



Across America



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Albertson's Company Profile is published to present an easy-to-read description of the Company, including certain core values, objectives and performance highlights.

The Company and Stockholders' Information

The Company

Albertson's, Inc., is the second largest retail food and drug company in the United States. The Company operates nearly 2,500 stores in 37 states across the country. Retail operations are supported by 21 Company distribution centers. Albertson's is headquartered in Boise, Idaho, and employs over 235,000 people.

- On March 17, 2000, the Board of Directors increased the regular quarterly cash dividend 5.6% to \$0.19 per share from \$0.18 per share, for an annual rate of \$0.76 per share.
- The Company has paid dividends on its common stock for the last 40 years and has increased dividends for 29 consecutive years.

Investor Relations

A. Craig Olson
Executive Vice President
and Chief Financial Officer
Phone (208) 395-6284

Renée Bergquist
Vice President, Investor Relations
Phone (208) 395-6622

Stockholders' Information

- Stock symbol: ABS
- Listed on the New York and Pacific stock exchanges
- Options traded on the American and Philadelphia stock exchanges
- Shares of common stock outstanding on February 3, 2000: 423,715,000
- Fiscal year end: Thursday closest to January 31
- Annual Meeting of Stockholders:
10:00 a.m. Thursday, June 15, 2000
The Idaho Center
16200 Can-Ada Road
Nampa, Idaho
- Fiscal 2000 (52-week year) quarter end dates:
May 4, 2000
August 3, 2000
November 2, 2000
February 1, 2001



Albertson's Food and Drug Stores

Northwest Region

Non-Metro

5 Divisions: Idaho, Inland Empire, Oregon, Utah, Western Washington

• Regional Office: Boise, Idaho



Northern California Region

Metro

3 Divisions: North Bay, Sacramento, South Bay

• Regional Office: San Leandro, California



Southern California Region

Metro

5 Divisions: Central Coast, Quad County, Las Vegas, San Diego, South Los Angeles

• Regional Office: Buena Park, California

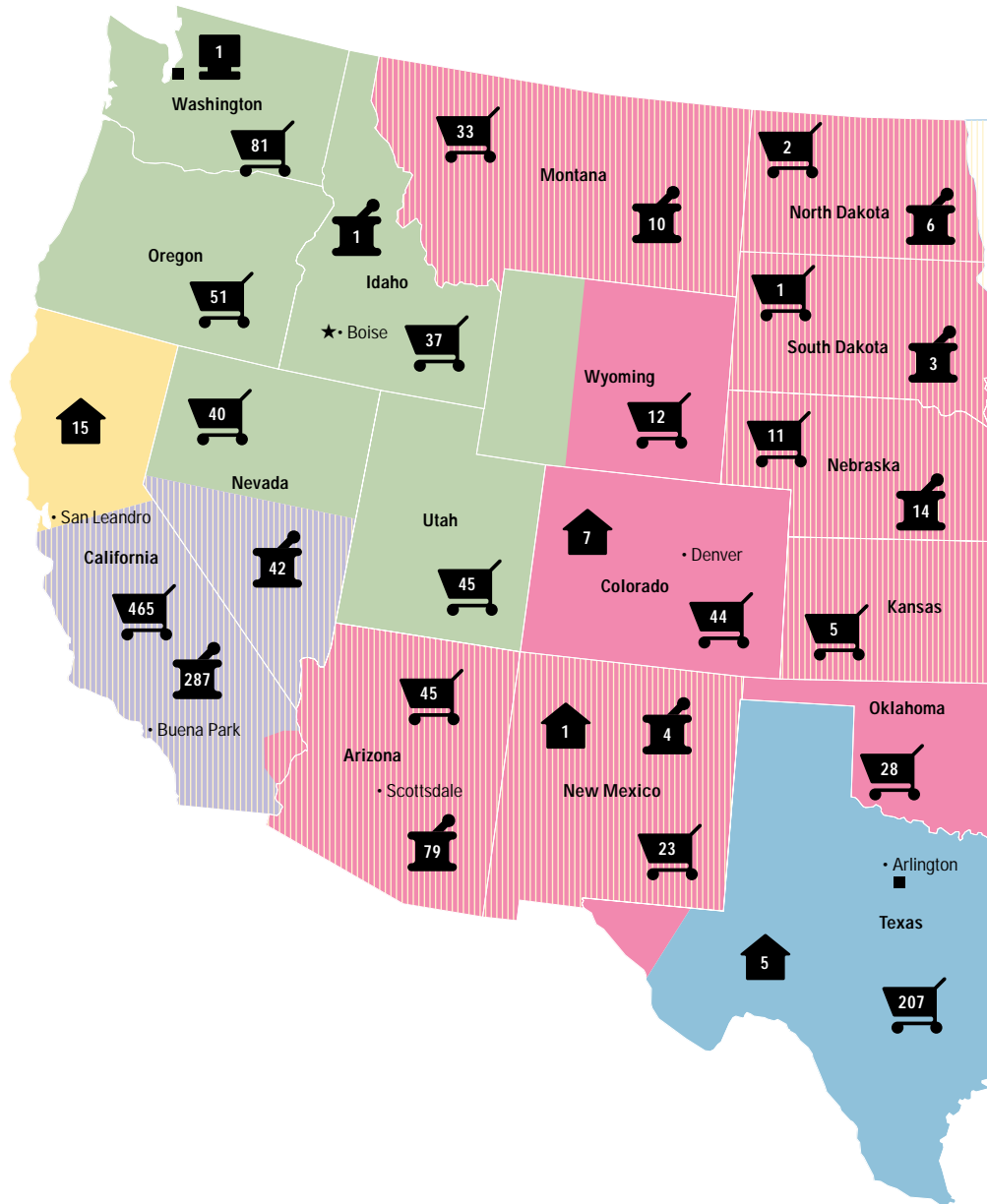


Intermountain Region

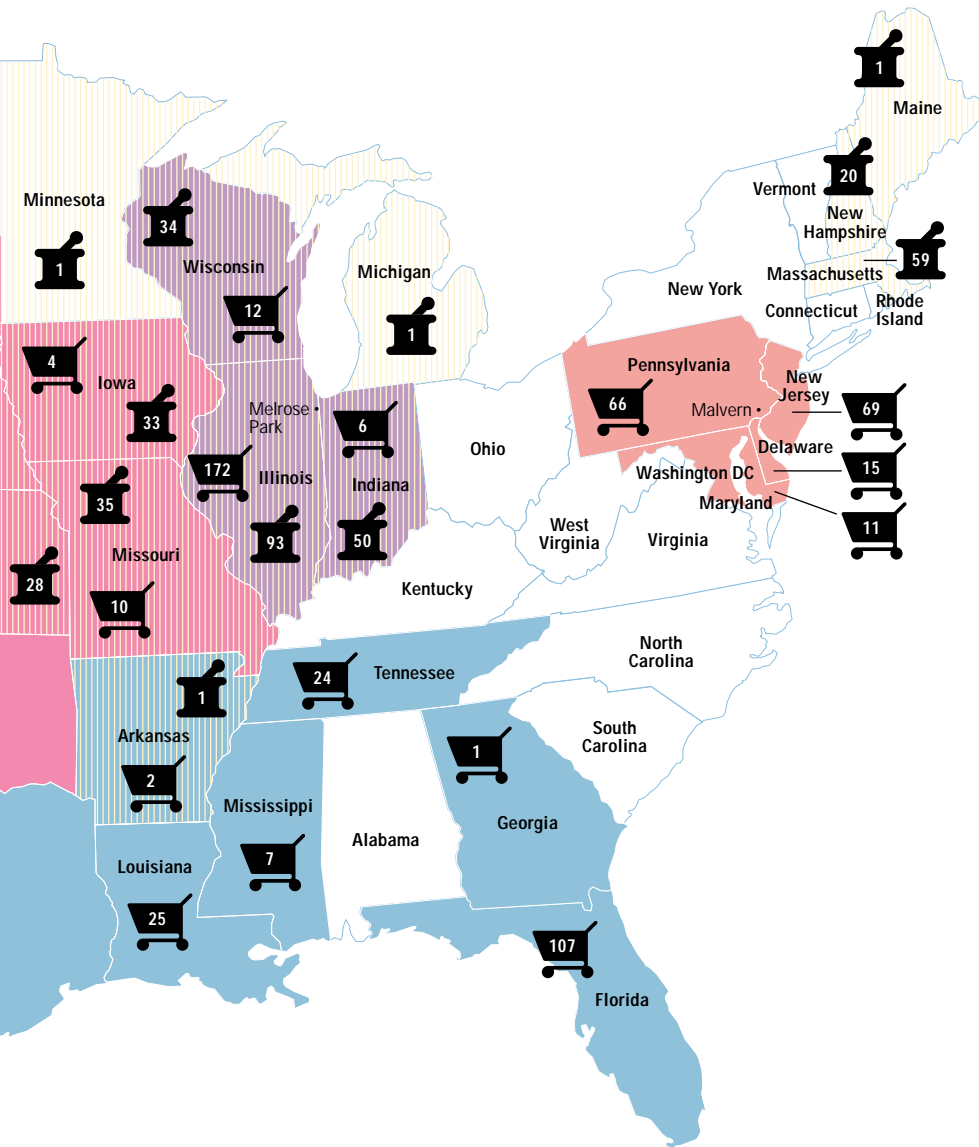
Non-Metro

4 Divisions: Big Sky, Great Plains, Rocky Mountain, Southwest

• Regional Office: Denver, Colorado



★ Headquarters



Midwest Region

Metro

4 Divisions: Central, North, South, Milwaukee

- Regional Office: Melrose Park, Illinois

Jewel, **Jewel-Osco**, **OscoDrug**

Eastern Region

Metro

3 Divisions: Central, East, South

- Regional Office: Malvern, Pennsylvania

ACME

Southern Region

Non-Metro

5 Divisions: Dallas/Fort Worth, Houston, San Antonio, Florida, Midsouth

- Regional Office: Arlington, Texas



Drug Region

Metro

5 Divisions: Central, Eastern, Southwest, Southern California North, Southern California South

- Regional Office: Scottsdale, Arizona

OscoDrug, **Savon drugs.**

E-Commerce Fulfillment Sites

- Bellevue, Washington
- Fort Worth, Texas



1,661 Combination/Conventional Store

802 Stand-Alone Drugstore

28 Warehouse Store

1 E-Commerce Premier

A Shared History—Albertson's and American Stores

The American Stores Company merger brought together two of the best food and drug companies in the industry. Over the years, these two dynamic retailers have been both great rivals and powerful partners—sharing a rich history and blazing new trails in serving customers with the best in products and services.

Albertson's founder J. A. "Joe" Albertson and American Stores Company's founder Samuel M. Skaggs were pioneers in creating the first self-service retail stores. In 1939, Joe Albertson left his position as district manager for Safeway and opened his first food store, Albertson's Food Center, in Boise, Idaho. The store differed from others of its time in that it covered 10,000 square feet—eight times the competitors' average—and had plenty of free parking, an in-store butcher shop, a bakery and an ice cream shop. With these innovations, Joe Albertson was a key developer of the "supermarket" concept in food retailing. Albertson's refined the concept further by opening its first combination food and drug store in 1951, a 60,000-square-foot superstore.

Samuel M. Skaggs, grandfather of the former American Stores chairman, L.S. Skaggs, opened his first Skaggs Cash Store in 1915, which was the predecessor to today's Safeway, Inc. In 1939, the Skaggs family purchased four drugstores in Utah, Idaho and Montana and in 1965, they incorporated under the name Skaggs Drug Centers, Inc. The company grew initially through the acquisition of additional drugstores in the west and south.

In 1969, Salt Lake City-based drugstore chain Skaggs and Albertson's formed a partnership and jointly operated large Skaggs Albertson's food and drug combination stores. Albertson's and Skaggs dissolved their partnership in 1977, each taking half of the units. Twenty-two years later, the two companies would again join forces to become one of the largest food and drug companies in the industry.

In 1979, Skaggs Drug Centers, Inc., acquired American Stores Company and adopted the American Stores Company name. This pairing combined the grocery retailing expertise of American Stores Company's Alpha Beta and Acme subsidiaries with the drug, general merchandise and combination store expertise of the Skaggs entities.

American Stores acquired Jewel Companies in 1984, adding Jewel Food Stores, Jewel-Osco combination stores and the Osco and Sav-on drugstores to the company's family of retail operations. Eight years later, Albertson's purchased 74 Jewel-Osco combination food and drug stores in Arkansas, Florida, Oklahoma and Texas from American Stores.

In 1988, American Stores acquired Lucky Stores, Inc., California's leading grocery retailer and the only chain to have significant operations in both northern and southern California.

The Albertson's and American Stores merger was announced in August 1998 and completed in June 1999. Today, the new Albertson's serves over 4.3 million customers a day in almost 2,500 stores in 37 states across America.

