortization of unrecognized loss	27		22
	$ 3,215	$ 2,621	$ 2,315

The following table sets forth the funded status of the Company-sponsored postretirement health and life insurance benefit plan:

	January 28, 1999	January 29, 1998	January 30, 1997
Change in accumulated benefit obligation:			
Beginning of year benefit obligation	$ 17,547	$ 14,153	$ 12,486
Service cost	1,898	1,483	1,304
Interest cost	1,290	1,138	989
Plan participants' contributions	1,692	1,396	1,237
Actuarial loss (gain)	737	721	(428)
Benefits paid	(1,832)	(1,344)	(1,435)
End of year benefit obligation	21,332	17,547	14,153
Plan assets activity:			
Employer contributions (excess)	140	(52)	198
Plan participants' contributions	1,692	1,396	1,237
Benefit payments	(1,832)	(1,344)	(1,435)
Funded status	(21,332)	(17,547)	(14,153)
Unrecognized net loss	2,483	1,773	1,052
Accrued postretirement benefit obligations included with other long-term liabilities	$ (18,849)	$ (15,774)	$ (13,101)

Annual rates of increases in health care costs are not applicable in the calculation of the benefit obligation because the Company's contribution is a fixed amount.

Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" requires employers to recognize an obligation for benefits provided to former or inactive employees after employment but before retirement. The Company is self-insured under its employees' short-term and long-term disability plans which are the primary benefits paid to inactive employees prior to retirement. Following is a summary of the obligation for postemployment benefits included in the Company's consolidated balance sheets:

	January 28, 1999	January 29, 1998	January 30, 1997
Included with salaries and related liabilities	$ 7,014	$ 6,661	$ 4,620
Included with other long-term liabilities	41,546	33,567	30,927
	$ 48,560	$ 40,228	$ 35,547

The Company also contributes to various plans under industrywide collective bargaining agreements which provide for health care benefits to both active employees and retirees. Total contributions to these plans were $93.1 million for 1998, $96.5 million for 1997 and $100.0 million for 1996.

The Company has bonus plans for store management personnel and other key management personnel. Amounts charged to earnings under all bonus plans were $86.7 million for 1998, $67.0 million for 1997 and $66.1 million for 1996.

Leases

The Company leases a portion of its real estate. The typical lease period is 25 to 30 years and most leases contain renewal options. Exercise of such options is dependent on the level of business conducted at the location. In addition, the Company leases certain equipment. Some leases contain contingent rental provisions based on sales volume at retail stores or miles traveled for trucks.

Capitalized leases are calculated using interest rates appropriate at the inception of each lease. Contingent rents associated with capitalized leases were $1.1 million in 1998, $1.4 million in 1997 and $1.8 million in 1996. Following is an analysis of the Company's capitalized leases:

	January 28, 1999	January 29, 1998	January 30, 1997
Real estate and equipment	$ 225,162	$ 203,217	$ 186,768
Accumulated amortization	(91,025)	(87,204)	(83,208)
	$ 134,137	$ 116,013	$ 103,560

Future minimum lease payments for noncancelable operating leases, related subleases and capital leases at January 28, 1999, were as follows:

	Operating Leases	Subleases	Capital Leases
1999	$ 90,820	$ (13,463)	$ 29,820
2000	90,460	(13,186)	29,684
2001	88,657	(11,138)	29,048
2002	83,886	(8,230)	21,252
2003	81,760	(6,253)	19,918
Remainder	668,028	(20,756)	243,253
Total minimum obligations (receivables)	$ 1,103,611	$ (73,026)	372,975
Interest			(204,526)
Present value of net minimum obligations			168,449
Current portion of capitalized lease obligations			(11,347)
Long-term capitalized lease obligations at January 28, 1999			$ 157,102

The present value of minimum lease payments under operating leases using an assumed discount rate of 8.0% was approximately $576 million at January 28, 1999.

Rent expense under operating leases was as follows:

	1998	1997	1996
Minimum rent	$ 93,094	$ 81,402	$ 77,214
Contingent rent	3,605	3,469	4,155
	96,699	84,871	81,369
Sublease rent	(39,214)	(31,120)	(23,498)
	$ 57,485	$ 53,751	$ 57,871

Financial Instruments

Financial instruments with off-balance-sheet risk to the Company include lease guarantees whereby the Company is contingently liable as a guarantor of certain leases that were assigned to third parties in connection with various store closures. Minimum rentals guaranteed under assigned leases are $6.1 million in fiscal 1999 and aggregate $44.9 million for the remaining lease terms, which expire at various dates through 2028. The Company believes the likelihood of a significant loss from these agreements is remote because of the wide dispersion among third parties and remedies available to the Company should the primary party fail to perform under the agreements.

