

Section 1: 10-Q (10-Q)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 8, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 333-205546



Albertsons Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

47-5579477

(I.R.S. Employer
Identification No.)

250 Parkcenter Blvd.

Boise, Idaho

(Address of principal
executive offices)

83706

(Zip Code)

Registrant's telephone number, including area code (208) 395-6200

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 18, 2018, the registrant had 277,882,010 shares of common stock, par value \$0.01 per share, outstanding.

Albertsons Companies, Inc. and Subsidiaries

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PART I - FINANCIAL INFORMATION**Item 1 - Condensed Consolidated Financial Statements (unaudited)**

Albertsons Companies, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in millions, except share data)
(unaudited)

	September 8, 2018	February 24, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,661.9	\$ 670.3
Receivables, net	527.9	615.3
Inventories, net	4,308.1	4,421.1
Other current assets	347.8	441.9
Total current assets	6,845.7	6,148.6
Property and equipment, net	10,256.9	10,770.3
Intangible assets, net	2,968.9	3,142.5
Goodwill	1,183.3	1,183.3
Other assets	562.0	567.6
TOTAL ASSETS	\$ 21,816.8	\$ 21,812.3
LIABILITIES		
Current liabilities		
Accounts payable	\$ 2,948.2	\$ 2,833.0
Accrued salaries and wages	1,041.0	984.1
Current maturities of long-term debt and capitalized lease obligations	436.5	168.2
Other current liabilities	1,048.3	1,044.3
Total current liabilities	5,474.0	5,029.6
Long-term debt and capitalized lease obligations	11,328.9	11,707.6
Deferred income taxes	507.2	579.9
Other long-term liabilities	3,144.1	3,097.0
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.01 par value; 30,000,000 shares authorized, no shares issued and outstanding as of September 8, 2018 and February 24, 2018, respectively	—	—
Common stock, \$0.01 par value; 1,000,000,000 shares authorized, 279,654,028 shares issued and outstanding as of September 8, 2018 and February 24, 2018, respectively	2.8	2.8
Additional paid-in capital	1,780.9	1,773.3
Accumulated other comprehensive income	192.2	191.1
Accumulated deficit	(613.3)	(569.0)
Total stockholders' equity	1,362.6	1,398.2
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 21,816.8	\$ 21,812.3

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Albertsons Companies, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Loss
(in millions)
(unaudited)

	12 weeks ended		28 weeks ended	
	September 8, 2018	September 9, 2017	September 8, 2018	September 9, 2017
Net sales and other revenue	\$ 14,024.1	\$ 13,831.7	\$ 32,677.5	\$ 32,291.7
Cost of sales	10,211.3	10,102.0	23,694.0	23,503.5
Gross profit	3,812.8	3,729.7	8,983.5	8,788.2
Selling and administrative expenses	3,681.4	3,807.2	8,659.0	8,783.3
Goodwill impairment	—	142.3	—	142.3
Operating income (loss)	131.4	(219.8)	324.5	(137.4)
Interest expense, net	194.9	214.8	449.5	485.3
Other (income) expense	(19.2)	(11.7)	(60.0)	4.7
Loss before income taxes	(44.3)	(422.9)	(65.0)	(627.4)
Income tax benefit	(11.9)	(67.7)	(14.9)	(67.3)
Net loss	\$ (32.4)	\$ (355.2)	\$ (50.1)	\$ (560.1)
Other comprehensive income (loss), net of tax				
(Loss) gain on interest rate swaps	(4.8)	(1.2)	3.4	0.4
Recognition of pension (loss) gain	(0.5)	0.8	(1.1)	3.6
Foreign currency translation adjustment	—	2.8	(0.6)	25.9
Other	0.5	3.8	(0.6)	4.2
Other comprehensive income (loss)	\$ (4.8)	\$ 6.2	\$ 1.1	\$ 34.1
Comprehensive loss	\$ (37.2)	\$ (349.0)	\$ (49.0)	\$ (526.0)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Albertsons Companies, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	28 weeks ended	
	September 8, 2018	September 9, 2017
Cash flows from operating activities:		
Net loss	\$ (50.1)	\$ (560.1)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Net (gain) loss on property dispositions, asset impairment and lease exit costs	(175.8)	51.3
Goodwill impairment	—	142.3
Depreciation and amortization	939.2	1,017.6
LIFO expense	12.9	23.6
Deferred income tax	(66.2)	(127.9)
Amortization and write-off of deferred financing costs	17.7	40.9
Equity-based compensation expense	25.6	18.1
Other	(29.6)	62.2
Changes in operating assets and liabilities, net of effects of acquisition of businesses:		
Receivables, net	87.4	21.7
Inventories, net	100.1	22.4
Accounts payable, accrued salaries and wages and other accrued liabilities	213.0	79.8
Other operating assets and liabilities	117.1	80.8
Net cash provided by operating activities	1,191.3	872.7
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	—	(34.5)
Payments for property, equipment and intangibles, including payments for lease buyouts	(631.2)	(752.6)
Proceeds from sale of assets	509.4	15.7
Other	33.6	17.0
Net cash used in investing activities	(88.2)	(754.4)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	750.0	40.0
Payments on long-term borrowings	(780.1)	(445.4)
Payments of obligations under capital leases	(51.6)	(56.0)
Member distribution	—	(250.0)
Other	(32.4)	(52.2)
Net cash used in financing activities	(114.1)	(763.6)
Net increase (decrease) in cash and cash equivalents and restricted cash	989.0	(645.3)
Cash and cash equivalents and restricted cash at beginning of period	680.8	1,229.1
Cash and cash equivalents and restricted cash at end of period	\$ 1,669.8	\$ 583.8

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Albertsons Companies, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(unaudited)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying interim Condensed Consolidated Financial Statements include the accounts of Albertsons Companies, Inc. and its subsidiaries (the "Company"). All significant intercompany balances and transactions were eliminated. The Condensed Consolidated Balance Sheet as of February 24, 2018 is derived from the Company's annual audited Consolidated Financial Statements for the fiscal year ended February 24, 2018, which should be read in conjunction with these Condensed Consolidated Financial Statements and which are included in the Company's Annual Report on Form 10-K. Certain information in footnote disclosures normally included in annual financial statements was condensed or omitted for the interim periods presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The interim results of operations and cash flows are not necessarily indicative of those results and cash flows expected for the year. The Company's results of operations are for the 12 and 28 weeks ended September 8, 2018 and September 9, 2017.

Prior Period Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation, including the addition of Restricted cash to Cash and cash equivalents on the Condensed Consolidated Statements of Cash Flows, and the reclassification of non-service cost components of Net pension and post-retirement expense to Other (income) expense from Selling and administrative expenses on the Condensed Consolidated Statements of Operations and Comprehensive Loss, as a result of the adoption of new accounting guidance.

Significant Accounting Policies

Restricted cash: Restricted cash is included in Other current assets or Other assets depending on the remaining term of the restriction and primarily relates to funds held in escrow. The Company had \$7.9 million and \$10.5 million of Restricted cash as of September 8, 2018 and February 24, 2018, respectively.

Inventories, net: Substantially all of the Company's inventories consist of finished goods valued at the lower of cost or market and net of vendor allowances. The Company uses either item-cost or the retail inventory method to value inventory at lower of cost or market before application of any last-in, first-out ("LIFO") reserve. Interim LIFO inventory costs are based on management's estimates of expected year-end inventory levels and inflation rates. The Company recorded LIFO expense of \$3.4 million and \$7.9 million for the 12 weeks ended September 8, 2018 and September 9, 2017, respectively and \$12.9 million and \$23.6 million for the 28 weeks ended September 8, 2018 and September 9, 2017, respectively.