Company Goals and Vision Statements

Mission

Be “The Best Store In Your Neighborhood” by creating value through superior service, quality products and one-stop shopping.

The New Vision...The New Albertson's

Customers Attract and retain a diverse, broad-based group of individuals and organizations—not limited to traditional food and drugstore shoppers—who shop in physical and/or virtual locations worldwide.

Products and Services Provide products, services and information—by partnering with our vendors and using a variety of formats and delivery channels—to conveniently add value, variety and solutions to satisfy the diverse needs of our customers.

Associates Attract, develop and retain diverse, well-informed, motivated, inspired, loyal associates and provide excellent compensation, benefits, incentives and advancement opportunities—while supporting balance in their lives.

Culture Provide a workplace that embodies operational excellence and customer intimacy—promoting trust, teamwork, common sense, lifetime learning, integrity, respect for all people and community responsibility—and places a high value on associates, encouraging recognition at all levels.

Financial Maintain our position as the performance leader—with a strong balance sheet and consistent growth in sales and profits.

Organizational Structure Be a well-informed, adaptive and effective organization—with centralized strategic direction and administrative functions and decentralized operational entities.

Objectives

- Open and operate the best store in the neighborhood.
- Use customer-focused marketing.
- Operate each store as if it were our only store.
- Price competitively with all food and drug operators, both traditional and non-traditional.
- Maintain the highest standards in product quality, food safety and sanitation.
- Target comparable store sales increases of 3% above inflation.
- Maintain at least 5% annual increase in net retail square footage.
- Target 15% annual earnings per share growth.
- Maintain one of the strongest balance sheets in the industry.
- Maintain a cultural system that promotes ownership and accountability.
- Maintain incentive systems and tracking systems at retail and distribution levels.
- Invest in associate retention, training and recruitment.
- Encourage involvement in the communities we serve.
- Encourage an environment where the diverse backgrounds and experiences of associates, customers, suppliers and stockholders are appreciated as major strengths.
- Utilize information and technology that allow the Company to grow and prosper.

American Stores Company Merger

Strategic Rationale

Today we are more convinced than ever that the American Stores Company merger makes good business sense. It has allowed Albertson's to:

- Serve customers in 37 states, including nine of the ten fastest-growing states in the United States.
- Move into new markets across America, including major urban markets such as Chicago and Philadelphia.
- Strengthen our presence in existing markets, such as California.
- Meet customers' needs through a variety of store formats, including a new one for us, the stand-alone drugstore.
- Implement the best practices from Albertson's and American Stores, giving us the best of both worlds.
- Realize cost savings that we expect to exceed \$300 million per year by the third full year.
- Benefit from the efficiencies of our larger size—efficiencies that help us provide better value to our customers.
- Offer aggressive marketing and merchandising programs.
- Maintain a strong balance sheet.
- Plan solid growth through capital expenditures.

Integration

Integration of the two companies is a truly impressive undertaking. The integration began with 68 recommendations that designed how each department and function would work in the new Company. By December 1998 we had defined the outline of the new Company. The recommendations were organized into 110 projects covering such diverse areas as point-of-sale registers, distribution center systems, communications, store front ends, insurance, associate training and store development. When the merger closed on June 23, 1999, we began our conversion work.

We converted more than 400 stores in California, Nevada and New Mexico to common systems. The conversion was complicated and expensive, but it put us in a great competitive position in those states. We also converted all but four distribution centers to Albertson's systems. We identified major problems and created task forces to correct them. We are applying our new knowledge and experience as we move forward.

We plan to convert the Eastern Region during the summer of 2000 and the Midwest and Drug regions during 2001. Applying what we learned from our earlier conversions, our planning efforts have been more extensive and we are involving more associates at every level. Systems and operations testing, slated to begin in July, will be more extensive and we are stepping up operational and management training. We have also put in place a key communicator program in order to get feedback from all associates about how the implementation is progressing.

The End Game

We will know we are integrated when all the necessary common systems are in place to provide the accountability and support that will enable department managers at store level to participate in the incentive system of the new Company.

Merger-Related Synergies—Original Projection

(in millions)

	Description	1st Full Year	2nd Full Year	3rd Full Year
General Office Consolidation	Adopt Albertson's general office cost disciplines. Reduce duplication of management, occupancy and general corporate costs.	\$ 40	\$ 80	\$ 100
Eliminate Systems Redundancy	Move to single "best-of-breed" system in each area. Savings from non-repetitive IS&T development and maintenance, communication networks and lower depreciation.	10	25	70
In-Market Synergies	Realize direct cost savings by eliminating overlapping advertising and field supervision.	20	25	30
Cost of Goods Improvement	Take advantage of opportunities in private label, general merchandise, pharmacy and seasonal categories.	20	50	70
Distribution Opportunities	Take advantage of potential geographic sourcing realignments (example: source Phoenix drugstores out of the Phoenix Distribution Center).	10	20	30
Grand Total		\$ 100	\$ 200	\$ 300

Merger-related synergies are expected to exceed original projections, and the excess will be reinvested in the business to grow our sales base.

Projected Merger-Related Costs / Cash Flow—Post-Merger

(in millions)

	Earnings Impact	Cash Flow
Merger-Related Costs	\$ 1,000	
Tax Benefits	300	
Merger-Related Costs After Tax	\$ 700	\$(300)
Sale of Assets		600
Net Positive Cash Flow		\$ 300
Estimated Merger-Related Costs After Tax	\$ 700	
Merger-Related Costs Incurred During 1999 (Excluding First Quarter)	543	
Merger-Related Costs To Be Incurred in Future Periods	\$ 157	

Employment and Career Opportunities

We Are the “A Team”

Albertson's constant commitment to associates is clearly articulated in one of the Company's six new vision statements... *To attract, develop and retain diverse, well-informed, motivated, inspired, loyal associates and provide excellent compensation, benefits, incentives and advancement opportunities—while supporting balance in their lives.*

At the new Albertson's, “employees” are now known as “associates” who actively participate in the future growth and development of the Company. We believe the term “associate” implies a more dynamic and involved partnership with the Company and our customers...it's a partnership that will maintain Albertson's position as the preferred place to work and shop.

Attracting and Retaining Diverse Associates

Albertson's values the unique qualities that each associate brings to the workplace. It is our goal to attract and retain the best associates in our industry and to provide a courteous and respectful work environment where new ideas and a diverse workforce come together as one team.

By accomplishing these goals, Albertson's will remain the employer of choice in the retail food and drug industry. All Albertson's associates are responsible for creating a working environment where diversity is honored, celebrated and encouraged.

We have many initiatives in place to ensure that we remain focused on making the “A Team” the best it can be.

Diversity Action Council The Albertson's Diversity Action Council (DAC) coordinates and manages diversity outreach initiatives. DAC members are senior leaders from throughout the Company.

The Council promotes, recommends and supports specific diversity projects to reinforce the Company's mission to be “The Best Store in Your Neighborhood.” Supporting that mission includes:

- **Employing a Diverse Workforce** The Company participates in minority job fairs and college campus recruiting across

the country to seek out the best candidates. All eight operating regions work with schools, government agencies and other organizations to hire and train disabled associates. Our workforce of over 235,000 associates ranges in age from 16 to 92 years young. Approximately 53% of our associates are female and 31% are minority, as classified by the Equal Employment Opportunity Commission.

- **Attracting Diverse Candidates** The goal of our Accelerated Management Development Program is to attract new or recent college graduates into the retail food and drug industry. The program seeks potential leaders, with an emphasis on female and minority students. This fast-paced, 16-month training program is designed to prepare trainees to become part of Albertson's retail management team.
- **Tailoring Stores to Diverse Customers** Specific proactive diversity projects are identified to ensure that customer needs and preferences are met. For example, community relations activities are planned for selected new store sites. Customer surveys are conducted, particularly in urban markets, to develop marketing data and identify store product and service preferences. Female and minority entrepreneurs and companies are utilized in Albertson's construction and procurement activities.

Developing Associates Our rapid growth has fueled a tremendous need for more managers, providing Albertson's with additional opportunities to develop and advance associates from within the Company. Both Albertson's and American Stores Company offered development programs to identify and train future leaders. During 1999 the Company evaluated and combined these programs to plan for the implementation of a consistent training and development approach nationwide.

We are building a solid foundation for retail, distribution and office training from entry level through management.

The Company is committed to developing the strategies, structures and programs necessary to continue our tradition of success, growth and profitability in the future.

We will ensure that we have qualified associates to fill openings at all levels by designing, implementing and monitoring development programs that will prepare associates for jobs prior to their promotion.

The Company's initial focus will be toward development of consistent training programs. Comprehensive programs such as Store Director Training, Division Management Training and Management Leadership Training may also be tailored for each unique region to fit regional business needs.

- **Sexual Harassment Prevention Training** This important program gives our managers, key persons and management trainees the tools to respond to sexual harassment in the workplace. Through videos and interactive training, they learn to recognize the different types of sexual harassment and what actions they can take to prevent and resolve these situations.
 - **RootMap™ Program** In conjunction with Root Learning, Inc., the Company developed and implemented *RootMap* training in all regions. Albertson's *RootMap* allows associates to gain a broader understanding of the Company's visions, as well as our position among the growing competition in our industry.
 - **Computer Guided Training** The Company's existing Computer Guided Training (CGT) program, currently available to associates in three of the Company's eight regions, has been selected as a best practice, and will be implemented across all regions in the future. Implementing CGT across all regions will allow new associates to receive thorough and consistent orientation, including customer service skills and specific tasks training.
 - **Establishment of the Tuition Reimbursement Program** Albertson's Tuition Reimbursement program, another best practice resulting from the merger, will offer associates the opportunity to pursue undergraduate education. Each region receives a budgeted amount for reimbursement of 75% of an eligible associate's tuition, up to \$3,000 per year.
- Keeping Associates Well Informed** As our two companies came together, associate communication benefited greatly from the implementation of best practices. We refined several communication tools to meet our continuing business needs, reaching stores, offices and distribution centers.
- **Albertson's USA** Published bimonthly, our corporate newsletter focuses on the overall issues of our Company, containing features to help associates understand more about the Company visions, the retail food and drug industry as a whole and the Company's standing within the industry.
 - **Regional Publications** Published bimonthly, alternating with our corporate newsletter, the regional publications communicate important regional events, success stories, service awards and associate highlights.
 - **Managing** This quarterly newsletter is filled with advice for managers on how to do their best and inspire their associates. It also shares ideas sent in by individuals on how they handle various management challenges.
 - **Regional Videos and Broadcasts** Each region of the Company produces a video targeted to department managers and store directors. Each video or broadcast features regional promotions, ideas and success stories, plus a message from corporate management.
 - **E-News** Published daily for all associates via e-mail or the intranet, *E-News* relays the previous day's closing stock report for the Company and its competitors. When applicable, important information about the Company and the retail food and drug industry is also included.
 - **Community** Published as a quarterly insert in *Albertson's USA*, *Community* highlights how our associates give back to the communities in which they live and work.
 - **Associate Annual Report** A special edition of *Albertson's USA*, the *Associate Annual Report* was developed to bring pertinent Company and financial information to all associates, while reinforcing our Company vision statements.

Motivating and Inspiring Associates Bringing 235,000 associates together has been a priority since the American Stores Company merger was announced. Throughout the last year, managers at all levels have gone the extra mile to ensure that associates not only understand the vision and direction of the new Company, but are also motivated and inspired in their job performance.

- **Regional Vision Meetings** Following the close of the merger, Albertson's senior management team met with management associates in each region to share the Company's vision statements. Insightful presentations about the new Albertson's, led by senior management, were coupled with small group discussions that focused on the industry and Albertson's position in it.
- **Service First** Associates recognized in the Service First program share a common commitment—giving people more than they expect. Each quarter, store directors, division offices, distribution centers and support offices select a Service First recipient based on consistently outstanding customer service performance and eagerness to help fellow team members. Last year, over 3,700 associates received this award.

Providing Excellent Compensation and Benefits Associates across the country are benefiting from the merger. From implementation of a revitalized retirement package to our ongoing commitment to providing competitive wages and benefits, the Company continues to be one of the top employers in the United States.

- **Competitive Wages and Benefits** On an ongoing basis, whether through collective bargaining or marketplace evaluations, Albertson's reviews wages for each position within the Company and offers competitive wages and benefits to all associates. Our Company recognizes that the well-being of associates and their families is a top priority, and we endeavor to build competitive, excellent benefit packages.
- **ASRE** Albertson's Savings and Retirement Estates offers Albertson's associates who are generally covered by Company-sponsored plans one of the premier retirement benefit packages in the country. The Company makes a

profit-sharing contribution for each eligible associate. Additionally, eligible participating associates can make a 401(k) contribution to the plan and receive a contribution match from the Company based on the amount of eligible compensation contributed by the associate.