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of cash equivalents and receivables. The Company limits the amount of credit exposure to each individual financial institution and places its temporary cash into investments of high credit quality. Concentrations of credit risk with respect to receivables are limited due to their dispersion across various companies and geographies.

The estimated fair values of cash and cash equivalents, accounts receivable, accounts payable, short-term debt and commercial paper borrowings approximate their carrying amounts. The estimated fair values and carrying amounts of long-term debt borrowings (excluding commercial paper) were as follows (in millions):

	January 28, 1999	January 29, 1998	January 30, 1997
Fair value	$ 1,284.9	$ 833.8	$ 606.3
Carrying amount	1,208.0	792.9	593.7

Substantially all of these fair values were determined from quoted market prices. The Company has not determined the fair value of lease guarantees due to the inherent difficulty in evaluating the credit worthiness of each tenant.

Recent Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This new standard establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This standard is effective for the Company's 2000 fiscal year. The Company has not yet completed its evaluation of this standard or its potential impact on the Company's reporting requirements.

Legal Proceedings

Three civil lawsuits filed in September 1996 as purported statewide class actions in Washington, California and Florida and two civil lawsuits filed in April 1997 in federal court in Boise, Idaho, as purported multi-state class actions covering the remaining states in which the Company operated at the time have been brought against the Company raising various issues that include: (i) allegations that the Company has a widespread practice of permitting its employees to work "off-the-clock" without being paid for their work and (ii) allegations that the Company's bonus and workers' compensation plans are unlawful. Four of these suits are being sponsored and financed by the United Food and Commercial Workers (UFCW) International Union. The five suits have been consolidated in Boise, Idaho. The consolidated complaint for these suits further alleges claims under the Employee Retirement Income Security Act. In addition, three other similar suits have been filed as purported class actions in Colorado, New Mexico and Nevada which, in effect, duplicate the coverage of the UFCW-sponsored suits under state law. These three cases have been transferred to the federal court in Boise, Idaho, for consolidation or coordination with the pending Boise litigation.

The Company is committed to full compliance with all applicable laws. Consistent with this commitment, the Company has firm and long-standing policies in place prohibiting off-the-clock work and has structured its bonus and workers' compensation plans to comply with applicable law. The Company believes that the UFCW-sponsored suits are part of a broader and continuing effort by the UFCW and some of its locals to pressure the Company to unionize employees who have not expressed a desire to be represented by a union. The Company intends to vigorously defend against all of these lawsuits, and, at this stage of the litigation, the Company believes that it has strong defenses against them.

Although these lawsuits are subject to the uncertainties inherent in the litigation process, based on the information presently available to the Company, management does not expect the ultimate resolution of these actions to have a material adverse effect on the Company's financial condition.

The Company is also involved in routine litigation incidental to operations. In the opinion of management, the ultimate resolution of these legal proceedings will not have a material adverse effect on the Company's financial condition.

Segment Information

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products, services, geographic areas and major customers. The Company has analyzed the reporting requirements of the new standard and has determined that its operations are within one reportable segment.

Responsibility for Financial Reporting

The management of Albertson's, Inc., is responsible for the preparation and integrity of the consolidated financial statements of the Company. The accompanying consolidated financial statements have been prepared by the management of the Company, in accordance with generally accepted accounting principles, using management's best estimates and judgment where necessary. Financial information appearing throughout this Annual Report is consistent with that in the consolidated financial statements.

To help fulfill its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that transactions are executed in accordance with management's authorizations and are reflected accurately in the Company's records. The concept of reasonable assurance is based on the recognition that the cost of maintaining a system of internal accounting controls should not exceed benefits expected to be derived from the system. The Company believes that its long-standing emphasis on the highest standards of conduct and ethics, set forth in comprehensive written policies, serves to reinforce its system of internal controls.

Deloitte & Touche LLP, independent auditors, audited the consolidated financial statements in accordance with generally accepted auditing standards to independently assess the fair presentation of the Company's financial position, results of operations and cash flows.

The Audit Committee of the Board of Directors, composed entirely of outside directors, oversees the fulfillment by management of its responsibilities over financial controls and the preparation of financial statements. The Audit Committee meets with internal and external auditors four times per year to review audit plans and audit results. This provides internal and external auditors direct access to the Board of Directors.