Equity-based compensation: The Company maintains the Albertsons Companies, Inc. Phantom Unit Plan (the "Phantom Unit Plan"), an equity-based incentive plan, which provides for grants of Phantom Units to certain employees, directors and consultants. Each Phantom Unit provides the participant with a contractual right to receive, upon vesting, one management incentive unit in each of the Company's parents, Albertsons Investor Holdings LLC and KIM ACI, LLC, that collectively own all of the outstanding shares of the Company. The Phantom Units vest over a service period, or upon a combination of both a service period and achievement of certain performance-based thresholds. The fair value of the Phantom Units is determined using an option pricing model, adjusted for lack of marketability and using an expected term or time to liquidity based on judgments made by management. Equity-based compensation expense recognized by the Company related to these plans was \$12.2 million and \$9.3 million for the 12 weeks ended September 8, 2018 and September 9, 2017, respectively. For the 28 weeks ended September 8, 2018 and September 9, 2017, equity-based compensation expense was \$25.6 million and \$18.1 million, respectively. The Company recorded an income tax benefit of \$3.3 million and \$1.9 million related to equity-based compensation for the 12 weeks ended

September 8, 2018 and September 9, 2017, respectively. For the 28 weeks ended September 8, 2018 and September 9, 2017, the Company recorded an income tax benefit of \$6.9 million and \$3.7 million, respectively. As of September 8, 2018, there was \$33.9 million of unrecognized costs related to 1.4 million unvested Phantom Units. That cost is expected to be recognized over a weighted average period of 0.9 years.

On June 30, 2017, the Company's predecessor, Albertsons Companies, LLC, made a cash distribution of \$250.0 million to its equityholders, which resulted in a modification of certain vested awards. As a result of the modification, equity-based compensation expense recognized for the 12 weeks ended September 9, 2017 includes \$2.4 million of additional expense.

Income taxes: Income tax benefit was \$11.9 million, or 26.8%, and \$67.7 million, or 16.0%, of loss before income taxes for the 12 weeks ended September 8, 2018 and September 9, 2017, respectively. Income tax benefit was \$14.9 million, or 22.9%, and \$67.3 million, or 10.7%, of loss before income taxes for the 28 weeks ended September 8, 2018 and September 9, 2017, respectively. The increase in effective tax rate for the 28 weeks ended September 8, 2018 compared to the 28 weeks ended September 9, 2017 was primarily the result of the Company's corporate reorganization in the fourth quarter of fiscal 2017. Prior to the fourth quarter of fiscal 2017, the Company was organized as a limited liability company and conducted its operations primarily through limited liability companies and Subchapter C corporations. As such, the Company's effective tax rate in prior periods was largely driven by the mix of pre-tax income or loss between its taxable and nontaxable entities.

On December 22, 2017, the President signed the Tax Cuts and Jobs Act (the "Tax Act") into law, which enacted significant changes to U.S. income tax and related laws. Among other things, the Tax Act reduces the top U.S. corporate income tax rate from 35% to 21%, and makes changes to certain other business-related exclusions, deductions and credits. Also on December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for income tax effects of the Tax Act. SAB 118 allows the Company to record provisional amounts during a measurement period not to extend beyond one year from the date of enactment. The Tax Act was effective in the fourth quarter of fiscal 2017, during which the Company recorded a provisional tax benefit of \$430.4 million. The Company did not record any material adjustments to the provisional tax benefit during the 28 weeks ended September 8, 2018. As of September 8, 2018, the Company had not completed its accounting for the Tax Act. The Company continues to analyze the Tax Act and refine its calculations, which could impact the measurement of its tax balances. The Company expects to complete its analysis within the measurement period in accordance with SAB 118.

Segments: The Company and its subsidiaries offer grocery products, general merchandise, health and beauty care products, pharmacy, fuel and other items and services in its stores or through eCommerce channels. The Company's operating divisions are geographically based, have similar economic characteristics and similar expected long-term financial performance. The Company's operating segments and reporting units are its 13 divisions, which have been aggregated into one reportable segment. Each reporting unit constitutes a business for which discrete financial information is available and for which management regularly reviews the operating results. Across all operating segments, the Company operates primarily one store format. Each store offers the same general mix of products with similar pricing to similar categories of customers, has similar distribution methods, operates in similar regulatory environments and purchases merchandise from similar or the same vendors. All of the Company's retail operations are domestic.

Revenue Recognition: Revenues from the retail sale of products are recognized at the point of sale to the customer, net of returns and sales tax. Pharmacy sales are recorded upon the customer receiving the prescription. Third party receivables from pharmacy sales were \$205.0 million and \$205.5 million as of September 8, 2018 and February 24, 2018, respectively, and are recorded in Receivables, net. For eCommerce related sales, which primarily includes home delivery, "Drive Up and Go" stores and Plated meal kit delivery, revenues are recognized upon either pickup in store or delivery to the customer and may include revenue for separately charged delivery services. Discounts provided to

customers by the Company at the time of sale are recognized as a reduction in sales as the products are sold. Discounts provided to customers by vendors, usually in the form of coupons, are not recognized as a reduction in sales, provided the coupons are redeemable at any retailer that accepts coupons. The Company recognizes revenue and records a corresponding receivable from the vendor for the difference between the sales prices and the cash received from the customer. The Company records a contract liability when rewards are earned by customers in connection with the Company's loyalty programs. As rewards are redeemed or expire, the Company reduces the contract liability and recognizes revenue.

The Company records a contract liability when it sells its own proprietary gift cards. The Company records a sale when the customer redeems the gift card. The gift cards do not expire. The Company reduces the contract liability and records revenue for the unused portion of gift cards ("breakage") in proportion to its customers' pattern of redemption, which the Company determined to be the historical redemption rate. The Company's contract liability related to gift cards was \$43.7 million as of September 8, 2018 and \$55.6 million as of February 24, 2018. Breakage amounts were immaterial for the 12 and 28 weeks ended September 8, 2018 and September 9, 2017, respectively.

Disaggregated Revenues

The following table represents sales revenue by type of similar product (dollars in millions):

	12 weeks ended				28 weeks ended			
	September 8, 2018		September 9, 2017		September 8, 2018		September 9, 2017	
	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total
Non-perishables (2)	\$ 6,089.8	43.4%	\$ 6,217.2	44.9%	\$ 14,153.1	43.3%	\$ 14,410.5	44.7%
Perishables (3)	5,775.5	41.2%	5,595.1	40.5%	13,502.6	41.3%	13,158.7	40.7%
Pharmacy	1,125.3	8.0%	1,136.7	8.2%	2,652.5	8.1%	2,671.1	8.3%
Fuel	856.0	6.1%	715.7	5.2%	1,954.1	6.0%	1,659.7	5.1%
Other (4)	177.5	1.3%	167.0	1.2%	415.2	1.3%	391.7	1.2%
Net sales and other revenue	\$ 14,024.1	100.0%	\$ 13,831.7	100.0%	\$ 32,677.5	100.0%	\$ 32,291.7	100.0%

(1) eCommerce related sales are included in the categories to which the revenue pertains.

(2) Consists primarily of general merchandise, grocery and frozen foods.

(3) Consists primarily of produce, dairy, meat, deli, floral and seafood.

(4) Consists primarily of lottery and various other commissions and other miscellaneous income.

Recently adopted accounting standards: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "*Revenue from Contracts with Customers (Topic 606)*". The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted this guidance in the first quarter of fiscal 2018 on a modified retrospective basis, including implementing changes to processes and controls to comply with the new disclosure requirements. The adoption of this standard resulted in a decrease to accumulated deficit of \$5.8 million. The adjustment relates to breakage on the unredeemed portion of the Company's gift cards, which are now recognized in proportion to customer redemptions of gift cards, rather than waiting until the likelihood of redemption becomes remote. Similar to previous guidance, in certain third-party arrangements where the Company had previously determined it acts as a principal versus an agent, the Company will continue to record revenue for these arrangements on a gross basis under the new guidance.

In March 2017, the FASB issued ASU 2017-07, "*Compensation - Retirement Benefits (Topic 715) - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*." The Company adopted this guidance in the first quarter of fiscal 2018 on a retrospective basis. This ASU requires an employer to report the service

cost component of net pension and post-retirement expense in the same line as other compensation costs from services rendered by employees during the period. Other components of net pension and post-retirement expense are required to be presented in the income statement separately from the service cost component. For the 12 and 28 weeks ended September 9, 2017, the Company reclassified \$6.0 million and \$14.2 million, respectively, of non-service pension and post-retirement cost components to Other (income) expense from Selling and administrative expenses.