Ensuring Advancement Opportunities

- **Job Posting Program** Our Companywide Job Posting Program standardizes the way we notify associates of available positions in our stores and distribution centers. It gives associates an equal opportunity to apply for available positions to advance their career or work experience.
- **Career Interest Survey** Store associates may voluntarily complete a Career Interest Survey. These surveys enable Albertson's to identify associates interested in advancing their career or expanding their work experience in other departments. When career goals are discussed with associates, information such as training programs and requirements for management positions is provided.
- **Career Advancement Program** For qualified associates who express an interest in supervisory and managerial positions within our stores, our Career Advancement Program (CAP) is the first step they will take. The CAP series teaches necessary operational and supervisory skills to run a department, including in-depth food safety and sanitation training. For new Southern California and Northern California Region management associates, modified CAP classes were developed to ensure their success as they transition to Albertson's stores.
- **Internal Recruiting Efforts** The Company strives to recognize and encourage associates to take on greater responsibility and to pursue their personal and professional goals.

Supporting Work/Life Balance We recognize that in today's competitive marketplace, the balance between an associate's work and personal life is of great importance. The Company strives to work with individual associates to provide a schedule that will meet their personal and developmental needs, as well as the needs of the business. On a broader level, the Company continuously reevaluates and refines the needs of specific positions.

Community Involvement

New Albertson's Continues History of Community Involvement

Albertson's believes in being a good neighbor by contributing to the quality of life in the diverse communities we serve. The American Stores Company merger increased our ability to improve the quality of life in communities all across America. Both Albertson's and American Stores had rich histories of community support. When the merger was finalized, Albertson's immediately began to incorporate the best giving practices from all operating areas, resulting in a Company that is making a positive impact on the neighborhoods in which we operate.

Listening to our neighbors allows us to recognize their diverse needs and act accordingly. Last year, Albertson's donated more than \$48 million in cash and in-kind donations to help meet community needs. And that figure doesn't include the donations of money, time and talent our associates individually chose to make to their favorite charities or money raised through in-store promotions for various charitable causes.

Our charitable support is targeted to three areas: hunger relief, education and development of our youth, and health and nutrition.

Hunger Relief

Hunger is an unhealthy reality our nation faces, and the "A Team" is committed to meeting increased food needs. In 1999, we demonstrated our commitment by donating food, and raising public awareness. Some examples include:

Distribution Center Efforts In 1999, our distribution centers, in conjunction with our suppliers, collected and donated over 20 million pounds of food and household goods to Second Harvest-affiliated food banks, churches and other local hunger-relief operations. All donations helped to feed the hungry in our communities.

National Food Bank Week Albertson's partnered with The Pillsbury Company and Second Harvest, the nation's largest charitable hunger-relief organization, to donate 18 truckloads of food in six markets across America.

Day-Old Bakery Donations Albertson's donates day-old bakery products every day to local food banks and soup kitchens under the Day-Old Bakery Donation program.

CANSTRUCTION Jewel-Osco donated nearly 25,000 cans of food to CANSTRUCTION, sponsored by the Museum of Science and Industry in Chicago. The project brought together teams of designers and architects who built structures with the cans and then donated them to the Greater Chicago Food Depository.

Adios Hunger In June 1999, Albertson's joined the ranks of sponsors and food-industry donors spotlighted at the second annual Adios Hunger benefit for the Tarrant Area Food Bank in Fort Worth, Texas. Albertson's, a regular donor to the food bank, gave an additional 30,000 pounds of canned goods as a sponsor of Adios Hunger. The donated food helped feed thousands of Texans.

Souper Bowl Sunday Portland, Oregon, stores pitched in on Super Bowl Sunday to help feed the homeless. The Campbell's/Albertson's Souper Bowl helped the community in two ways. At Albertson's checkstands, Oregonians were given a chance to donate \$1.39, the amount needed to provide one meal for a homeless person at the Rescue Mission. And on the day of the big game, Albertson's Oregon Division staff served hot soup to the homeless watching the game at the Rescue Mission.

Education and Development of Our Youth

Albertson's is committed to providing young people with opportunities to excel. We believe this is one of the greatest ways we can positively affect the quality of life in our communities. In 1999, we demonstrated our continuing dedication to educational excellence and opportunity through several programs such as:

Community Partners Card In 1999, Albertson's extended its Community Partners Card program—a simple and innovative fund-raising program for community organizations—to our new neighborhoods in California, Nevada and New Mexico.

The program, started in 1997, is a partnership between Albertson's and youth-oriented non-profit organizations in the communities we serve. Albertson's donates a percentage of purchases made by the supporters of non-profit organizations (schools pre-12, churches and those directly benefiting youth). As supporters of qualifying organizations purchase products, they also help their organizations. At the end of each fiscal quarter, we total the supporters' purchases and donate a percentage of the dollar amount of their purchases to the participating organization. When supporters of participating organizations pick up dinner, rent a movie or fill a prescription at one of our stores, they also help strengthen youth programs in their communities.

In 1999, Albertson's gave over \$8 million dollars to our communities across America through the Community Partners Card program.

Parents of students at Sunny Ridge Elementary School in Nampa, Idaho, ordered a personal computer, complete with multimedia system, for each classroom in the school. The boosters purchased the computers with funds raised through participation in the program.

Junior Achievement Participation in Junior Achievement earned Jewel-Osco that organization's Above and Beyond Award in 1999. General managers volunteered their time to teach a five-week business class to students in kindergarten through 12th grade. In one of the largest corporate efforts for Junior Achievement in the country, more than 300 Company volunteers taught in 270 classrooms in the Chicago area.

15 Tons of School Tools Albertson's stores in Houston, Texas, donated 30,000 pounds of school supplies to local learning programs. Mayor Lee P. Brown received the supplies on behalf of his educational programs, and he and students from Wheatley High School distributed them to sites served by the After-School Achievement and Adopt-A-School programs.

"We often talk about providing our children with the 'tools' they need to succeed. Well, Albertson's has taken

that challenge literally," Mayor Brown said. "In fact, they have provided our youth with a truckload of 'school tools' weighing 15 tons."

Summer Jobs In Oakland, California, Albertson's has participated for several years in the Mayor's Summer Jobs Program to provide work experience and personal enrichment to Oakland's young people. Each summer, through job fairs and other activities, the program seeks to match 1,000 youth with 1,000 unsubsidized jobs in the private sector. In June, six Albertson's store directors and representatives of the Company's human resources department hosted a booth at the fair, interviewing interested students and handing out employment applications. The following month, the city of Oakland named the Company "Best Employer" at the job fair.

Health and Nutrition

Albertson's is dedicated to ensuring the availability of adequate health care and human service support in our communities, as well as to providing valuable information and services to help customers and associates maintain an active, healthy lifestyle. Following are a few examples of how the Company is making a difference.

Albertson's Dietitian Program Albertson's Dietitian Program has helped educate thousands of customers in California and southern Nevada on the merits of healthy eating. This unique program, managed by two highly respected professional registered dietitians, includes monthly nutrition news, a quarterly Smart Eating Guide, in-store nutrition tours, and responses to customer service and Web-site inquiries on health and nutrition from Albertson's customers across the nation.

Breast Cancer Awareness Albertson's commitment to the support of breast cancer research, education, screening and treatment was demonstrated through a variety of Company-sponsored activities throughout the past year. In conjunction with the name change in California, we discontinued the Lucky-Sav-on Rewards Card and asked customers to turn in their cards in support of the Susan G. Komen Breast Cancer Foundation. In response to

overwhelming customer support, Albertson's will make a substantial donation to the Foundation.

A \$34,000 donation was also made to the Foundation in conjunction with a Denim Day program run by our Acme stores to raise money for the cause.

The Company and its associates also participated in the Susan G. Komen Breast Cancer Foundation Race for the Cure® through associate race teams and co-sponsorship of the event in many areas throughout the country.

Facing Disasters Head-On

Albertson's helps communities face emergencies and natural disasters. Community members have come to rely on Albertson's reputation of being there to help when disaster strikes. From Corporate Brands products provided to affected communities in the wake of tornadoes in Oklahoma to truckloads of water delivered to communities during extensive flooding, Albertson's is a faithful partner in times of need.

Residents in our Eastern Region helped Acme Markets' Hurricane Floyd fundraising campaign far exceed expectations. Customers and associates raised more than \$120,000 to provide cash and food certificates to local relief agencies, including the Salvation Army and Red Cross, for distribution to victims of Floyd's destruction.

When Littleton, Colorado, was shaken by the Columbine High School shootings, associates immediately prepared, delivered and served food and beverages to the rescue crew and law enforcement officers, and to residents at community gatherings in the aftermath of the shootings. In addition, Albertson's stores in Colorado contributed \$20,000 to the United Way's Healing Fund to help the community overcome the tragedy.

Volunteerism

Albertson's is proud of the contributions our associates make to their communities. Associates choose to donate their money, time and talent to a variety of charities. We celebrate their accomplishments.

Associates in our Midwest Region can look back on 1999 with pride. In celebration of Jewel-Osco's 100-year anniversary, associates pledged to contribute 100,000 hours of community service. Store, office and distribution teams surpassed that goal in less than six months. And by December 1999, they had amassed more than 220,000 hours of service in activities such as marching in parades, volunteering as Scout leaders and serving as village trustees.

Warren E. McCain Community Volunteer Award Named in honor of the Albertson's CEO who served from 1976 to 1991, the Warren E. McCain Community Volunteer Award recognizes associates throughout the Company for their outstanding community involvement and spirit of volunteerism.

Albertson's donates \$500 in the name of each of the ten grand winners to a charity of his or her choice. Grand winners are chosen from each of the eight regions, one from the distribution system and one from corporate office support. In addition, a winner is selected from each of our 34 operating divisions, and \$250 each is donated to a charity of his or her choosing.

Thousands of associates generously lend their hands and hearts to deserving charities and organizations from coast to coast. While it's difficult to recognize only a few winners each year, we applaud the efforts of all associates who share their talent, compassion and kindness with our friends and neighbors in need.

In years past, a top Warren McCain winner was selected to attend the Annual Stockholders' Meeting held in Boise. Donald Shifton, senior courtesy clerk from Store #2212 in Wichita, Kansas, was honored at the 1999 meeting.

Donald has volunteered for more than 20 years at the Arc of Sedgewick County, a local chapter of the national voluntary organization committed to the welfare of people with mental retardation and their families. He is a member of the Arc's Sports Club program and the Shooting Stars Advocacy Group, as well as the Council of the County Community Developmental Disabilities Organization. His faithful dedication, enthusiasm and "can do" spirit makes him an outstanding role model. We are proud to have him on our Albertson's team!

Environmental Affairs

At Albertson's, we are proud of our environmental performance. We believe caring about our communities means caring about the natural resources in those communities. Taking care of natural resources makes sense, not just as a good neighbor, but also as a good company. Using natural resources wisely makes good business sense.

When it comes to environmental matters, Albertson's prefers to act, not just react. We want to make the best use of natural resources with the least negative environmental impact on our communities. Accordingly, we work hard to comply with environmental regulations, to prevent pollution, to reduce our use of natural resources and to reuse and recycle resources.

Reduction, reuse and recycling of resources are central to Albertson's resource conservation efforts—which promote the wisest use of all Albertson's resources. Putting products, packaging and our associates' time to their best use generates less waste, reduces costs, brings in revenues from recycling, provides opportunities for marketing and allows us to educate our associates and customers.

Waste Reduction

Albertson's distribution vehicles drive more than 114 million miles each year to deliver products to our locations across America. In efficiently providing goods on time to each location, those delivery trucks also use many, many tires. Through proper rotation and retreading, we can safely use truck tires for much longer, extending their service years and limiting the need for new tires. This helps reduce the number of tires going to landfills in our communities. Last year, Albertson's retreaded nearly 12,000 truck tires. Since each tire usually is retreaded three times, we avoided landfilling approximately 2.8 million pounds of tires.

Two years ago, our Company began to use plastic pallets to ship products between our distribution centers and stores. These pallets help save fuel and equipment costs. Made from recycled plastic, they last up to 60 times longer than wood, are safer to use and are fully recyclable. Each pallet weighs only 20 pounds, about one-third of the weight of a wooden pallet. More pallets will fit into a trailer, allowing us to carry more product in each load and reduce the

number of trips we make. Plastic pallets also nest inside each other and take up less room on the return trip; 40 plastic pallets stack in the same space as 17 wooden pallets.

Our distribution centers use returnable plastic totes to deliver both pharmaceuticals and health and beauty care items to our stand-alone drugstores. These smaller stores do not have the space for an entire case of most items; therefore, they order smaller quantities, which are sent in the returnable plastic totes. The totes can be used repeatedly, do not need to be washed frequently and never travel more than 500 miles from the distribution center. The drugstores return the totes to the distribution centers with other recyclables, such as plastics.