Management recognizes its responsibility to conduct the business of Albertson's, Inc., in accordance with high ethical standards. This responsibility is reflected in key policy statements that, among other things, address potentially conflicting outside business interests of Company employees and specify proper conduct of business activities. Ongoing communications and review programs are designed to help ensure compliance with these policies.

Gary G. Michael
Chairman of the Board and
Chief Executive Officer

A. Craig Olson
Executive Vice President and
Chief Financial Officer

Independent Auditors' Report

Deloitte & Touche LLP

The Board of Directors and Stockholders of Albertson's, Inc.:

We have audited the accompanying consolidated balance sheets of Albertson's, Inc., and subsidiaries as of January 28, 1999, January 29, 1998, and January 30, 1997, and the related consolidated statements of earnings, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Albertson's, Inc., and subsidiaries at January 28, 1999, January 29, 1998, and January 30, 1997, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Boise, Idaho
March 17, 1999

Five-Year Summary of Selected Financial Data

(Dollars in thousands except per share data)	**52 Weeks January 28, 1999**	52 Weeks January 29, 1998	52 Weeks January 30, 1997	52 Weeks February 1, 1996	52 Weeks February 2, 1995
Operating Results:					
Sales	$ 16,005,115	$ 14,689,511	$ 13,776,678	$ 12,585,034	$ 11,894,621
Gross profit	4,383,089	3,881,824	3,565,330	3,213,298	3,007,894
Interest expense:					
Debt	78,804	57,735	42,156	31,895	38,806
Capitalized lease obligations	18,132	16,629	15,168	15,234	13,412
Earnings before income taxes and cumulative effect of accounting change	894,845	826,903	794,847	758,501	678,652
Income taxes	327,692	310,089	301,068	293,540	261,281
Earnings before cumulative effect of accounting change	567,153	516,814	493,779	464,961	417,371
Cumulative effect of accounting change					(17,006)
Net earnings	567,153	516,814	493,779	464,961	400,365
Net earnings as a percent to sales	3.54%	3.52%	3.58%	3.69%	3.37%
Common Stock Data:					
Earnings per share before cumulative effect of accounting change:					
Basic	$ 2.31	$ 2.09	$ 1.96	$ 1.84	$ 1.65
Diluted	2.30	2.08	1.95	1.83	1.64
Cumulative effect of accounting change					(.07)
Earnings per share:					
Basic	2.31	2.09	1.96	1.84	1.58
Diluted	2.30	2.08	1.95	1.83	1.57
Cash dividends per share	0.68	0.64	0.60	0.52	0.44
Book value per share	11.44	9.85	8.96	7.75	6.65
Financial Position:					
Total assets	$ 6,233,968	$ 5,218,590	$ 4,714,633	$ 4,135,911	$ 3,621,729
Working capital	455,074	352,338	420,830	194,509	94,150
Long-term debt	1,527,432	989,650	921,704	602,993	382,775
Capitalized lease obligations	157,102	140,957	130,050	129,265	129,573
Stockholders' equity	2,810,454	2,419,456	2,247,018	1,952,523	1,687,893
Other Year End Statistics:					
Number of stores	983	878	826	764	720
Number of employees:					
Total	100,000	94,000	88,000	80,000	76,000
Full-time equivalents	80,000	76,000	71,000	66,000	60,000

- In fiscal 1998 a $24.4 million pre-tax charge was recorded related to management's decision to close 16 underperforming stores.
- In fiscal 1994 the Company adopted the provisions of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." The total cumulative effect of this accounting change (net of $10.6 million in tax benefits) decreased net earnings by $17.0 million or $0.07 per basic and diluted share.

Quarterly Financial Data

(Dollars in thousands except per share data – Unaudited)	First	Second	Third	Fourth	Year
1998					
Sales	$ 3,848,253	$ 3,995,052	$ 3,990,459	$ 4,171,351	$ 16,005,115
Gross profit	1,024,470	1,069,344	1,105,156	1,184,119	4,383,089
Net earnings	110,601	128,418	137,746	190,388	567,153
Earnings per share:					
Basic	0.45	0.52	0.56	0.78	2.31
Diluted	0.45	0.52	0.56	0.77	2.30
1997					
Sales	$ 3,607,541	$ 3,680,509	$ 3,612,032	$ 3,789,429	$ 14,689,511
Gross profit	928,706	931,960	974,080	1,047,078	3,881,824
Net earnings	109,266	109,440	123,405	174,703	516,814
Earnings per share:					
Basic	0.44	0.44	0.50	0.71	2.09
Diluted	0.43	0.44	0.50	0.71	2.08

- A $24.4 million pre-tax charge was recorded in fiscal 1998 related to management's decision to close 16 underperforming stores. An initial pre-tax charge of $29.4 million was recorded in the first quarter and a pre-tax adjustment of $5.0 million was recorded in the fourth quarter.