In November 2016, the FASB issued ASU 2016-18, "*Statement of Cash Flows - Restricted Cash (Topic 230)*". The Company adopted this guidance in the first quarter of fiscal 2018 on a retrospective basis. The new guidance requires that restricted cash be added to Cash and cash equivalents when reconciling the beginning and ending amounts on the Condensed Consolidated Statements of Cash Flows. The guidance also requires entities that report cash and cash equivalents and restricted cash separately on the Condensed Consolidated Balance Sheets to reconcile those amounts to the Condensed Consolidated Statements of Cash Flows. For the 28 weeks ended September 9, 2017, the adoption of this standard resulted in a decrease to Net cash used in investing activities and an increase to Net increase (decrease) in cash and cash equivalents and restricted cash of \$1.7 million. The following table provides a reconciliation of the amount of Cash and cash equivalents reported on the Condensed Consolidated Balance Sheets to the total of Cash and cash equivalents and restricted cash shown on the Condensed Consolidated Statements of Cash Flows (in millions):

	September 8, 2018	September 9, 2017
Cash and cash equivalents	\$ 1,661.9	\$ 572.2
Restricted cash	7.9	11.6
Cash and cash equivalents and restricted cash	<u>\$ 1,669.8</u>	<u>\$ 583.8</u>

In August 2017, the FASB issued ASU 2017-12, "*Derivatives and Hedging (Topic 815)*". The new guidance more closely aligns the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. The guidance expands hedge accounting for both nonfinancial and financial risk components and refines the measurement of hedge results to better reflect an entity's hedging strategies. The Company elected to early adopt this ASU beginning the first day of fiscal 2018. The adoption of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, "*Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*". The ASU is intended to improve the recognition and measurement of financial instruments. The Company adopted this guidance in the first quarter of fiscal 2018. The new guidance requires equity investments, other than those accounted for under the equity method, to be measured at fair value, with changes in fair value recognized in net income. The guidance also amends certain disclosure requirements associated with the fair value of financial instruments. The adoption of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-15, "*Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)*". The ASU is intended to improve the recognition and measurement of financial instruments. The new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company elected to early adopt this ASU in the second quarter of fiscal 2018 on a prospective basis. The adoption of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

Recently issued accounting standards: In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*". The ASU will require organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance will require both classifications of leases, operating and capital, to be recognized on the balance sheet. Consistent with current GAAP, the recognition, measurement and

presentation of expenses and cash flows arising from a lease will depend on its classification. The ASU also will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The Company plans to adopt this guidance in the first quarter of fiscal 2019. The adoption of this ASU will result in the recognition of significant right-of-use assets and lease liabilities in the Company's Consolidated Balance Sheets. The Company has formed a dedicated project team and developed a comprehensive multi-stage project plan to assess and implement this ASU. This assessment includes reviewing all forms of leases, analyzing practical expedients and leveraging a technology solution in implementing the new ASU. This assessment is ongoing, including the assessment of other potential impacts of this ASU on the Consolidated Financial Statements and disclosures.

In February 2018, the FASB issued ASU 2018-02, "*Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*". This ASU amends ASC 220, "*Income Statement - Reporting Comprehensive Income*", to allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. In addition, under the ASU, the Company may be required to provide certain disclosures regarding stranded tax effects. The ASU will take effect for public entities for annual reporting periods beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the effect of the standard on its Consolidated Financial Statements.

NOTE 2 - ACQUISITIONS

Termination of Merger Agreement with Rite Aid

As previously disclosed, on February 18, 2018, the Company and its wholly-owned subsidiaries, Ranch Acquisition II LLC and Ranch Acquisition Corp. (together with Ranch Acquisition II LLC, "Merger Subs") and Rite Aid Corporation ("Rite Aid") entered into an Agreement and Plan of Merger (the "Merger Agreement"). On August 8, 2018, the Company, Merger Subs and Rite Aid entered into a Termination Agreement (the "Termination Agreement") under which the parties mutually agreed to terminate the Merger Agreement. Subject to limited customary exceptions, the Termination Agreement also mutually releases the parties from any claims of liability to one another relating to the contemplated merger transaction. Under the terms of the Merger Agreement, neither the Company nor Rite Aid will be responsible for any payments to the other party as a result of the termination of the Merger Agreement.

In addition, as result of the above termination, that certain Second Amended & Restated Commitment Letter, dated May 8, 2018, by and among the Company, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse AG, Credit Suisse Loan Funding LLC, Goldman Sachs Bank USA and the other commitment parties thereto terminated automatically pursuant to its terms.

NOTE 3 - FAIR VALUE MEASUREMENTS

The accounting guidance for fair value established a framework for measuring fair value and established a three-level valuation hierarchy for disclosure of fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability at the measurement date. The three levels are defined as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 - Unobservable inputs in which little or no market activity exists, requiring an entity to develop its own assumptions that market participants would use to value the asset or liability.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table presents assets and liabilities which were measured at fair value on a recurring basis as of September 8, 2018 (in millions):

	Fair Value Measurements			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash equivalents:				
Money market	\$ 1,055.0	\$ 1,055.0	\$ —	\$ —
Short-term investments (1)	24.1	22.1	2.0	—
Non-current investments (2)	98.2	45.5	52.7	—
Total	\$ 1,177.3	\$ 1,122.6	\$ 54.7	\$ —
Liabilities:				
Derivative contracts (3)	\$ 1.1	\$ —	\$ 1.1	\$ —
Contingent consideration (4)	49.3	—	—	49.3
Total	\$ 50.4	\$ —	\$ 1.1	\$ 49.3

(1) Primarily relates to Mutual Funds. Included in Other current assets.

(2) Primarily relates to investments in publicly traded stock classified as available for sale (Level 1) and U.S. Treasury Notes and Corporate Bonds (Level 2). Included in Other assets.

(3) Primarily relates to interest rate swaps. Included in Other current liabilities.

(4) Included in Other long-term liabilities.

The following table presents assets and liabilities which were measured at fair value on a recurring basis as of February 24, 2018 (in millions):

	Fair Value Measurements			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash equivalents:				
Money market	\$ 198.0	\$ 198.0	\$ —	\$ —
Short-term investments (1)	24.5	22.1	2.4	—
Non-current investments (2)	91.2	40.2	51.0	—
Total	\$ 313.7	\$ 260.3	\$ 53.4	\$ —
Liabilities:				
Derivative contracts (3)	\$ 11.8	\$ —	\$ 11.8	\$ —
Contingent consideration (4)	60.0	—	—	60.0
Total	\$ 71.8	\$ —	\$ 11.8	\$ 60.0

(1) Primarily relates to Mutual Funds. Included in Other current assets.

(2) Primarily relates to investments in publicly traded stock classified as available for sale (Level 1) and U.S. Treasury Notes and Corporate Bonds (Level 2). Included in Other assets.

(3) Primarily relates to interest rate swaps. Included in Other current liabilities.

(4) Included in Other current liabilities and Other long-term liabilities.

A reconciliation of the beginning and ending balances for Level 3 liabilities follows (in millions):

	Contingent Consideration
	September 8, 2018
Beginning balance	\$ 60.0
Change in fair value	(10.0)
Payments	(0.7)
Ending balance	<u>\$ 49.3</u>

The estimated fair value of the Company's debt, including current maturities, was based on Level 2 inputs, being market quotes or values for similar instruments, and interest rates currently available to the Company for the issuance of debt with similar terms and remaining maturities as a discount rate for the remaining principal payments. As of September 8, 2018, the fair value of total debt was \$10,788.8 million compared to the carrying value of \$11,248.5 million, excluding debt discounts and deferred financing costs. As of February 24, 2018, the fair value of total debt was \$10,603.4 million compared to the carrying value of \$11,340.5 million, excluding debt discounts and deferred financing costs.

Assets Measured at Fair Value on a Non-Recurring Basis

The Company measures certain assets at fair value on a non-recurring basis, including long-lived assets and goodwill, which are evaluated for impairment. Long-lived assets include store-related assets such as property and equipment and certain intangible assets. The inputs used to determine the fair value of long-lived assets and a reporting unit are considered Level 3 measurements due to their subjective nature.