Energy conservation remains a priority at our stores, distribution centers and offices. Wherever possible, low-energy systems are built into facilities to provide the appropriate levels of energy and light at reduced costs.

Recycling

Recycling is an Albertson's tradition. Our stores have recycled corrugated cardboard since the late 1960s. In 1999, we recycled 246,000 tons of cardboard, bringing in revenues of \$19.8 million. We also recycled 32,000 tons of other materials.

Our stores recycle plastic grocery bags and pallet wrap, bakery buckets, used cooking oil, meat and bone scraps, single-use cameras and printer cartridges.

Our distribution centers recycle corrugated cardboard, plastic pallet wrap, metal scrap, wood pallet scrap, used equipment, used oil and used antifreeze.

Offices at the corporate, region and division levels recycle office paper and aluminum cans. The aluminum can income is often used for associate reward programs or donated to local charities.

We also recycle construction materials—including old parking lots and buildings. We reuse parking lot materials in repaving. This is an extremely low-cost way to refurbish a distressed parking lot. In El Cerrito, California, we must replace an old building as we build a new store. We will

reuse more than half of the concrete in the old building as part of the base for the parking lot and recycle the remaining materials off-site for other projects.

Innovation

Albertson's supports innovation that will reduce costs, improve recycling and increase efficiencies. For example, in 1999 the Company supported development of a standard display-ready container for the entire produce industry.

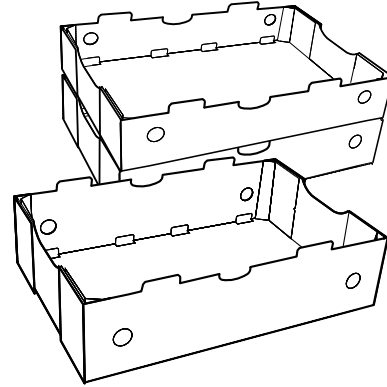
In the past, produce arrived at our distribution centers in waxed corrugated cartons, wood crates or other non-recyclable containers. We knew we could reduce the waste. So last year, Albertson's began to seek a way to reduce waste created from produce and from non-recyclable produce cartons. Our trash-hauling costs averaged more than \$85 per ton. We knew that we could generate income by recycling clean corrugated cardboard, for which we received an average price of \$80 per ton during 1999.

We asked the corrugated cardboard industry to mark wax boxes with the word *wax* in three languages so that those cartons would not be put into, and thus contaminate, recyclable corrugated cardboard. We also asked the industry to develop a standard display-ready produce box that was not waxed. This corrugated package would have greater strength and durability, stack with many commodities to reduce the amount of product lost in shipping and be fully recyclable.

In response, the Fibre Box Association developed a package with a standard footprint but varying heights to accommodate different commodities. We asked our produce vendors to begin using it as soon as possible. We received our first shipments in the new packaging in 1999, and by the end of the year an ever-increasing percentage of our produce was being packed in these efficient boxes.

The new boxes allow us to provide better produce to our customers because the product is handled less between the farm and the store. The boxes also help Albertson's to control operating costs by reducing the amount of produce lost

in shipping, reducing handling costs and labor at our stores, decreasing disposal costs and increasing recycling revenues.



Our new, efficient produce box

Another great idea changed the way we do business at our Boise ice cream plant. We make several different kinds of ice cream every day at the plant. In the past, some ice cream was lost during flavor changes because it was a mix of the two flavors. Today, compatible flavors are produced back to back, and this wholesome ice cream is packaged under the name Odds & EndsSM and sold or donated locally. Our challenge was to get the right ingredients listed on the package; we mastered that with stick-on labels.

Fuel Centers/Maintenance Shops

In operating our Albertson's Express[®] fuel centers and vehicle fleet maintenance shops, we focus on doing the right thing, not just meeting the requirements of local, state and federal regulations. For instance, we are required to design fuel centers to protect against leaks from underground storage tanks. When we do that, we pick the best technology available rather than technology that meets only the minimum regulatory requirements.

These operations use best management practices. Some of those practices include recycling used oil and antifreeze at our maintenance shops and using steam cleaning, rather than chemical cleaning, in our parts washers.

Real Estate

We strive to create new stores in locations convenient for our customers without creating community or environmental conflicts. As we consider sites for new stores, we might find we need to preserve trees at one site. At another, we might need to clean up environmental damage caused by a former owner. At a third, we might need to protect or replace wetlands. Such situations challenge us to be flexible and innovative, and we meet those challenges with enthusiasm.

On a site with too many trees, for example, we can move existing trees and incorporate them into our landscaping—or we can move them to another site. Sometimes a tree is so important to the community that we literally design around it. At our store site in Cotati, California, an old oak tree growing in the center of the lot will become the centerpiece of the landscaping.

Occasionally a great store site includes a former gas station. Older stations, built before the newest environmental regulations were in place, were not constructed to meet today's high standards. As a result, they often allowed fuel to leak into groundwater. Albertson's team of environmental specialists addresses the cleanup of a site and provides the expertise to get the job done. Team members have used many innovative techniques to make environmentally damaged sites useful again.

In areas where wetlands exist, Albertson's works with governmental agencies and local citizens' groups to determine the best way to provide appropriate wetlands habitat. Sometimes the best way to preserve wetlands is to relocate them. In such a case, Albertson's purchases other wetlands in a less commercial area as a replacement and maintains them indefinitely. On other occasions, we can develop a wetlands area on land near our store. For example, at the site of our store #2010, at Russell and Higgins in Missoula, Montana, the existing small drainage area was not well maintained. Albertson's created a walking path, added water features to enhance the natural water flow and built

a retention pond. Now the wetlands are home to numerous amphibians, redwing blackbirds and other wildlife.

Albertson's owns and maintains many wetlands in Florida, where wetlands are critical to the ecosystem and nearly every site we develop has water issues. And our Tulsa Distribution Center maintains on-site wetlands that are home to many migrating waterfowl during the year.

Albertson's also is involved in environmental solutions that result in lower traffic and travel distances. Albertson's believes in building neighborhood stores. And the design of our newest combination food and drug stores encourages customers to make one trip to our store—where they can take care of grocery, pharmacy, banking, dry cleaning and fuel needs—rather than several trips to different businesses.

Our project at Fulton and Masonic in San Francisco goes one step further. It provides a total shopping experience, including grocery and pharmacy, in the same building in which customers live. Such a project addresses the challenges of limited parking, mass transit and air pollution.

Our new store teams also look beyond our store sites at the environmental needs of the community as a whole. For example, the team planning our new store at 32nd and Clement in San Francisco, California, wanted to revitalize the neighborhood in which the store operates and give something back to the community. As a result, Albertson's is contributing toward the planned facelift of a neighborhood park.

In conjunction with the celebration of Albertson's new store openings, we make environmentally friendly donations to neighborhood elementary schools. Albertson's joined forces with the National Arbor Day Foundation to donate 10 seedling trees, complete with planting directions and materials, to each school in our new neighborhoods. The trees are intended to assist in teaching students about the importance of trees and the environment. We donated 4,200 trees during 1999.

Product Quality

Corporate Brands Quality Assurance

Approximately 450 vendors supply the more than 6,000 different products we sell under our own labels. In order to deliver the quality we know our customers expect, we follow an extensive quality assurance program. The basic elements of our program are written specifications, vendor plant audits, extensive product evaluations, product improvement actions, customer inquiry responses and label review for accuracy and legality.

We pride ourselves on having a thorough and effective quality assurance program that will keep our products among the best values available in the highly competitive and ever-changing retail marketplace.

Food Safety and Sanitation

We are committed to offering safe, high-quality food in clean, attractive stores.

Food Safety We train all food-handling associates, department managers, store directors and upper management in safe food-handling practices appropriate to their position. Since 1994 we have trained and certified over 27,000 certified Professional Food Managers.

Every quarter, additional food safety and sanitation training updates are presented to over 95,000 Albertson's front-line associates.

All new retail associates receive a short orientation to Albertson's food safety and sanitation commitment, regardless of the department in which they will work. In addition, associates and managers who aren't required to prepare food receive abbreviated food safety training. This helps acquaint all associates with the vital principles of safe food handling.

Food handlers receive more extensive training during their department orientation and during the course of their employment. This ensures that they can meet Albertson's high standards for food safety and sanitation.

Fresh Produce Safety We have launched a new program to help ensure the safety of the fresh produce we sell. We have asked all fresh-produce suppliers, growers, packers and shippers to comply with the joint government- and industry-developed Good Agricultural Practices (GAPs). GAPs describe programs, policies and actions to help fresh-produce growers and vendors keep disease-causing organisms from contaminating fresh produce. GAPs include methods to ensure clean irrigation water, clean fertilizers and personal hygiene practices for field workers. This effort, when complied with by our fresh-produce suppliers, improves the safety of produce in our stores—and our large supplier base helps ensure the safety of produce worldwide.

Consumer Education Albertson's works cooperatively with health departments across the country to provide customers with valuable information on how to keep food safe at home. We conducted 77 Food Safety Education days in conjunction with local health departments during fiscal year 1999. Providing this information allows Albertson's to extend our food safety efforts from the store to our customers' kitchens.

We have produced materials for our customers using the "Fight BAC" (fight bacteria) theme developed by the Food Marketing Institute and other industry associations, government agencies and consumer groups.

Clean Stores Consumer surveys repeatedly show that clean stores are the most important factor in a customer's selection of a place to shop. Albertson's goal is to have the cleanest stores in the industry. Each store's Clean Team Leader helps store personnel to achieve this goal through coordination of the store cleaning program. We are interested in suggestions from associates and customers that will help us to achieve this goal.

We view many others as partners in reaching this ambitious goal. We appreciate the assistance of our cleaning supplies vendors, our floor maintenance workers, our pest control operators and other associated service people and maintenance workers.

Retail Operations

- At fiscal year end, Albertson's operated 2,492 retail stores in 37 states across the country.
- Albertson's has 8 operating regions with 34 operating divisions within the regions. Our regions are divided into metro and non-metro regions. Metro regions operate in close geographic areas and cater to a common market. Therefore, common functions like advertising, pricing, loss prevention and merchandising are provided from the regional level, as the market does not vary much from division to division. We operate 5 metro regions. Non-metro regions are geographically diverse and require more individualized approaches within each division of the region. We operate 3 non-metro regions.
- The Company's operations are generally located in major metropolitan markets. The Company's food and drug store operations are generally number one, two or three in each of their core market areas. The Company works to maintain and expand its strong market positions by significantly investing in core market areas.
- Merchandising in the Company's food stores is designed to meet the needs of the consumer. Most new food stores are large 57,000- to 67,000-square-foot combination food and drug stores with an emphasis on perishables and service departments such as produce, floral, meat, seafood, deli, bakery and prepared foods. The combination stores also include a full drugstore product assortment as well as services such as banking, dry cleaning and 1-hour photo.
- The Company's drugstores are designed to allow convenient shopping and prescription pick-up. The Company operated over 1,900 pharmacies and filled nearly 130 million prescriptions in 1999. The drugstores offer a wide assortment of general merchandise, health and beauty care, over-the-counter medication, greeting cards and photo processing. The Company's new drugstores are typically freestanding corner locations and many offer a drive-thru pharmacy.
- Store-level management teams, including department managers, participate in a quarterly performance-based bonus program.
- Our front-end managers keep us focused on customer service and convenience at the checkstands.
- We use telephone surveys, focus groups, mail surveys and one-on-one interviews, as well as customer comment cards, to stay in touch with our shoppers.
- During 1999 we partnered with local banks to open an additional 101 in-store bank branches, for a total of 937 at year-end.

Corporate Brands

Corporate Brands are an important part of the Company's merchandising strategy, offering value-conscious consumers quality products at prices below national brands and providing higher margins to the Company. The Company's private label programs include such brands as "Albertson's," "Lancaster" meats and "Acme" groceries at Acme stores, "Jewel" and "President's Choice" at Jewel stores, and "Osco" and "Sav-on" at Osco and Sav-on stores, respectively. Sales of Corporate Brands products in 1999 were approximately 18% of total sales (excluding products produced "in-store").

Neighborhood Marketing

Our commitment to our neighborhoods 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." He made a habit of driving through neighborhoods in Boise, Idaho, to look for tricycles on sidewalks, station wagons in driveways and toys on the lawns. These were sure indications of the need for a grocery store nearby. He called this "neighborhood marketing" and it is a term and practice we still use today. His method also gave him the opportunity to meet and really know his customers and associates.

Although our methods are much more sophisticated today, we still build our stores in neighborhoods; we still hire families, friends and neighbors; and we still build partnerships with schools, churches and communities. Our

Neighborhood Marketing system provides demographic and lifestyle information on each store's market area. Information on income, age, ethnic mix and family size helps us design the best product selection and display space for each store. Our business is based entirely on providing our customers the products, services and information they want. Neighborhood Marketing means that each store is designed specifically for its neighborhood.