The Company estimates the quarterly LIFO reserves which cannot be accurately determined until year end. The LIFO method of valuing inventories increased (decreased) net earnings and earnings per share as follows:

(Dollars in thousands except per share data – Unaudited)	First	Second	Third	Fourth	Year
1998					
Net earnings	$ (5,000)	$ (3,250)	$ (3,250)	$ 6,249	$ (5,251)
Basic and diluted earnings per share	(0.02)	(0.01)	(0.01)	0.03	(0.02)
1997					
Net earnings	$ (6,726)	$ (6,800)	$ (2,326)	$ 10,120	$ (5,732)
Basic and diluted earnings per share	(0.03)	(0.03)	(0.01)	0.04	(0.02)

- Due to rounding and different periods used to compute weighted average outstanding shares, the sum of the quarterly earnings per share does not equal the annual earnings per share.

Board of Directors

A. Gary Ames
President and Chief Executive Officer of MediaOne International, a telecommunications company

Cecil D. Andrus
Chairman of the Andrus Center for Public Policy, a public policy forum dealing in natural resource issues

John B. Carley
Retired Chairman of the Executive Committee of the Board, an officer position

Paul I. Corddry
Retired Senior Vice President, Europe, of H.J. Heinz Company, a worldwide provider of processed food products and services

John B. Fery
Retired Chairman of the Board and Chief Executive Officer of Boise Cascade Corporation, a timber and paper products company

Clark A. Johnson
Chairman of the Board and former Chief Executive Officer of Pier 1 Imports, Inc., a retailer of imported goods

Richard L. King
President and Chief Operating Officer

Charles D. Lein
President and Chief Operating Officer of Stuller Settings, Inc., a jewelry manufacturing company

Gary G. Michael
Chairman of the Board and Chief Executive Officer

Beatriz Rivera
Former member of the Public Utilities Commission of the State of New Mexico

J.B. Scott
Chairman of the Board of Alscott, Inc., real estate and other investments, and Chairman of the Board of the J.A. and Kathryn Albertson Foundation, Inc., focusing on education within Idaho

Thomas L. Stevens, Jr.
Retired President of Los Angeles Trade-Technical College

Will M. Storey
Retired Executive Vice President and Chief Financial Officer of American President Companies, Inc., a provider of container transportation services

Steven D. Symms
President of Symms, Lehn & Associates, Inc., a consulting firm

Director Emeritus

Kathryn Albertson
Vice President and Director of the J. A. and Kathryn Albertson Foundation, Inc., focusing on education within Idaho

Executive Committee
John B. Carley, Chairman
Paul I. Corddry
John B. Fery
Clark A. Johnson
Gary G. Michael

Audit Committee
Will M. Storey, Chairman
Beatriz Rivera
J.B. Scott
Thomas L. Stevens, Jr.
Steven D. Symms

Compensation Committee
Clark A. Johnson, Chairman
A. Gary Ames
Charles D. Lein
Thomas L. Stevens, Jr.
Will M. Storey

Nominating Committee
Beatriz Rivera, Chairman
A. Gary Ames
Cecil D. Andrus
Paul I. Corddry
Richard L. King

Executive and Senior Officers

Includes age and years of Albertson's experience

Gary G. Michael
Chairman of the Board and Chief Executive Officer,
58, 32 years

Richard L. King
President and Chief Operating Officer,
49, 32 years

Thomas E. Brother
Executive Vice President, Distribution,
57, 25 years

A. Craig Olson
Executive Vice President and Chief Financial Officer,
47, 27 years

Carl W. Pennington
Executive Vice President, Marketing,
60, 35 years

Michael F. Reuling
Executive Vice President, Development,
52, 25 years

Thomas R. Saldin
Executive Vice President and General Counsel,
52, 20 years

David G. Simonson
Executive Vice President, Operations,
52, 20 years

Patrick S. Steele
Executive Vice President, Information Systems and Technology,
49, 32 years