NOTE 4 - DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Risk Management

The Company is exposed to market risk from fluctuations in interest rates. The Company manages its exposure to interest rate fluctuations through the use of interest rate swaps ("cash flow hedges"). The Company's risk management objective and strategy with respect to interest rate swaps is to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to interest payments on a portion of its outstanding debt. The Company is meeting its objective by hedging the risk of changes in its cash flows (interest payments) attributable to changes in the London Inter-Bank Offering Rate ("LIBOR"), the designated benchmark interest rate being hedged (the "hedged risk"), on an amount of the Company's debt principal equal to the then-outstanding swap notional amount.

Cash Flow Interest Rate Swaps

For derivative instruments that are designated and qualify as cash flow hedges of forecasted interest payments, the Company reports the gain or loss as a component of Other comprehensive income until the interest payments being hedged are recorded as Interest expense, net, at which time the amounts in Other comprehensive income are reclassified as an adjustment to Interest expense, net. The Company has entered into several swaps with maturity dates in 2019 and 2021 to hedge against variability in cash flows relating to interest payments on a portion of the Company's outstanding variable rate term debt. The aggregate notional amounts of all swaps as of both September 8, 2018 and February 24, 2018 were \$3,110.0 million, of which \$3,052.0 million are designated as cash flow hedges as defined by GAAP. The undesignated portion of the Company's interest rate swaps is attributable to principal payments expected to be made through the loan's maturity.

On June 20, 2018, the Company entered into two new interest rate swap agreements with notional amounts of \$339.0 million and \$254.0 million, with an effective date of March 2019 and maturing in March 2023. These swaps hedge against variability in cash flows relating to interest payments on the Company's outstanding variable rate debt. Accordingly, the interest rate swaps will be designated as cash flow hedges as defined by GAAP.

As of September 8, 2018, and February 24, 2018, the fair value of the cash flow interest rate swap liability was \$1.6 million and \$13.0 million, respectively, and was recorded in Other current liabilities.

Activity related to the Company's derivative instruments designated as cash flow hedges consisted of the following (in millions):

	Amount of loss recognized from derivatives		Location of income recognized from derivatives
	12 weeks ended September 8, 2018	12 weeks ended September 9, 2017	
Derivatives designated as hedging instruments			
Designated interest rate swaps	\$ (4.8)	\$ (1.2)	Other comprehensive income (loss), net of tax

	Amount of income recognized from derivatives		Location of income recognized from derivatives
	28 weeks ended September 8, 2018	28 weeks ended September 9, 2017	
Derivatives designated as hedging instruments			
Designated interest rate swaps	\$ 3.4	\$ 0.4	Other comprehensive income (loss), net of tax

Activity related to the Company's derivative instruments not designated as hedging instruments was immaterial during the 12 and 28 weeks ended September 8, 2018 and September 9, 2017, respectively.

NOTE 5 - LONG-TERM DEBT AND CAPITALIZED LEASE OBLIGATIONS

The Company's long-term debt as of September 8, 2018 and February 24, 2018, net of unamortized debt discounts of \$230.2 million and \$249.6 million, respectively, and deferred financing costs of \$71.4 million and \$79.7 million, respectively, consisted of the following (in millions):

	September 8, 2018	February 24, 2018
Albertsons Term Loans due 2021 to 2023, interest rate range of 4.32% to 5.34%	\$ 5,596.0	\$ 5,610.7
Albertsons Senior Unsecured Notes due 2024 and 2025, interest rate of 6.625% and 5.750%, respectively	2,477.9	2,476.1
NALP Notes due 2027 to 2031, interest rate range of 6.52% to 8.70%	1,406.5	1,393.9
Safeway Notes due 2019 to 2031, interest rate range of 3.95% to 7.45%	1,266.8	1,266.9
Other Notes Payable, unsecured	180.6	242.7
Mortgage Notes Payable, secured	19.1	20.9
Total debt	10,946.9	11,011.2
Less current maturities	(332.4)	(66.1)
Long-term portion	\$ 10,614.5	\$ 10,945.1

The Company's term loans (the "Albertsons Term Loans"), asset-based loan ("ABL") facility (the "ABL Facility") and certain of the outstanding notes and debentures have restrictive covenants, subject to the right to cure in certain circumstances, calling for the acceleration of payments due in the event of a breach of a covenant or a default in the payment of a specified amount of indebtedness due under certain debt arrangements. There are no restrictions on the Company's ability to receive distributions from its subsidiaries to fund interest and principal payments due under the ABL Facility, the Albertsons Term Loans and the Company's senior unsecured notes (the "Senior Unsecured Notes"). Each of the ABL Facility, Albertsons Term Loans and the Senior Unsecured Notes restrict the ability of the Company to pay dividends and distribute property to the Company's stockholders. As a result, all of the Company's consolidated net assets are effectively restricted with respect to their ability to be transferred to the Company's stockholders. Notwithstanding the foregoing, the ABL Facility, Albertsons Term Loans and the Senior Unsecured Notes each contain customary exceptions for certain dividends and distributions, including the ability to make cumulative distributions under the Albertsons Term Loans and Senior Unsecured Notes of up to the greater of \$1.0 billion or 4% of the Company's total assets (which is measured at the time of such distribution) and the ability to make distributions if certain payment conditions are satisfied under the ABL Facility. The Company was in compliance with all such covenants and provisions as of and for the 28 weeks ended September 8, 2018.

Asset-Based Loan Facility

As of September 8, 2018 and February 24, 2018, there were no loans outstanding under the Company's ABL Facility, and letters of credit ("LOC") issued under the LOC sub-facility were \$547.6 million and \$576.8 million, respectively.

Capitalized Lease Obligations

The Company's capitalized lease obligations were \$818.5 million and \$864.6 million as of September 8, 2018 and February 24, 2018, respectively. Current maturities of capitalized lease obligations were \$104.1 million and \$102.1 million and long-term maturities were \$714.4 million and \$762.5 million as of September 8, 2018 and February 24, 2018, respectively.

Merger Related Financing

On June 25, 2018 the Company issued \$750.0 million in aggregate principal amount of floating rate senior secured notes (the "Floating Rate Notes") at an issue price of 99.5%. As a result of the Termination Agreement with Rite Aid

on August 8, 2018, the Company redeemed all of the Floating Rate Notes at a redemption price equal to 99.5% of the aggregate principal amount of the notes, plus accrued and unpaid interest.

NOTE 6 - EMPLOYEE BENEFIT PLANS

Pension and Other Post-Retirement Benefits

The following tables provide the components of net pension and post-retirement expense (in millions):

	12 weeks ended			
	Pension		Other post-retirement benefits	
	September 8, 2018	September 9, 2017	September 8, 2018	September 9, 2017
Estimated return on plan assets	\$ (26.0)	\$ (27.6)	\$ —	\$ —
Service cost	12.1	11.5	0.2	0.2
Interest cost	19.8	20.4	0.1	0.2
Amortization of prior service cost	—	—	0.9	0.9
Amortization of net actuarial (gain) loss	(1.5)	0.1	—	—
Net expense	\$ 4.4	\$ 4.4	\$ 1.2	\$ 1.3

	28 weeks ended			
	Pension		Other post-retirement benefits	
	September 8, 2018	September 9, 2017	September 8, 2018	September 9, 2017
Estimated return on plan assets	\$ (60.6)	\$ (64.4)	\$ —	\$ —
Service cost	28.2	26.8	0.5	0.5
Interest cost	46.2	47.5	0.3	0.5
Amortization of prior service cost	—	0.1	2.0	2.0
Amortization of net actuarial (gain) loss	(3.4)	0.2	(0.1)	—
Net expense	\$ 10.4	\$ 10.2	\$ 2.7	\$ 3.0

The Company contributed \$5.0 million and \$10.5 million to its defined benefit pension plans and post-retirement benefit plans during the 12 and 28 weeks ended September 8, 2018, respectively. For the 12 and 28 weeks ended September 9, 2017, the Company contributed \$4.3 million and \$6.4 million to its defined benefit pension plans and post-retirement benefit plans, respectively. The Company's funding policy for the defined benefit pension plans is to contribute the minimum contribution required under the Employee Retirement Income Security Act of 1974, as amended, and other applicable laws as determined by the Company's external actuarial consultant. At the Company's discretion, additional funds may be contributed to the defined benefit pension plans. On September 14, 2018, subsequent to the end of the second quarter, the Company contributed \$184.3 million to its defined benefit pension plans, which included \$150.0 million of additional discretionary contributions to reduce the Pension Benefit Guaranty Corporation premium costs and improve the overall funded status of the plan. The Company currently anticipates contributing an additional \$4.6 million to these plans for the remainder of fiscal 2018.