Plus-Ups

At Albertson's we constantly look for ways to improve our customers' shopping experience. One way in which we do this is through our Plus-Ups program. This program originated from the best practices of Albertson's and American Stores Company. Plus-Ups are additional services we provide for our customers that go beyond the traditional grocery shopping experience. These programs—like our Quick Fixin' Ideas® Meal Center, where bimonthly recipes and ingredients are displayed, or our Fried Chicken program, where our delicious fried chicken is already prepared—enable the customer to “grab and go” and treat their family to a quick and tasty meal. Also, Farmers Market floral provides customers with a wide variety of high-quality flowers and custom arrangements. These are just a few examples of the many Plus-Ups we provide to our customers. Our Plus-Ups program helps satisfy our customers' needs by giving them extra conveniences.

E-Commerce

The Internet has revolutionized the computer and communications world like nothing before. The Internet today is a widespread source of information, and its influence reaches not only to the technical fields of computers but throughout society as an advertising, communication and retail vehicle. We began testing Web-based shopping in the Dallas/Fort Worth, Texas, market in 1998 to learn about home delivery, online ordering and the Internet. In November 1999, this led to another test market in the Seattle/Bellevue, Washington, area for an original concept—not only in our Company, but also in our industry.

Albertsons.com is the first to combine a gourmet store with a fulfillment center for online orders, offering over 16,000 items and the best of both worlds.

The Albertsons.com store in Bellevue, Washington, had its beginnings as a 31,000-square-foot traditional “brick and mortar” store. The new layout includes 17,000 square feet of retail space, complete with a wine destination department, a reading center with computer kiosks for online grocery shopping and a JA's Kitchen, named after our founder, Joe Albertson, that serves freshly prepared meals, side dishes and specialty items to our busy customers. In the back of the store is a 14,000-square-foot fulfillment center. Associates pick and pack customer orders one at a time to ensure accuracy before the order is delivered to our customer's home or picked up at our convenient pick-up location inside the store.

In October 1999, Sav-ondrugs.com, a new online e-commerce site, was piloted for customers in the Las Vegas, Nevada, and Kansas City, Missouri areas. It offers a full range of sundry items, prescription refills and consumer health information. The Web site provides Sav-on Drugs and Osco Drug customers with the convenience of ordering prescription drug refills and checking the status of a refill order online through the site's “Refill Your Prescription” service. Pharmacy refills ordered online can be picked up at the store where the prescription originated. Sundry items ordered on the site will be delivered to customers' homes within three to five business days. Sav-ondrugs.com will be launched nationally during 2000.

Through our merger with American Stores Company, we also inherited a relationship with Peapod.com in our Jewel-Osco stores in the Midwest. Today we supply Peapod's fulfillment site and continue a relationship that was established 11 years ago.

Albertsons.com and its sister site Sav-ondrugs.com infuse cutting-edge technology with the customer service that has built our Company brick-by-brick—and now byte-by-byte. We're not just planning for the future—we're creating it.

Retail Locations

(as of fiscal year end)	Division	Total	Combination	Conventional	Stand-Alone Drugstores	Max/ Super Saver	E-Commerce Premier
Northwest Region (Non-Metro)	Idaho	48	38	9	1		
	Inland Empire	25	21	4			
	Utah	46	43	3			
	Western Washington	57	46	10			1
	Oregon	53	46	7			
		229	194	33	1		1
Northern California Region (Metro)	North Bay	61	24	37			
	South Bay	74	41	33			
	Sacramento	61	38	20		3	
		196	103	90		3	
Southern California Region (Metro)	Las Vegas	29	25	4			
	South Los Angeles	72	38	31		3	
	Central Coast	70	46	22		2	
	Quad County	77	59	15		3	
	San Diego	64	42	18		4	
		312	210	90		12	
Intermountain Region (Non-Metro)	Rocky Mountain	64	54	2		8	
	Southwest	72	71	1			
	Big Sky	35	19	16			
	Great Plains	56	56				
		227	200	19		8	
Southern Region (Non-Metro)	Houston	64	64				
	San Antonio	49	49				
	Dallas/Fort Worth	123	118			5	
	Midsouth	32	30	2			
	Florida	107	107				
		375	368	2		5	
Midwest Region (Metro)	South	71	68	3			
	Central	85	45	8	32		
	North	87	49	6	32		
	Milwaukee	31	12		19		
		274	174	17	83		
Eastern Region (Metro)	Central	51	29	22			
	South	52	24	28			
	East	58	24	34			
		161	77	84			
Drug Region (Metro)	Central	169			169		
	Eastern	137			137		
	Southwest	150			150		
	Southern California South	151			151		
	Southern California North	111			111		
		718			718		
Total—All Regions		2,492	1,326	335	802	28	1

Other Operations:

E-Commerce	Fulfillment Sites:		Areas Served:
	Bellevue, Washington	1	Seattle/Bellevue
	Fort Worth, Texas	1	State of Texas, Kansas City and Las Vegas
Health 'n' Home	Home Delivery	11	
	Infusion Pharmacy	2	

Retail Formats

(as of fiscal year end)

Combination Food and Drug Stores Super grocery/drug-stores combined under one roof. Most offer prescription drugs, an expanded section of cosmetics and non-foods, and specialty departments such as service seafood and meat, bakery, lobby/video, service delicatessen, liquor and floral. Many also offer meal centers, party supply centers, coffee bars, in-store banks, dry cleaning and destination categories for beverages, snacks, pet care products, paper products and baby care merchandise.

- Size: 35,000–107,000 square feet
- 1,326 stores in 32 states

Conventional Stores Supermarkets offering a full selection in the basic departments of grocery, meat, produce and dairy as well as limited non-food lines. Many conventional stores have an in-store bakery and a service delicatessen.

- Size: 8,000–35,000 square feet
- 335 stores in 16 states

Max Foods and Super Saver Stores No-frills stores offering significant savings with special emphasis on discounted meat and produce. Max and Super Saver stores offer shoppers the opportunity to save by purchasing in quantity.

- Size: 17,000–66,000 square feet
- 28 stores in 4 states

Stand-Alone Drugstores Free-standing drugstores offering convenient shopping and prescription pickup as well as a wide assortment of general merchandise, health and beauty care, over-the-counter medication, greeting cards and photo processing.

- Average Size: 18,300 square feet
- 802 stores in 21 states

Fuel Centers Convenient centers located near existing stores and featuring three to six fuel pumps and a small building, ranging in size from a pay-only kiosk to a

convenience store featuring such items as candy, soft drinks and snack foods.

- Size: 70–2,000 square feet
- 76 centers in 6 states

E-Commerce Internet sites offering groceries, general merchandise and prescription drug refills as well as information and ideas. Our E-Commerce Premier site in Bellevue, Washington, is a new retail format featuring a walk-in gourmet store and an e-commerce fulfillment site.

Our Internet sites currently serve customers in 4 markets:

- www.Albertsons.com—
Seattle/Bellevue, Washington, and state of Texas
Albertsons.com provides groceries and general merchandise for on-line ordering and home delivery, or in the case of the Bellevue site—in-store pickup.
- www.Sav-ondrugs.com—
Las Vegas, Nevada, and Kansas City, Missouri areas
Sav-ondrugs.com provides on-line prescription drug refills, a full range of sundry items and consumer health information.

Specialty Services/Departments

(as of fiscal year end)

Bakery	1,588
Bank	937
Car Wash	2
Coffee Bar	177
Drive-Thru Pharmacy	140
Floral	1,202
Fuel Center	76
General Merchandise	2,416
Liquor	1,681
Lobby/Video	850
1-Hour Photo	980
Pharmacy	1,918
Service Delicatessen	1,623
Service Seafood and Meat	1,690
Total Number of Retail Stores	2,492

Property Development

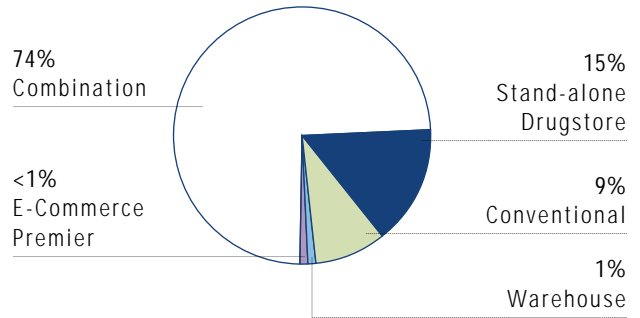
- During 1999 we opened 89 supermarkets and 58 drugstores. At year end, we operated 1,690 supermarkets and 802 drugstores for a total of 2,492 stores.
- In 1999 we opened 60 Albertson's Express Fuel Centers. At year end, we had 76 fuel centers and 2 car wash facilities in operation. In 2000 we plan to open 120 additional fuel centers.
- We added 101 in-store banks during the year for a total of 937 banks in operation at year end. We plan to continue expanding this program.
- We completed 85 combination or conventional store remodels, including 19 expansions, in 1999. We also completed 15 drugstore remodels, including 1 expansion, in 1999. Our efficient, phased remodel process minimizes customer disruption.
- During 1999 we completed 13 strategic retrofits, which allowed us to fine-tune existing stores to better fit their neighborhoods. Retrofits include adding one or more destination categories or adding new departments.
- Exclusive of acquisitions, we plan to open approximately 90 combination food and drug stores and 50 drugstores and remodel approximately 130 stores in 2000.
- We primarily build combination food and drug stores of between 57,000 and 67,000 square feet. A limited number of 40,000-square-foot stores will be built in smaller cities or on smaller land parcels.
- Our average store size at year-end was 18,300 square feet for drugstores, 53,400 square feet for combination stores, 26,600 square feet for conventional stores and 44,800 square feet for warehouse stores.
- 59 fuel centers have a convenience store ranging in size from 1,200 to 2,000 square feet, and 17 fuel centers have kiosks (pay stations) averaging about 100 square feet in size.
- Cross-functional development teams increase efficiency and continuity in the development of new stores. Each of the 37 teams is composed of a real estate specialist, an attorney, an architect and a construction manager, and includes a mixture of corporate and regional team members. Economic research analysts, store planners, engineers and purchasing agents support these teams. Similar teams support our remodel program.
- Our Store Development Information System tracks all new store, remodel and fuel center projects.
- All prospective store sites are visited by a minimum of three members from our Senior Management team.
- Our stores are supported by a Property Management/Maintenance staff to preserve our assets in a cost-effective manner and to provide a clean, pleasant and safe operating environment for our customers and associates.
- We continually review all stores and eliminate marginal performers; surplus stores are sold, leased or subleased. In 1999 we closed 188 supermarkets and 31 drugstores, which included 144 stores divested as required by the Federal Trade Commission (FTC) to complete the merger with American Stores Company.
- A Neighborhood Marketing approach is utilized in selecting store sites to maximize sales and profits within individual trade areas.
- In keeping with our Neighborhood Marketing focus, exterior elevations are responsive to community input. We design each store exterior elevation for its neighborhood. We have a variety of décor themes to choose from when designing our stores. Additionally, these décors can be altered to better fit our neighborhoods. We have even developed custom design solutions to fit some neighborhoods.
- We added destination categories/departments in many new stores and remodels. These include natural foods, beverages, snacks, video, party supplies, floral, pet care, paper products, baby care, beauty care, reading, dry cleaning, coffee/ice cream, university booster supplies, home care (maintenance and cleaning supplies), photo and wine.