Steven D. Young
Executive Vice President, Human Resources,
50, 23 years

Robert K. Banks
Senior Vice President, Real Estate,
49, 17 years

David G. Dean
Senior Vice President, Procurement,
48, 32 years

William H. Emmons
President, Southern Region,
49, 27 years

Peggy Jo Jones
Senior Vice President, Employee Development and Communications,
46, 23 years

Dennis C. Lucas
President, Northwest Region,
51, 26 years

Richard J. Navarro
Senior Vice President and Controller,
46, 23 years

Bruce P. Paolini
Senior Vice President, Labor Relations and Employment Law,
41, 14 years

Stockholders' Information

Address

Albertson's, Inc.
General Offices
250 Parkcenter Boulevard
P.O. Box 20
Boise, Idaho 83726
Telephone: (208) 395-6200

Internet Address

Major press releases and other corporate data are available on Albertson's Web site: www.albertsons.com

Auditors

Deloitte & Touche LLP
Boise, Idaho

Stock Transfer Agent and Registrar

ChaseMellon Shareholder Services, L.L.C.
Shareholder Relations Department
P.O. Box 3315
South Hackensack, New Jersey 07606
or
ChaseMellon Shareholder Services, L.L.C.
Shareholder Relations Department
Overpeck Centre, 85 Challenger Road
Ridgefield Park, NJ 07660

Telephone: (800) 356-2017
Internet address: www.chasemellon.com

Stockholders of Record

There were 18,000 stockholders of record at March 17, 1999.

Annual Meeting

The 1999 Annual Meeting of Stockholders will be held at 10:00 a.m. Mountain Daylight Time on Friday, May 28, 1999, in the Eyries Room, Boise Centre on the Grove, 850 Front Street, Boise, Idaho.

Dividend Investment Plan

The Company's Dividend Investment Plan allows stockholders owning at least 15 shares of record to invest the quarterly dividends automatically and to purchase additional shares under the Plan with voluntary cash payments. More information may be obtained from ChaseMellon at (800) 982-7649 or from the Corporate Secretary of Albertson's, Inc.

Information Contact

Information on individual accounts or on procedures necessary to make changes in an account is provided by ChaseMellon at (800) 356-2017 between the hours of 9:00 a.m. and 7:00 p.m., Eastern Time, after a stockholder identifies his or her account by providing a taxpayer identification number, the registration name on the securities and the address of record. When directing correspondence to ChaseMellon at the address shown, stockholders are reminded to include a reference to Albertson's, Inc.

Company Profile Available

A copy of the Company Profile, which contains a discussion of our core values, including equal opportunity, environmental quality and community support, as well as statistical information about the Company, is available to stockholders, without charge, upon request to the Corporate Secretary of Albertson's, Inc.

Form 10-K Available

A copy of Form 10-K Annual Report filed with the Securities and Exchange Commission for Albertson's, Inc., fiscal year ended January 28, 1999, is available to stockholders, without charge, upon request to the Corporate Secretary of Albertson's, Inc.

Company Stock Information

The Company's stock is traded on the New York and Pacific stock exchanges under the symbol ABS. The high and low stock prices by quarter were as follows:

	First		Second		Third		Fourth		Year	
	High	Low	High	Low	High	Low	High	Low	High	Low
1998	$54\frac{15}{16}$	$46\frac{5}{16}$	$53\frac{11}{16}$	44	$58\frac{1}{8}$	$44\frac{1}{2}$	$67\frac{1}{8}$	$53\frac{3}{8}$	$67\frac{1}{8}$	44
1997	37	$30\frac{1}{2}$	$38\frac{11}{16}$	$31\frac{7}{8}$	$37\frac{3}{4}$	$32\frac{3}{4}$	$48\frac{5}{8}$	$36\frac{5}{16}$	$48\frac{5}{8}$	$30\frac{1}{2}$
1996	$39\frac{3}{8}$	$33\frac{3}{4}$	$42\frac{3}{4}$	$36\frac{1}{8}$	$43\frac{3}{4}$	$33\frac{3}{4}$	38	$33\frac{3}{4}$	$43\frac{3}{4}$	$33\frac{3}{4}$

Cash dividends declared per share were:

	First	Second	Third	Fourth	Year
1998	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.68
1997	0.16	0.16	0.16	0.16	0.64
1996	0.15	0.15	0.15	0.15	0.60

□ In March 1999 the Board of Directors increased the regular quarterly cash dividend 5.9% to $0.18 per share from $0.17 per share, for an annual rate of $0.72 per share. The new quarterly rate will be paid on April 30, 1999, to stockholders of record on April 15, 1999.

Albertsons

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