The Company also contributes to various multiemployer pension plans based on obligations arising from most of its collective bargaining agreements. These plans provide retirement benefits to participants based on their service to contributing employers. The Company recognizes expense in connection with these plans as contributions are funded.

Defined Contribution Plans and Supplemental Retirement Plans

Many of the Company's employees are eligible to contribute a percentage of their compensation to defined contribution plans ("401(k) Plans"). Participants in the 401(k) Plans may become eligible to receive a profit-sharing allocation in

the form of a discretionary Company contribution based on employee compensation. In addition, the Company may also provide matching contributions based on the amount of eligible compensation contributed by the employee. All Company contributions to the 401(k) Plans are made at the discretion of the Company's Board of Directors. Total contributions expensed for these plans were \$6.5 million and \$9.6 million for the 12 weeks ended September 8, 2018 and September 9, 2017, respectively. For the 28 weeks ended September 8, 2018 and September 9, 2017, total contributions expensed were \$20.5 million and \$23.2 million, respectively.

NOTE 7 - RELATED PARTIES AND OTHER RELATIONSHIPS

Contractual Agreements with SuperValu

On October 17, 2017, the Company exercised its right to terminate the Transition Services Agreements ("TSAs") with SUPERVALU INC. ("SuperValu"). The Company's TSAs will terminate during the third quarter of fiscal 2018, subject to certain exceptions, including wind down support through the end of April 2019.

Summary of SuperValu activity

Activities with SuperValu that are included in the Condensed Consolidated Statements of Operations and Comprehensive Loss consisted of the following (in millions):

	12 weeks ended		28 weeks ended	
	September 8, 2018	September 9, 2017	September 8, 2018	September 9, 2017
Supply agreements included in Cost of sales	\$ 397.3	\$ 400.3	\$ 876.6	\$ 908.9
Selling and administrative expenses	15.2	29.6	42.0	72.6
Total	\$ 412.5	\$ 429.9	\$ 918.6	\$ 981.5

NOTE 8 - COMMITMENTS AND CONTINGENCIES AND OFF BALANCE SHEET ARRANGEMENTS

Guarantees

California Department of Industrial Relations: On October 24, 2012, the Office of Self-Insurance Plans, a program within the director's office of the California Department of Industrial Relations (the "DIR"), notified SuperValu, which was then the owner of NALP, a wholly-owned subsidiary of the Company, that additional collateral was required to be posted in connection with the Company's, and certain other subsidiaries', California self-insured workers' compensation obligations pursuant to applicable regulations. The notice from the DIR stated that the additional collateral was required as a result of an increase in estimated future liabilities, as determined by the DIR pursuant to a review of the self-insured California workers' compensation claims with respect to the applicable businesses, and a decline in SuperValu's net worth. On January 21, 2014, the Company entered into a Collateral Substitution Agreement with the California Self-Insurers' Security Fund to provide an irrevocable LOC. The amount of the LOC is adjusted semi-annually based on semi-annual filings of an actuarial study reflecting liabilities as of and June 30 and December 31 of each year reduced by claim closures and settlements. The related LOC was \$183.0 million and \$205.6 million as of September 8, 2018 and February 24, 2018, respectively.

Lease Guarantees: The Company may have liability under certain operating leases that were assigned to third parties. If any of these third parties fail to perform their obligations under the leases, the Company could be responsible for the lease obligation. Because of the wide dispersion among third parties and the variety of remedies available, the Company believes that if an assignee became insolvent, it would not have a material effect on the Company's financial condition, results of operations or cash flows.

The Company also provides guarantees, indemnifications and assurances to others in the ordinary course of its business.

Legal Proceedings

The Company is subject from time to time to various claims and lawsuits arising in the ordinary course of business, including lawsuits involving trade practices, lawsuits alleging violations of state and/or federal wage and hour laws (including alleged violations of meal and rest period laws and alleged misclassification issues), real estate disputes as well as other matters. Some of these suits purport or may be determined to be class actions and/or seek substantial damages. It is the opinion of the Company's management that although the amount of liability with respect to certain of the matters described herein cannot be ascertained at this time, any resulting liability of these and other matters, including any punitive damages, will not have a material adverse effect on the Company's business or financial condition.

The Company continually evaluates its exposure to loss contingencies arising from pending or threatened litigation and believes it has made provisions where the loss contingency can be reasonably estimated and an adverse outcome is probable. Nonetheless, assessing and predicting the outcomes of these matters involves substantial uncertainties. Management currently believes that the aggregate range of reasonably possible loss for the Company's exposure in excess of the amount accrued is expected to be immaterial to the Company. It remains possible that despite management's current belief, material differences in actual outcomes or changes in management's evaluation or predictions could arise that could have a material effect on the Company's financial condition, results of operations or cash flows.

Litigation Related to the Rite Aid Merger: On April 24, 2018, Mel Aklile, a Rite Aid stockholder, (the "Plaintiff") brought a putative class action in Delaware Chancery Court against Rite Aid, the Company, certain of the Company's subsidiaries and each of the Rite Aid directors, Del. C.A. No. 2018-0305-AGB. The complaint alleged that Rite Aid stockholders had appraisal rights under Section 262 of the Delaware General Corporate Law ("DGCL"). The defendants opposed the Plaintiff's claims on the ground that Rite Aid stockholders had no right of appraisal under the DGCL because they had a right to receive all stock consideration as described in the proxy statement/prospectus filed by the Company on April 6, 2018. On May 7, 2018, the Chancery Court held a hearing on the Plaintiff's motion to expedite, finding that the Plaintiff failed to assert a colorable claim of relief. On May 16, 2018, the defendants filed motions to dismiss the Plaintiff's complaint. On August 8, 2018, while defendants' motions to dismiss were still pending and before any putative class had been certified, the Company and Rite Aid mutually agreed to terminate the proposed transaction thereby mooting the Plaintiff's claims. As a result, Mr. Aklile and defendants stipulated to the dismissal action with prejudice and with each party agreeing to bear its own fees and expenses, which the Chancery Court granted on August 14, 2018.

Office of Inspector General: In January 2016, the Company received a subpoena from the Office of the Inspector General of the Department of Health and Human Services (the "OIG") pertaining to the pricing of drugs offered under the Company's MyRxCare discount program and the impact on reimbursements to Medicare, Medicaid and TRICARE (the "Government Health Programs"). In particular, the OIG is requesting information on the relationship between the prices charged for drugs under the MyRxCare program and the "usual and customary" prices reported by the Company in claims for reimbursements to the Government Health Programs or other third-party payors. The Company is cooperating with the OIG in the investigation. The Company is currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any.

Civil Investigative Demand: On December 16, 2016, the Company received a civil investigative demand from the United States Attorney for the District of Rhode Island in connection with a False Claims Act investigation relating to the Company's influenza vaccination programs. The investigation concerns whether the Company's provision of store coupons to its customers who received influenza vaccinations in its store pharmacies constituted an improper benefit to those customers under the federal Medicare and Medicaid programs. The Company believes that its provision of the store coupons to its customers is an allowable incentive to encourage vaccinations. The Company is cooperating with the U.S. Attorney in the investigation. The Company is currently unable to determine the probability of the outcome of this matter or the range of possible loss, if any.