1999 Retail Store Activity

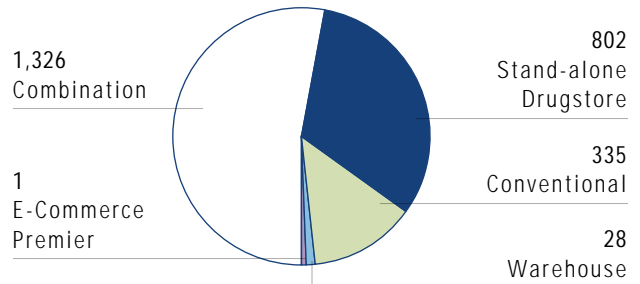
Opened	
Supermarkets	89
Drugstores	58
Fuel Centers	60
Remodeled	
Supermarkets (19 expanded)	85
Drugstores (1 expanded)	15
Closed	
Supermarkets	188*
Drugstores	31
Fuel Centers	1

* Includes 144 merger-related divestitures

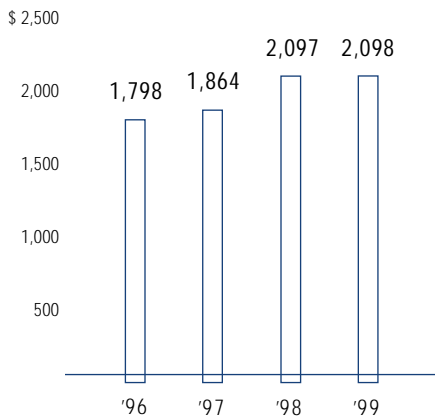
1999 Square Footage by Store Format
(percent to total square footage)



1999 Number of Stores by Store Format

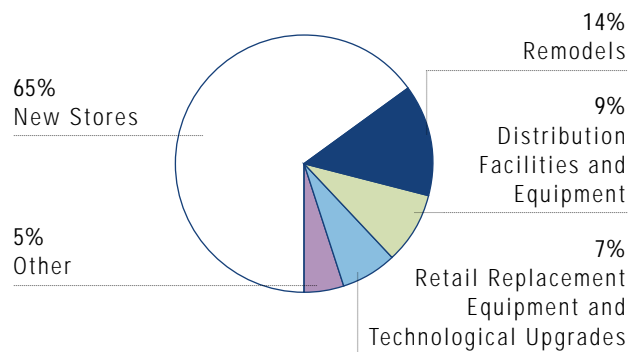


Capital Expenditures**
(dollars in millions)



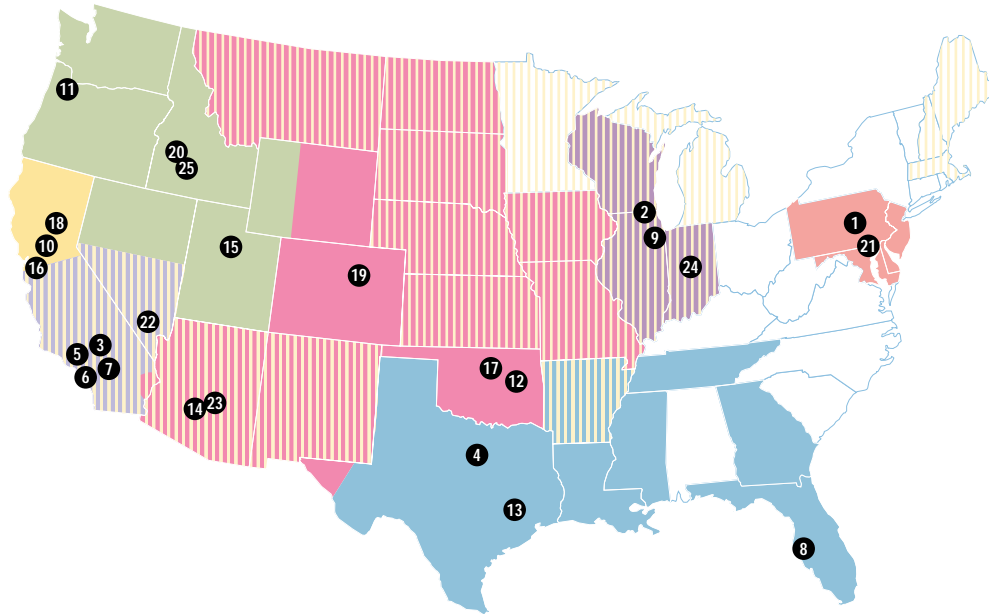
** Includes business acquisitions and operating leases

1999 Capital Expenditures by Type**
(percent to total capital expenditures)



Distribution

	Grocery	Frozen Food	Liquor	Produce	Meat and Deli	Ice Cream	Health & Beauty Care	High-Volume Health & Beauty Care	General Merchandise	Pharmaceuticals	Square Footage	Position on Map
Major Distribution Facilities												
Lancaster, Pennsylvania	•			•	•						1,366,000	1
Melrose Park, Illinois	•	•		•	•						1,188,000	2
La Habra, California							•		•	•	1,184,000	3
Fort Worth, Texas	•	•		•	•						1,100,000	4
Brea, California	•	•	•	•	•						1,059,000	5
Buena Park, California	•	•			•						1,010,000	6
Irvine, California	•			•							996,000	7
Plant City, Florida	•	•	•	•	•			•			979,000	8
Elk Grove, Illinois							•		•	•	933,000	9
Vacaville, California	•										854,000	10
Portland, Oregon	•	•		•	•						790,000	11
Tulsa, Oklahoma	•	•		•	•						748,000	12
Houston, Texas	•	•		•	•						747,000	13
Phoenix, Arizona	•	•	•	•	•			•			687,000	14
Salt Lake City, Utah	•	•		•	•						680,000	15
San Leandro, California		•		•	•						453,000	16
Ponca City, Oklahoma							•		•	•	422,000	17
Sacramento, California	•	•	•	•	•						421,000	18
Denver, Colorado	•	•		•	•						372,000	19
Boise, Idaho							•		•		238,000	20
Lancaster, Pennsylvania (non-food)							•		•		231,000	21
Other Distribution Facilities												
Las Vegas, Nevada			•								30,000	22
Phoenix, Arizona			•								25,000	23
Indianapolis, Indiana			•								22,000	24
Boise, Idaho						•					11,000	25
Total Square Footage—All Distribution Facilities											16,546,000	



- All retail stores are supplied by Company distribution centers.
- We operate 21 major distribution operations strategically located throughout the country to service the stores.
- We operate 16 food distribution centers and 5 non-food distribution centers.
- Three of the non-food distribution centers supply pharmaceutical products to both the drugstores and the combination stores with pharmacies.
- The food distribution centers supply consumable grocery items to our drugstores located in their operating areas.
- Company distribution centers supply 75% of all products purchased by Company retail stores.
- Our distribution centers supply Company stores only.
- Technology plays an important role in helping the distribution centers maintain accurate, efficient and timely operations. A special focus on accurate store shipments is accomplished with mechanization, scanning and radio frequency technology to ensure that the correct cases are shipped to the stores.
- Most distribution centers operate as profit centers and the profits earned are rebated back to each store based on its purchases from the distribution centers.
- The Plant City and Phoenix distribution centers supply a limited line of high-volume health and beauty care items to the stores in their regions, reducing transportation costs.
- Purchasing for the non-food distribution centers is done on a central procurement basis, while procurement for the food distribution centers is done locally.
- Buyers in each distribution center are responsible for purchasing high-quality products at the best possible cost while maintaining proper levels of inventory.
- The Corporate Procurement Department enhances Albertson's buying and selling power by working with distribution centers, retail operations and suppliers to ensure the lowest possible costs, maximum promotional opportunities and consistent quality of all products, both national brands and corporate brands.

Information Systems and Technology

Philosophy At Albertson's, information and technology are priorities in which we continually invest. Such investment allows us to use these tools to serve customers better, to increase sales and profits, and to manage operating expenses at both the retail and distribution levels. In addition, we continually seek out and use information and technology applications that satisfy our customers' needs and make our associates' jobs easier.

Network A private wide-area network of phone lines and satellites, coupled with the Internet and local-area networks at each store, distribution center and administrative office, helps serve our Company information needs. This infrastructure provides the framework for information distribution across all areas of our organization and links our large-scale computers, in-store processors and personal computers to customers, suppliers and associates across America.

Front-End Systems Fast, friendly customer service is critical in our business. We use technological applications in our front-end systems to give customers at our checkstands the most positive experience possible, with the proper balance of efficiency and customer intimacy. Our front ends are equipped with PC-based registers, computerized intuitive keyboards for our checkers and color display screens for our customers. We increase customer convenience and checkout speed through systems that allow customers to pay with debit cards, credit cards or electronic benefit payments, and with our customer-friendly national check authorization system. Hand-held scanners in checkstands and selected departments, such as liquor, lobby and pharmacy, make our associates' jobs easier. Our front-end system can print detailed customer receipts showing Bonus Buy savings and continuity points for loyalty card customers. In selected stores, we are testing self-checkout systems to enhance our customers' shopping experiences.

Check Authorization and Automated Return Check System We can electronically audit any check written at any traditional Albertson's store. Once a customer's identification has been entered into the check authorization system, the system will recognize that customer's check at any Albertson's store. In addition, once identifying information on insufficient-fund or stolen checks has been entered,

the program will reject any checks written from those accounts—protecting our customers and mitigating our bad check expense. We plan to move both features of this system to our American Stores sites as part of the integration process.

Front-End Sales Forecasting Today's busy lifestyles leave less time for shopping than in the past. To ensure that our customers' visits to our stores flow as smoothly as possible, our front-end managers focus on checkout effectiveness. Store activity-based forecasting systems help those managers customize staffing schedules to fit customer flow and sales patterns in each store. The end result? We can ensure excellent service for our customers at all times.

Pharmacy Computer Systems A state-of-the-art pharmacy computer system helps our pharmacists assist our customers. It provides enhanced drug-interaction and allergy screening, insurance billing, patient counseling information and drug information to increase accuracy of all prescriptions. Customers can order prescription refills from a touch-tone phone or over the Internet. We also plan to give both customers and pharmacists access to more online, health-related information to help them manage disease and promote good health.

Web Technology Both the Internet and our intranet are important to Albertson's operations. We are introducing an online associate benefits system to administer and maintain benefits as well as serve as a reference so associates can check their accounts quickly and easily. We are also working toward a fully integrated, online travel-expense system. Our intranet gives our associates easy access to valuable, up-to-date information about the Company. In addition, Internet connections with our suppliers, our customers and the investment community provide low-cost, convenient communication for supply chain initiatives, e-commerce and investor relations.

Electronic Data Transmission In-store computers capture daily sales and product-movement information, associate time and attendance figures, price audit information, inventories and store delivery invoice data. They then transmit it to corporate and division offices electronically,

through our network infrastructure. The same infrastructure is used to transmit invoice data between distribution centers and stores and to send pricing data between division offices and stores.

In addition, 2,200 suppliers communicate with our distribution centers via Electronic Data Interchange (EDI) for purchase order pricing, shipping criteria and invoice information. Select direct-delivery suppliers also use EDI for price and product maintenance. We use Internet technology in conjunction with EDI to reduce the cost of communication.

All of these systems allow our associates across the country to complete necessary tasks quickly and efficiently and to focus their attention on providing great customer service in each and every neighborhood we serve.

Common Wireless Platform Wireless, radio-frequency, hand-held units are connected to each store's local-area network. These units increase store associates' productivity and accuracy in ordering and receiving products, auditing shelf prices and managing inventory. Wireless platforms are also used for wireless registers in selected stores.

Neighborhood Marketing At Albertson's, we know that each neighborhood is different. We also know that in order to serve a neighborhood well, we must understand that neighborhood. That's why we use an information system based on demographics, lifestyles and life stages to analyze each neighborhood. That analysis helps us to map neighborhoods, select the best possible store sites, plan our stores to offer destination categories that will meet the needs of the customer and even market particular products to meet those needs. Our technological tools help us to continue to operate each store as if it were our only store.

Schematic and Planogram System We capture and study product-movement data to determine store layouts and specific shelf allocations for each item we sell. This powerful shelf-management tool provides easy-to-use graphic representations. Our merchandising staff at corporate, region and division levels use those representations to determine how to meet diverse customer needs in each community we serve.

Distribution Center Technology A comprehensive computerized system for ordering, receiving and shipping products while managing inventory makes our distribution centers more efficient. Hand-held radio-frequency technology is used in a variety of ways in our distribution centers to improve productivity. In addition, hand-held units are used along with high-speed scanning systems to audit each store's order—ensuring accuracy and product availability.

Business to Business (B2B) Trading exchanges are being established at the speed of the Internet itself. These exchanges unite the buy and sell sides of a business process and add efficiencies and cost reductions that are substantial. Albertson's is participating in this B2B phenomenon with the intention of changing the process of procurement for indirect products, supplies and capital expenditures, and for direct products we buy for resale. These e-business activities will allow Albertson's to reduce business costs.

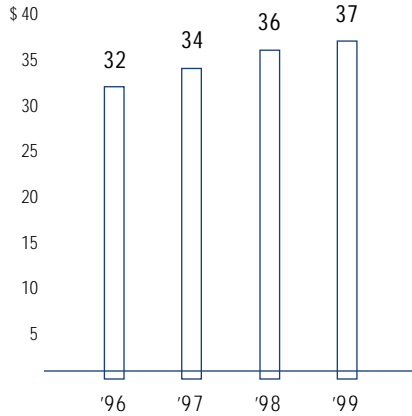
Integration—Albertson's and American Stores Through the integration planning process, technology solutions became apparent in two areas. One area covers the implementation of a common infrastructure and computer processes to provide a single technology solution to the new combined Company. Progress in this area is right on schedule and will be completed as planned. The second area covers the use of common systems throughout the organization. Most of the systems to be used in the new Company are the existing Albertson's systems. Operating regions and administrative processes are being converted based on a detailed plan and are projected to be completed in 2001.

Technology Changes Hardware and software changes will continue at the rapid pace being experienced today. The speed and cost of data communication capabilities will experience the largest change in the next few years. The rapid change in these areas is fueling the explosion of the Internet. We will aggressively pursue e-commerce and e-business opportunities.