Security Breach: On August 14, 2014, the Company announced that it had experienced a criminal intrusion by installation of malware on a portion of its computer network that processes payment card transactions for its retail store locations, including the Company's *Shaw's*, *Star Market*, *Acme*, *Jewel-Osco* and *Albertsons* retail banners. On September 29, 2014, the Company announced that it had experienced a second and separate criminal intrusion. The Company believes these were attempts to collect payment card data. Relying on its IT service provider, SuperValu, the Company took immediate steps to secure the affected part of the network. The Company believes that it has eradicated the malware used in each intrusion. The Company notified federal law enforcement authorities, the major payment card networks and its insurance carriers and is cooperating in their efforts to investigate these intrusions. As required by the payment card brands, the Company retained a firm to conduct a forensic investigation into the intrusions. The forensic firm has issued separate reports for each intrusion (copies of which have been provided to the card networks). Although the Company's network had previously been found to be compliant with the Payment Card Industry (PCI) Data Security Standard issued by the PCI Council, in both reports the forensic firm found that not all of these standards had been met at the time of the intrusions, and some of this non-compliance may have contributed to or caused at least some portion of the compromise that occurred during the intrusions.

On August 5, 2016, the Company was notified that MasterCard had asserted its initial assessment for incremental counterfeit fraud losses and non-ordinary course expenses (such as card reissuance costs) as well as a case management assessment. On December 5, 2016, the Company was further notified that MasterCard had asserted its final assessment of approximately \$6.0 million, which the Company paid on December 9, 2016; however, the Company disputes the MasterCard assessment and, on March 10, 2017, filed a lawsuit against MasterCard seeking recovery of the assessment. On May 5, 2017, MasterCard filed a motion to dismiss the litigation. In a decision dated August 25, 2017, the court denied MasterCard's motion, and the litigation is ongoing. On January 2, 2018, the Company was notified that Visa, Inc. ("Visa") had asserted its assessment for incremental counterfeit fraud losses and card reissuance costs for \$1.0 million, which the Company paid in the fourth quarter of fiscal 2017. The Company has recorded an estimated liability for any remaining potential claims from other card networks.

As a result of the criminal intrusions, two class action complaints were filed against the Company by consumers, *Mertz v. SuperValu Inc. et al*, filed in federal court in the state of Minnesota and *Rocke v. SuperValu Inc. et al*, filed in federal court in the state of Idaho, alleging deceptive trade practices, negligence and invasion of privacy. The plaintiffs seek unspecified damages. The Judicial Panel on Multidistrict Litigation has consolidated the class actions and transferred the cases to the District of Minnesota. On August 10, 2015, the Company and SuperValu filed a motion to dismiss the class actions, which was granted without prejudice on January 7, 2016. The plaintiffs filed a motion to alter or amend the court's judgment, which was denied on April 20, 2016. The court also denied leave to amend the complaint. On May 18, 2016, the plaintiffs filed a notice of appeal to the Eighth Circuit Court of Appeals and defendants filed a cross-appeal. In a decision dated August 30, 2017, the Eighth Circuit Court of Appeals reversed the District Court's dismissal of the case as to one of the 16 named plaintiffs, affirmed the dismissal as to the remaining 15 named plaintiffs and remanded the case to the District Court for further proceedings. On November 3, 2017, the Company filed a motion to dismiss with respect to the remaining named plaintiff's claims on the basis that the plaintiff was not a customer of any of the Company's stores, and on March 7, 2018, the Company's motion to dismiss was granted with prejudice. On March 14, 2018, the named plaintiffs filed a notice of appeal to the Eight Circuit Court of Appeals. The appeal is currently pending.

On October 6, 2015, the Company received a letter from the Office of Attorney General of the Commonwealth of Pennsylvania stating that the Illinois and Pennsylvania Attorneys General Offices are leading a multi-state group that includes the Attorneys General for 14 other states requesting specified information concerning the two data breach incidents. The multi-state group has not made a monetary demand, and the Company is unable to estimate the possibility of or reasonable range of loss, if any. The Company is cooperating with the investigation. Two of the Company's insurance carriers have denied the Company's claim for cyber insurance coverage for losses resulting from the intrusions based on, among other things, the insurers' conclusions that the intrusions began prior to the start date for coverage

under the cyber insurance policy. The Company responded to the insurers' denials disagreeing with the conclusions and reserving its rights. The Company's claims with other of its insurance carriers remain outstanding.

Terraza/Lorenz: Two lawsuits have been brought against Safeway and the Safeway Benefits Plan Committee (the "Benefit Plans Committee," and together with Safeway, the "Safeway Benefits Plans Defendants") and other third parties alleging breaches of fiduciary duty under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") with respect to Safeway's 401(k) Plan (the "Safeway 401(k) Plan"). On July 14, 2016, a complaint ("Terraza") was filed in the United States District Court for the Northern District of California by a participant in the Safeway 401(k) Plan individually and on behalf of the Safeway 401(k) Plan. An amended complaint was filed on November 18, 2016. On August 25, 2016, a second complaint ("Lorenz") was filed in the United States District Court for the Northern District of California by another participant in the Safeway 401(k) Plan individually and on behalf of all others similarly situated against the Safeway Benefits Plans Defendants and against the Safeway 401(k) Plan's former recordkeepers. An amended complaint was filed on September 16, 2016, and a second amended complaint was filed on November 21, 2016. In general, both lawsuits allege that the Safeway Benefits Plans Defendants breached their fiduciary duties under ERISA regarding the selection of investments offered under the Safeway 401(k) Plan and the fees and expenses related to those investments. The Company believes these lawsuits are without merit and intends to contest each of them vigorously. The Safeway Benefits Plans Defendants have filed motions to dismiss both cases. The Company is currently unable to estimate the range of loss, if any, that may result from these matters. On March 13, 2017, the United States District Court for the Northern District of California denied the Safeway Benefits Plan Defendants' motion to dismiss with respect to Terraza, and granted in part and denied in part the Safeway Benefits Plan Defendants' motion to dismiss with respect to Lorenz. On December 12, 2017, the Court in Terraza denied in part and granted in part a motion to dismiss brought by co-defendant Aon Hewitt. Fact discovery closed on April 22, 2018, and expert discovery closed on June 8, 2018. The parties filed summary judgment motions on June 28, 2018 which were heard and taken under submission on August 16, 2018. Bench trials for both matters had been set for October 22, 2018, but the judge recently motioned to reschedule both trials to May 6, 2019. Because the question of liability, if any, is uncertain, the Company is currently unable to estimate a range of reasonably possible loss, if any, that may result from these matters

False Claims Act: Three qui tam actions have been filed against the Company under the False Claims Act. In *United States ex rel. Schutte and Yarberry v. SuperValu, New Albertson's, Inc. ("Albertsons"), et al*, the relators allege that defendants (including various Albertsons subsidiaries) overcharged federal healthcare programs by not providing the government, as a part of usual and customary prices, the benefit of discounts given to customers who requested that defendants match competitor prices. The complaint was originally filed under seal and amended on November 30, 2015. Both sides have moved for summary judgment, and motions are pending before the court. Trial is set for December 3, 2018. In *United States ex rel. Proctor v. Safeway*, the relator alleges that Safeway submitted fraudulent, inflated pricing information to government healthcare programs in connection with prescription drug claims, by failing to include pharmacy discount program pricing as a part of its usual and customary prices. On August 26, 2015, the underlying complaint was unsealed. Relators filed an amended complaint, and Safeway's motion to dismiss the amended complaint was denied. Discovery is ongoing, and trial is currently set for March 4, 2019. In *United States ex rel. Zelickowski v. Albertsons LLC*, relators alleges that Albertsons overcharged federal healthcare programs by not providing the government, as a part of its usual and customary prices to the government, the benefit of discounts given to customers who enrolled in Albertsons' discount-club program. The complaint was originally filed under seal and amended on June 20, 2017. Albertsons filed a motion to dismiss the case in August 2018, which is now fully briefed and pending before the court. The government previously investigated the relators' allegations in each of the cases and declined to intervene in any of the cases. Relators elected to pursue their respective cases on their own, and the Company is vigorously defending each of those matters. At this stage of each case's proceedings the Company is unable to express an opinion with respect to the likelihood of an unfavorable outcome or to estimate the amount or range of potential loss, if any, if the outcome of any of them should be unfavorable.

Alaska Attorney General's Investigation: Recently, pharmaceutical manufacturers, wholesale distributors and retailers have faced intense scrutiny and, in some cases, investigations and litigation relating to the distribution of

prescription opioid pain medications. On May 22, 2018, the Company received a subpoena from the Office of the Attorney General for the State of Alaska (the "Alaska Attorney General") stating that the Alaska Attorney General has reason to believe the Company has engaged in unfair or deceptive trade practices under Alaska's Unfair Trade Practices and Consumer Act and seeking documents regarding the Company's policies, procedures, controls, training, dispensing practices and other matters in connection with the sale and marketing of opioid pain medications. The Company has been cooperating with the Alaska Attorney General in this investigation. The Company does not currently have a basis to believe it has violated Alaska's Unfair Trade Practices and Consumer Act. However, due to the early stages of the investigation, the Company is unable to predict the outcome of this matter or estimate a range of reasonably possible loss, if any.

Other Commitments

In the ordinary course of business, the Company enters into various supply contracts to purchase products for resale and purchase and service contracts for fixed asset and information technology commitments. These contracts typically include volume commitments or fixed expiration dates, termination provisions and other standard contractual considerations.

NOTE 9 - OTHER COMPREHENSIVE INCOME OR LOSS

Total comprehensive earnings are defined as all changes in stockholders' equity during a period, other than those from investments by or distributions to the stockholders. Generally, for the Company, total comprehensive income or loss equals net income plus or minus adjustments for pension and other post-retirement liabilities, interest rate swaps and foreign currency translation adjustments. Total comprehensive earnings represent the activity for a period net of tax.

While total comprehensive earnings are the activity in a period and are largely driven by net earnings in that period, accumulated other comprehensive income or loss ("AOCI") represents the cumulative balance of other comprehensive income, net of tax, as of the balance sheet date. Changes in the AOCI balance by component are shown below (in millions):

	28 weeks ended September 8, 2018				
	Total	Interest rate swaps	Pension and Post- retirement benefit plans	Foreign currency translation adjustments	Other
Beginning balance	\$ 191.1	\$ 18.9	\$ 171.9	\$ (1.1)	\$ 1.4
Other comprehensive income (loss) before reclassifications	2.2	2.9	—	(0.7)	—
Amounts reclassified from accumulated other comprehensive income	(0.5)	1.7	(1.5)	—	(0.7)
Tax (expense) benefit	(0.6)	(1.2)	0.4	0.1	0.1
Current-period other comprehensive income (loss), net	1.1	3.4	(1.1)	(0.6)	(0.6)
Ending balance	\$ 192.2	\$ 22.3	\$ 170.8	\$ (1.7)	\$ 0.8

28 weeks ended September 9, 2017

	Total	Interest rate swaps	Pension and Post-retirement benefit plans	Foreign currency translation adjustments	Other
Beginning balance	\$ (12.8)	\$ (28.1)	\$ 79.7	\$ (66.1)	\$ 1.7
Other comprehensive income (loss) before reclassifications	34.1	(22.4)	2.1	42.8	11.6
Amounts reclassified from accumulated other comprehensive income	17.9	20.9	2.0	—	(5.0)
Tax (expense) benefit	(17.9)	1.9	(0.5)	(16.9)	(2.4)
Current-period other comprehensive income, net	34.1	0.4	3.6	25.9	4.2
Ending balance	\$ 21.3	\$ (27.7)	\$ 83.3	\$ (40.2)	\$ 5.9

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements. All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our future operating results and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. In many cases, you can identify forward-looking statements by terms such as "may," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other similar expressions. Forward-looking statements are based on our current expectations and assumptions and involve risks and uncertainties that could cause actual results or events to be materially different from those anticipated. The Company undertakes no obligation to update or revise any such statements as a result of new information, future events or otherwise. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. As used in this Form 10-Q, unless the context otherwise requires, references to "Albertsons", "the Company", "we", "us" and "our" refer to Albertsons Companies, Inc. and, where appropriate, its subsidiaries.

NON-GAAP FINANCIAL MEASURES

We define EBITDA as generally accepted accounting principles ("GAAP") earnings (net loss) before interest, income taxes, depreciation, and amortization. We define Adjusted EBITDA as earnings (net loss) before interest, income taxes, depreciation, and amortization, further adjusted to eliminate the effects of items management does not consider in assessing our ongoing performance. We define Free Cash Flow as Adjusted EBITDA less capital expenditures. See "Results of Operations" for further discussion and a reconciliation of Adjusted EBITDA and Free Cash Flow.

EBITDA, Adjusted EBITDA and Free Cash Flow (collectively, the "Non-GAAP Measures") are performance measures that provide supplemental information we believe is useful to analysts and investors to evaluate our ongoing results of operations, when considered alongside other GAAP measures such as net income, operating income and gross profit. These Non-GAAP Measures exclude the financial impact of items management does not consider in assessing our ongoing operating performance, and thereby facilitate review of our operating performance on a period-to-period basis. Other companies may have different capital structures or different lease terms, and comparability to our results of operations may be impacted by the effects of acquisition accounting on our depreciation and amortization. As a result of the effects of these factors and factors specific to other companies, we believe EBITDA, Adjusted EBITDA and Free Cash Flow provide helpful information to analysts and investors to facilitate a comparison of our operating performance to that of other companies. We also use Adjusted EBITDA, as further adjusted for additional items defined in our debt instruments, for board of director and bank compliance reporting. Our presentation of Non-GAAP Measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Non-GAAP Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Non-GAAP Measures only for supplemental purposes.

OVERVIEW

As of September 8, 2018, we operated 2,291 stores, 1,754 pharmacies and 396 adjacent fuel centers under 20 well-known banners across 35 states and the District of Columbia. In addition to our retail footprint, we continue to roll out unique options for our customers as we strive to differentiate through our best in class Own Brands and rapidly expanding eCommerce options, which primarily include home delivery sales, "Drive Up and Go" stores and Plated meal kit delivery.

Second Quarter of Fiscal 2018 Highlights

- Positive identical sales of 1.0%
- Adjusted EBITDA increased 13.1% to \$548.6 million
- eCommerce sales growth of 113%
- Own Brands sales penetration increased 44 basis points to 25.0%
- Store conversions related to the Safeway integration are fully complete

The following table shows stores operating, acquired, opened and closed during the periods presented:

	12 weeks ended		28 weeks ended	
	September 8, 2018	September 9, 2017	September 8, 2018	September 9, 2017
Stores, beginning of period	2,300	2,329	2,318	2,324
Acquired	—	—	—	5
Opened	1	7	3	12
Closed	(10)	(8)	(30)	(13)
Stores, end of period	2,291	2,328	2,291	2,328

The following table summarizes our stores by size:

Square Footage	Number of stores		Percent of Total		Retail Square Feet (1)	
	September 8, 2018	September 9, 2017	September 8, 2018	September 9, 2017	September 8, 2018	September 9, 2017
Less than 30,000	209	215	9.1%	9.2%	4.9	5.0
30,000 to 50,000	799	816	34.9%	35.1%	33.5	34.2
More than 50,000	1,283	1,297	56.0%	55.7%	75.8	76.6
Total Stores	2,291	2,328	100.0%	100.0%	114.2	115.8

(1) In millions, reflects total square footage of retail stores operating at the end of the quarter.

RESULTS OF OPERATIONS

Comparison of 12 and 28 weeks ended September 8, 2018 to 12 and 28 weeks ended September 9, 2017:

The following table and related discussion set forth certain information and comparisons regarding the components of our Condensed Consolidated Statements of Operations for the 12 and 28 weeks ended September 8, 2018 ("second quarter of fiscal 2018" and "first 28 weeks of fiscal 2018") and 12 and 28 weeks ended September 9, 2017 ("second quarter of fiscal 2017" and "first 28 weeks of fiscal 2017"). As of September 8, 2018 and September 9, 2017, we operated 2,291 and 2,328 stores, respectively.