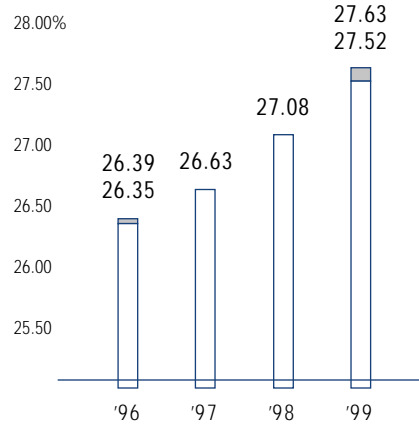
Four-Year Trends

Income Statement

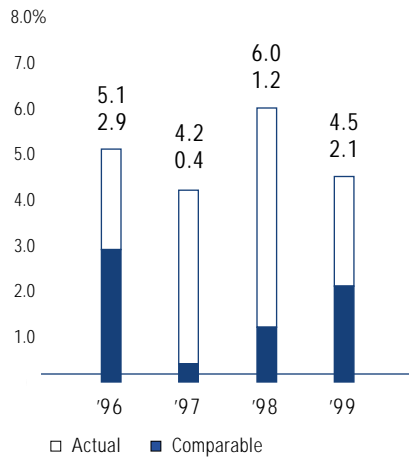
Sales
(dollars in billions)



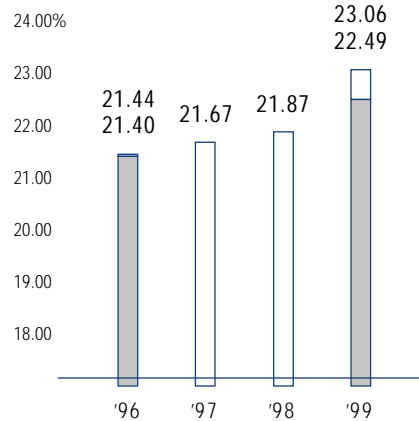
Gross Margin
(percent)



Sales Percentage Increases



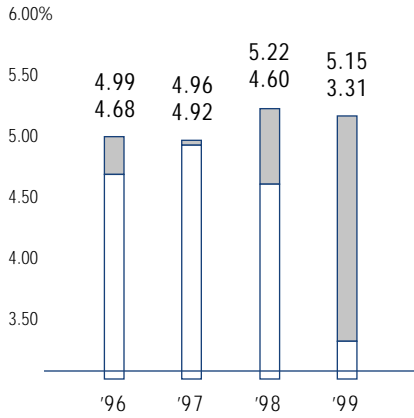
Selling, General and Administrative Expenses as a Percent to Sales



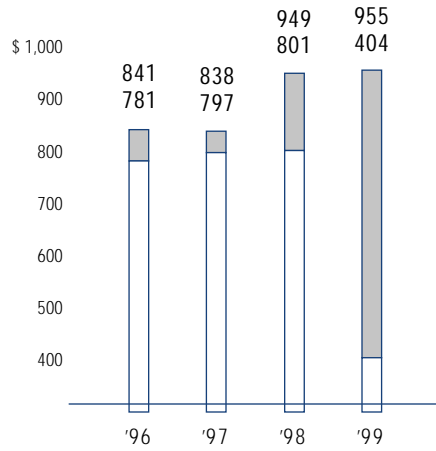
- Comparable Store Sales – Stores open two full fiscal years, including replacement stores.
- Identical Store Sales Increase (Decrease) – Stores open two full fiscal years, excluding replacement stores: 2.4% in 1996, (0.04)% in 1997, 0.5% in 1998 and 1.7% in 1999.
- 1999 was a 53-week year. 1999 sales increased 5.4% when compared on a 52-week basis to 1998 and excluding sales from divested stores from both years.

- This presentation includes the following: 1996 results have been adjusted to exclude the effect of charges related to re-engineering activities, 1997 results have been adjusted to exclude the effect of charges for sale of stock by a major stockholder and sale of a division, 1998 results have been adjusted to exclude the effect of a merger-related stock option charge and the effect of a charge for impairment – store closures and 1999 results have been adjusted to exclude the effect of merger-related costs and a one-time charge for litigation settlement (see page 36 for details).

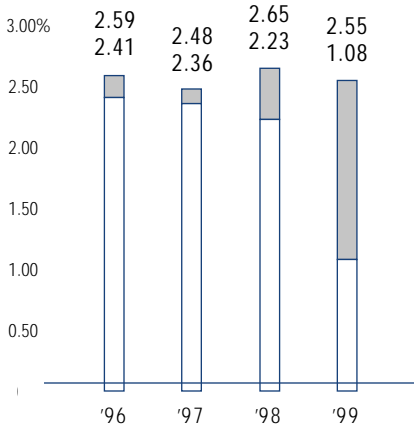
Operating Margin
(percent)



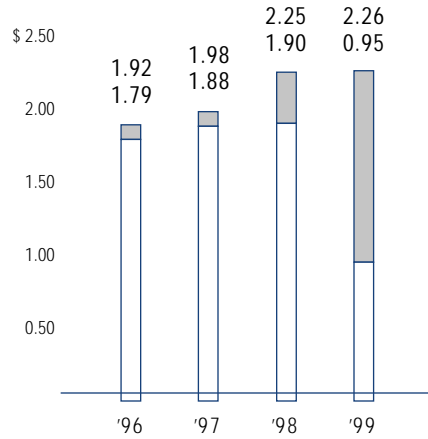
Net Earnings
(dollars in millions)



Net Earnings as a Percent to Sales



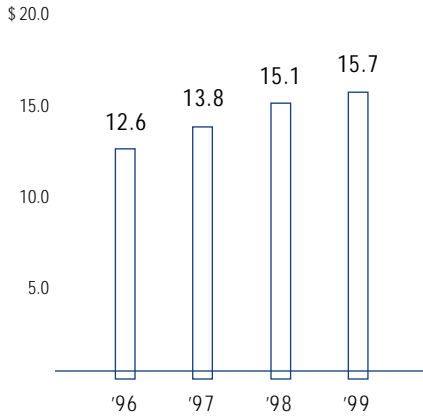
Earnings Per Share – Diluted
(dollars)



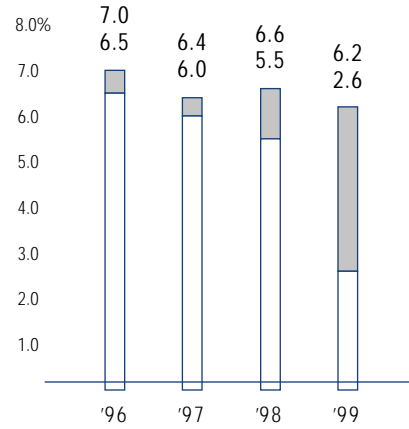
□ Certain reclassifications have been made in prior years to conform to classifications used in the current year.

Balance Sheet

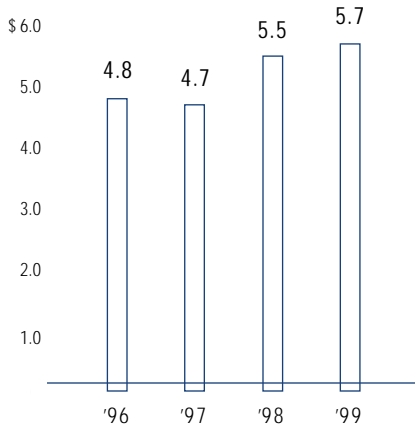
Total Assets
(dollars in billions)



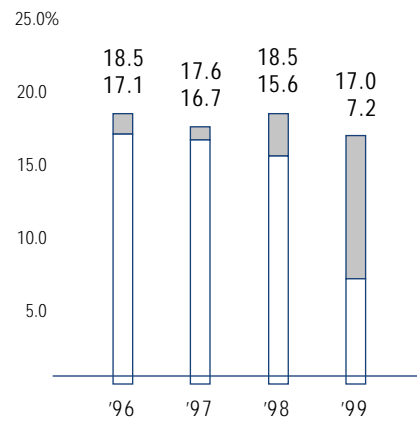
Return on Average Assets
(percent)



Stockholders' Equity
(dollars in billions)

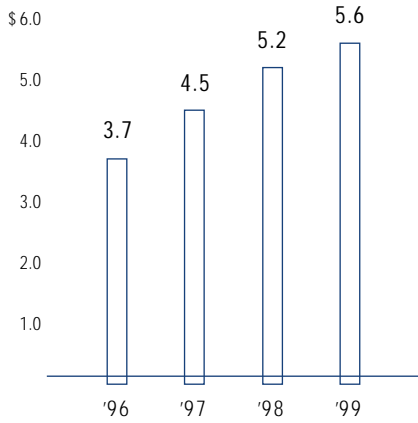


Return on Average Stockholders' Equity
(percent)

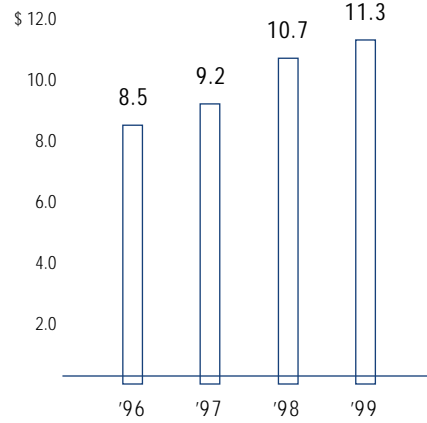


■ Net Earnings for this presentation include the following: 1996 results have been adjusted to exclude the effect of charges related to re-engineering activities, 1997 results have been adjusted to exclude the effect of charges for sale of stock by a major stockholder and sale of a division, 1998 results have been adjusted to exclude the effect of a merger-related stock option charge and the effect of a charge for impairment – store closures and 1999 results have been adjusted to exclude the effect of merger-related costs and a one-time charge for litigation settlement (see page 36 for details).

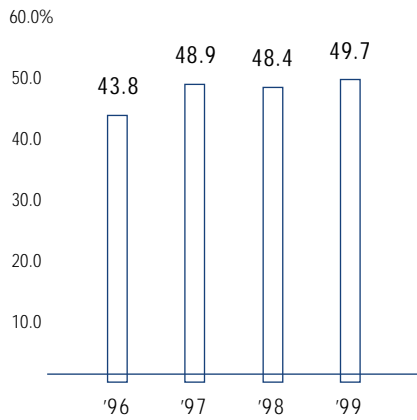
Total Debt*
(dollars in billions)



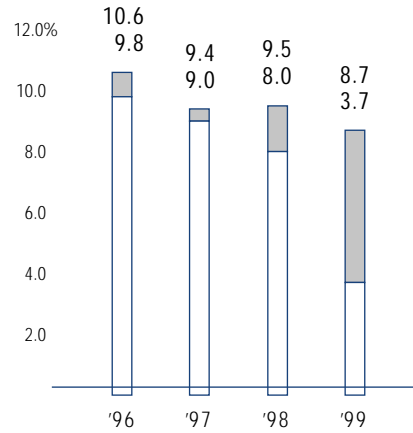
Total Capital**
(dollars in billions)



**Total Debt* as a
Percent to Total Capital****



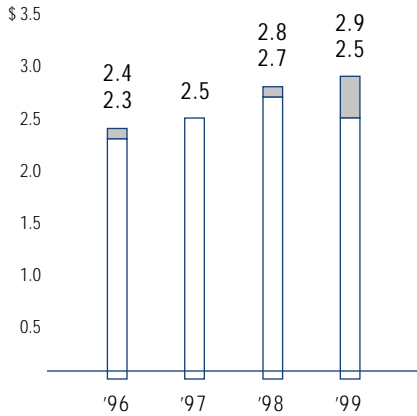
Return on Average Total Capital**
(percent)



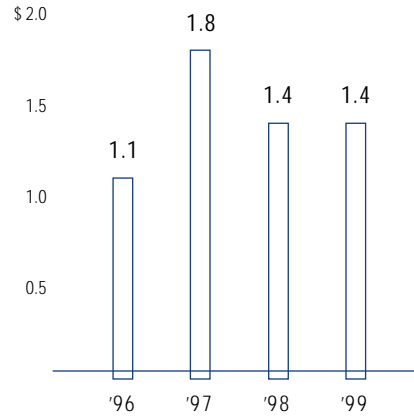
□ Certain reclassifications have been made in prior years to conform to classifications used in the current year.
 □ Balance sheet amounts are as of the fiscal year end.
 * Total debt includes short-term and long-term debt and capitalized lease obligations.
 ** Total capital includes stockholders' equity and total debt.

Cash Flow and Dividends

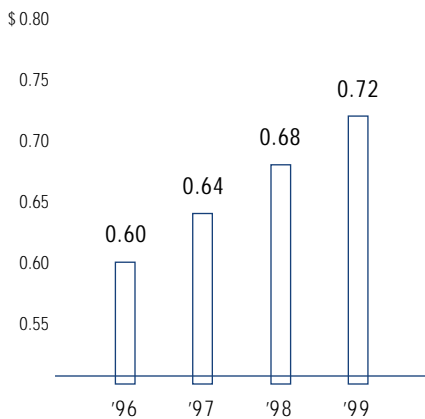
EBITDA ○
(dollars in billions)



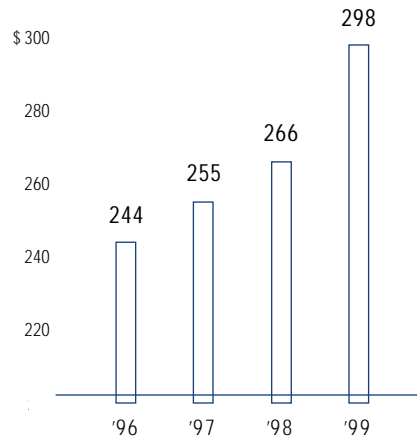
Net Cash Provided by Operating Activities
(dollars in billions)



Annual Dividends Per Share^
(dollars)



Cash Dividends Declared
(dollars in millions)



○ Earnings before interest, taxes, depreciation and amortization (FIFO basis).

^ Albertson's only

■ Net Earnings for this presentation include the following: 1996 results have been adjusted to exclude the effect of charges related to re-engineering activities, 1997 results have been adjusted to exclude the effect of charges for sale of stock by a major stockholder and sale of a division, 1998 results have been adjusted to exclude the effect of a merger-related stock option charge and the effect of a charge for impairment – store closures and 1999 results have been adjusted to exclude the effect of merger-related costs and a one-time charge for litigation settlement (see page 36 for details).

Three-Year Quarterly Statistics

Excluding Merger-Related Costs and One-Time Charges

(dollars in thousands, except per share amounts)

	First	Second	Third	Fourth
Sales				
1999	\$ 9,215,287	\$ 9,381,341	\$ 8,982,555	\$ 9,898,896
1998	8,720,939	8,945,068	8,838,215	9,367,618
1997	8,355,185	8,443,683	8,259,497	8,770,026
Sales Increase Over Prior Year				
1999	5.7%	4.9%	1.6%	5.7%
1998	4.4	5.9	7.0	6.8
1997	5.4	4.2	4.0	3.4
Operating Margin				
1999	4.87%	5.01%	4.38%	6.23%
1998	4.53	4.95	5.07	6.24
1997	4.51	4.70	4.66	5.91
Net Earnings				
1999	\$ 223,839	\$ 235,949	\$ 185,467	\$ 309,471
1998	195,111	216,578	218,492	318,813
1997	183,867	199,397	183,680	270,866
Net Earnings Percent to Sales				
1999	2.43%	2.52%	2.06%	3.13%
1998	2.24	2.42	2.47	3.40
1997	2.20	2.36	2.22	3.09
Earnings Per Share – Diluted				
1999	\$ 0.53	\$ 0.56	\$ 0.44	\$ 0.73
1998	0.46	0.52	0.52	0.75
1997	0.43	0.47	0.44	0.65
LIFO Charges (Credits) Before Income Taxes				
1999	\$ 9,000	\$ 9,000	\$ 9,000	\$ 2,953
1998	13,000	8,200	10,200	(15,733)
1997	18,900	16,900	3,750	(27,946)

Notes

- The results for all quarters of 1999 exclude merger-related costs (see page 36 for details).
- Fourth quarter 1999 was a 14-week quarter.
- The results for third quarter of 1999 exclude the effect of a one-time charge for litigation settlement (see page 36 for details).
- The results for first and fourth quarters of 1998 exclude the effect of a charge/credit for impairment – store closures (see page 36 for details).
- The results for fourth quarter of 1998 exclude the effect of a merger-related stock option charge (see page 36 for details).
- The results for first quarter of 1997 exclude the effect of a charge for sale of stock by a major stockholder and a charge related to the sale of a division (see page 36 for details).
- Due to rounding and different periods used to compute weighted average outstanding shares, the sum of the quarterly Earnings Per Share – Diluted may not equal the annual Earnings Per Share – Diluted.
- Year refers to the calendar year in which fiscal year commences.
- Certain reclassifications have been made to prior years to conform to classifications used in the current year.

Four-Year Annual Statistics

Excluding Merger-Related Costs and One-Time Charges

(dollars in thousands, except per share amounts)

Year	Sales	Percent Increase	Comparable 52/53 Week Percent Increase ¹	Gross Profit	Gross Margin	Selling, General & Administrative Expenses	Selling, General & Administrative Expenses Percent to Sales
1999	\$ 37,478,079	4.5%	5.4%	\$ 10,356,515	27.63%	\$ 8,427,565	22.49%
1998	35,871,840	6.0		9,715,826	27.08	7,845,033	21.87
1997	33,828,391	4.2		9,007,625	26.63	7,330,230	21.67
1996	32,454,807	5.1		8,563,237	26.39	6,945,202	21.40

Year	Operating Profit	Operating Margin	Earnings Before Income Taxes	Income Taxes	Effective Tax Rate	Net Earnings	Net Earnings Percent to Sales
1999	\$ 1,928,950	5.15%	\$ 1,589,171	\$ 634,445	39.9%	\$ 954,726	2.55%
1998	1,870,793	5.22	1,557,960	608,966	39.1	948,994	2.65
1997	1,677,395	4.96	1,397,881	560,071	40.1	837,810	2.48
1996	1,618,035	4.99	1,399,399	558,399	39.9	841,000	2.59

Year	Net Earnings Percent Increase (Decrease)	Depreciation & Amortization	Goodwill Amortization	Rent Expense	Interest Expense Debt	Interest Expense Capitalized Leases	LIFO Charge Before Income Taxes
1999	0.6%	\$ 853,567	\$ 58,219	\$ 301,663	\$ 349,668	\$ 26,698	\$ 29,953
1998	13.3	805,428	57,271	274,411	321,831	24,710	15,667
1997	(0.4)	744,234	53,430	265,638	288,072	22,286	11,604
1996	7.6	680,286	54,500	255,618	216,412	20,945	26,426

Notes

- Fiscal 1999 was a 53-week year.
- The results for 1999 exclude merger-related costs and the effect of a one-time charge for litigation settlement (see page 36 for details).
- The results for 1998 exclude the effect of a charge for impairment – store closures and the effect of a merger-related stock option charge (see page 36 for details).

- The results for 1997 exclude the effect of a charge for sale of stock by a major stockholder and a charge related to the sale of a division (see page 36 for details).
- The results for 1996 exclude the effect of charges related to re-engineering activities (see page 36 for details).

¹ When compared on a 52-week basis to the prior year and excluding sales from divested stores from both years.

Year	Earnings Before Interest, Taxes, Depreciation & Amortization (FIFO Basis)	Earnings Before Interest, Taxes, Depreciation & Amortization Percent to Sales (FIFO Basis)	Current Assets	Current Liabilities	Working Capital	Land, Buildings and Equipment, Net	Total Assets
1999	\$ 2,883,007	7.69%	\$ 4,582,099	\$ 4,054,647	\$ 527,452	\$ 8,912,479	\$ 15,700,914
1998	2,773,742	7.73	4,208,488	3,350,886	857,602	8,544,628	15,131,267
1997	2,500,775	7.39	3,901,637	3,380,953	520,684	7,695,907	13,766,605
1996	2,388,268	7.36	3,654,419	2,842,474	811,945	6,786,457	12,608,038

Year	Inventories (LIFO)	Capital Expenditures (Including Operating Leases)	Current & Long-Term Debt	Current & Long-Term Capitalized Lease Obligations	Stockholders' Equity	Shares Outstanding (Net of Treasury) (000s)	Earnings Per Share - Basic
1999	\$ 3,481,396	\$ 2,098,377	\$ 5,428,029	\$ 205,915	\$ 5,701,526	423,715	\$ 2.26
1998	3,249,179	2,097,094	4,955,263	220,289	5,521,650	420,003	2.27
1997	3,042,807	1,863,791	4,318,326	211,305	4,740,538	418,108	1.99
1996	2,946,609	1,798,443	3,536,116	203,698	4,794,445	434,542	1.93

Year	Earnings Per Share - Diluted	Cash Dividends Per Share [^]	Total Cash Dividends*	Price Range of ABS Stock (NYSE)	Fiscal Year End Stock Price	Fiscal Year End P/E Ratio	Number of Stores
1999	\$ 2.26	\$ 0.72	\$ 297,908	61 ¹⁵ / ₁₆ - 29	30	13.3	2,492
1998	2.25	0.68	265,877	67 ¹ / ₈ - 44	61 ¹¹ / ₁₆	27.4	2,564
1997	1.98	0.64	255,018	48 ⁵ / ₈ - 30 ¹ / ₂	47 ¹ / ₂	24.0	2,435
1996	1.92	0.60	244,265	43 ³ / ₄ - 33 ³ / ₄	34 ⁷ / ₈	18.1	2,355

[^] Albertson's Only. *Cash dividends declared.

- Due to rounding and different periods used to compute weighted average outstanding shares, the sum of the quarterly Earnings Per Share - Diluted may not equal the annual Earnings Per Share - Diluted.
- Year refers to the calendar year in which fiscal year commences.
- Certain reclassifications have been made to prior years to conform to classifications used in the current year.
- Balance sheet amounts, number of shares outstanding and number of stores are as of the fiscal year end.

Footnotes

Adjustments Recognized in 1999	Net of Tax (in millions)	EPS Basic	EPS Diluted
Net earnings as reported Y/E 2/3/00	\$ 404.1	\$ 0.96	\$ 0.95
Merger-related costs	528.4	1.25	1.25
Litigation settlement	22.2	0.05	0.05
Net earnings excluding adjustments	\$ 954.7	\$ 2.26	\$ 2.26 ¹

Adjustments Recognized in 1998 (First and Fourth Quarters)	Net of Tax (in millions)	EPS Basic	EPS Diluted
Net earnings as reported Y/E 1/28/99	\$ 800.9	\$ 1.91	\$ 1.90
Merger-related stock option charge	132.6	0.32	0.31
Impairment – store closures	15.5	0.04	0.04
Net earnings excluding adjustments	\$ 949.0	\$ 2.27	\$ 2.25

Adjustments Recognized in 1997 (First Quarter)	Net of Tax (in millions)	EPS Basic	EPS Diluted
Net earnings as reported Y/E 1/30/98	\$ 797.4	\$ 1.89	\$ 1.88
Sale of stock by a major ASC stockholder	32.4	0.08	0.08
Sale of a division of ASC's communications subsidiary	8.0	0.02	0.02
Net earnings excluding adjustments	\$ 837.8	\$ 1.99	\$ 1.98

Adjustment Recognized in 1996 (Fourth Quarter)	Net of Tax (in millions)	EPS Basic	EPS Diluted
Net earnings as reported Y/E 2/1/97	\$ 781.0	\$ 1.79	\$ 1.79
ASC re-engineering activities	60.0	0.14	0.14
Net earnings excluding adjustment	\$ 841.0	\$ 1.93	\$ 1.92 ¹

Quarterly Diluted Earnings Per Share (EPS) Adjustments	1998					1999				
	1st	2nd	3rd	4th	Year	1st	2nd	3rd	4th	Year
Diluted EPS as reported	\$ 0.42	\$ 0.52	\$ 0.52	\$ 0.45	\$ 1.90 ¹	\$ 0.56	\$ (0.54)	\$ 0.31	\$ 0.62	\$ 0.95
Merger-related costs:										
Stock option charge (income) – pre-merger				0.31	0.31	(0.04)				(0.04)
Period and restructuring costs							1.05	0.08	0.11	1.23 ¹
Extraordinary item							0.05			0.05
First quarter period costs ²						0.01				0.01
Impairment – store closures	0.04			(0.01)	0.04 ¹					
Litigation settlement								0.05		0.05
Diluted EPS without one-time costs	\$ 0.46	\$ 0.52	\$ 0.52	\$ 0.75	\$ 2.25	\$ 0.53	\$ 0.56	\$ 0.44	\$ 0.73	\$ 2.26 ¹

¹ Due to rounding and different periods used to compute weighted average outstanding shares, the sum of the adjustments or the quarterly Earnings Per Share – Diluted may not equal the annual Earnings Per Share – Diluted.

² The \$0.01 per share represents merger-related period costs incurred before the merger was completed.

Forward-Looking Information

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. 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 integration of the American Stores operations, 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, the Company's ability to recruit and develop associates, its ability to develop new stores or complete remodels as rapidly as planned, its ability to implement new technology successfully, stability of product costs, and the Company's ability to integrate the operations of American Stores.

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.



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