	12 weeks ended			
	September 8, 2018	% of Sales	September 9, 2017	% of Sales
Net sales and other revenue	\$ 14,024.1	100.0 %	\$ 13,831.7	100.0 %
Cost of sales	10,211.3	72.8 %	10,102.0	73.0 %
Gross profit	3,812.8	27.2 %	3,729.7	27.0 %
Selling and administrative expenses	3,681.4	26.3 %	3,807.2	27.5 %
Goodwill impairment	—	— %	142.3	1.0 %
Operating income (loss)	131.4	0.9 %	(219.8)	(1.5) %
Interest expense, net	194.9	1.4 %	214.8	1.6 %
Other income	(19.2)	(0.1) %	(11.7)	— %
Loss before income taxes	(44.3)	(0.4) %	(422.9)	(3.1) %
Income tax benefit	(11.9)	(0.1) %	(67.7)	(0.5) %
Net loss	\$ (32.4)	(0.3) %	\$ (355.2)	(2.6) %

	28 weeks ended			
	September 8, 2018	% of Sales	September 9, 2017	% of Sales
Net sales and other revenue	\$ 32,677.5	100.0 %	\$ 32,291.7	100.0 %
Cost of sales	23,694.0	72.5 %	23,503.5	72.8 %
Gross profit	8,983.5	27.5 %	8,788.2	27.2 %
Selling and administrative expenses	8,659.0	26.5 %	8,783.3	27.2 %
Goodwill impairment	—	— %	142.3	0.4 %
Operating income (loss)	324.5	1.0 %	(137.4)	(0.4) %
Interest expense, net	449.5	1.4 %	485.3	1.5 %
Other (income) expense	(60.0)	(0.2) %	4.7	0.1 %
Loss before income taxes	(65.0)	(0.2) %	(627.4)	(2.0) %
Income tax benefit	(14.9)	— %	(67.3)	(0.2) %
Net loss	\$ (50.1)	(0.2) %	\$ (560.1)	(1.8) %

Identical Sales, Excluding Fuel

Identical sales include stores operating during the same period in both the current year and the prior year, comparing sales on a daily basis. Direct to consumer internet sales are included in identical sales and fuel sales are excluded from identical sales. Acquired stores become identical on the one-year anniversary date of the acquisition. Identical sales for the 12 and 28 weeks ended September 8, 2018 and the 12 and 28 weeks ended September 9, 2017, respectively, were:

	12 weeks ended		28 weeks ended	
	September 8, 2018	September 9, 2017	September 8, 2018	September 9, 2017
Identical sales, excluding fuel	1.0%	(1.8)%	0.5%	(2.0)%

Net Sales and Other Revenue

Net sales and other revenue increased 1.4% to \$14,024.1 million for the second quarter of fiscal 2018 from \$13,831.7 million for the second quarter of fiscal 2017. The increase in Net sales and other revenue was primarily driven by an increase in fuel sales of \$140.3 million and our 1.0% increase in identical sales, partially offset by a reduction in sales related to the closure of 30 stores in the first and second quarters of fiscal 2018.

Net sales and other revenue increased 1.2% to \$32,677.5 million for the first 28 weeks of fiscal 2018 from \$32,291.7 million for the first 28 weeks of fiscal 2017. The increase in Net sales and other revenue was primarily driven by an increase in fuel sales of \$294.4 million and our 0.5% increase in identical sales, partially offset by a reduction in sales related to the closure of 30 stores in the first and second quarters of fiscal 2018.

Gross Profit

Gross profit represents the portion of Net sales and other revenue remaining after deducting the Cost of sales during the period, including purchase and distribution costs. These costs include inbound freight charges, purchasing and receiving costs, warehouse inspection costs, warehousing costs and other costs associated with our distribution network. Advertising, promotional expenses and vendor allowances are also components of Cost of sales.

Gross profit margin increased to 27.2% for the second quarter of fiscal 2018 compared to 27.0% for the second quarter of fiscal 2017. Excluding the impact of fuel, gross profit margin increased 40 basis points. The increase in gross profit margin was primarily attributable to lower advertising costs and lower shrink expense as a percentage of sales compared to the second quarter of fiscal 2017.

Gross profit margin increased to 27.5% for the first 28 weeks of fiscal 2018 compared to 27.2% for the first 28 weeks of fiscal 2017. Excluding the impact of fuel, gross profit margin increased 50 basis points. The increase in gross profit margin was primarily attributable to lower advertising costs, lower shrink expense as a percentage of sales and improved product mix compared to the first 28 weeks of fiscal 2017.

Selling and Administrative Expenses

Selling and administrative expenses consist primarily of store level costs, including wages, employee benefits, rent, depreciation and utilities, in addition to certain back-office expenses related to our corporate and division offices.

Selling and administrative expenses decreased to 26.3% of Net sales and other revenue for the second quarter of fiscal 2018 compared to 27.5% of Net sales and other revenue for the second quarter of fiscal 2017. Excluding the impact of fuel, Selling and administrative expenses as a percentage of Net sales and other revenue decreased 110 basis points during the second quarter of fiscal 2018 compared to the second quarter of fiscal 2017. The decrease in Selling and administrative expenses was primarily attributable to gains related to property dispositions in the second quarter of

fiscal 2018, impairment charges related to underperforming stores in the second quarter of fiscal 2017 and the realization of the Company's cost reduction initiatives, partially offset by higher acquisition and integration costs as a result of converting 219 stores in the second quarter of fiscal 2018 compared to 82 stores in the second quarter of fiscal 2017 and third party costs related to the proposed merger with Rite Aid Corporation that was mutually terminated.

Selling and administrative expenses decreased to 26.5% of Net sales and other revenue for the first 28 weeks of fiscal 2018 compared to 27.2% of Net sales and other revenue for the first 28 weeks of fiscal 2017. Excluding the impact of fuel, Selling and administrative expenses as a percentage of Net sales and other revenue decreased 50 basis points during the first 28 weeks of fiscal 2018 compared to the first 28 weeks of fiscal 2017. The decrease in Selling and administrative expenses was primarily attributable to gains related to property dispositions in the first 28 weeks of fiscal 2018 and impairment charges related to underperforming stores in the first 28 weeks of fiscal 2017, lower depreciation and amortization expense, and the realization of the Company's cost reduction initiatives, partially offset by higher acquisition and integration costs in the first 28 weeks of fiscal 2018 compared to the first 28 weeks of fiscal 2017.

Goodwill Impairment

No goodwill impairment was recorded for the second quarter of fiscal 2018 and the first 28 weeks of fiscal 2018, compared to goodwill impairment of \$142.3 million in the second quarter of fiscal 2017 and the first 28 weeks of fiscal 2017.

Interest Expense, Net

For the second quarter of fiscal 2018, Interest expense, net, was \$194.9 million compared to \$214.8 million for the second quarter of fiscal 2017. For the first 28 weeks of fiscal 2018, Interest expense, net, was \$449.5 million compared to \$485.3 million for the first 28 weeks of fiscal 2017. The decrease in interest expense in both the second quarter of fiscal 2018 and first 28 weeks of fiscal 2018 was primarily driven by the write-off of deferred financing costs in the first 28 weeks of fiscal 2017, which relate to the Company's refinancing transactions in fiscal 2017.

Other (Income) Expense

For the second quarter of fiscal 2018, Other income was \$19.2 million compared to other income of \$11.7 million for the second quarter of fiscal 2017. For the first 28 weeks of fiscal 2018, other income was \$60.0 million compared to other expense of \$4.7 million for the first 28 weeks of fiscal 2017. Other income during the second quarter of fiscal 2018 and first 28 weeks of fiscal 2018 is primarily driven by gains related to non-operating investments, non-service cost components of net pension and post-retirement expense and adjustments related to contingent consideration. Other (income) expense during the second quarter of fiscal 2017 and first 28 weeks of fiscal 2017 was primarily driven by changes in the fair value of the contingent value rights ("CVRs") related to the Safeway acquisition, equity in the earnings of Casa Ley, S.A. de C.V., non-service cost components of net pension and post-retirement expense and gains and losses on the sale of investments.

Income Taxes

Income tax benefit was \$11.9 million, or 26.8%, and \$67.7 million, or 16.0%, of loss before income taxes for the second quarter of fiscal 2018 and the second quarter of fiscal 2017, respectively. Income tax benefit was \$14.9 million, or 22.9%, and \$67.3 million, or 10.7%, of loss before income taxes for the first 28 weeks of fiscal 2018 and first 28 weeks of fiscal 2017, respectively. The increase in effective tax rate for the 12 and 28 weeks ended September 8, 2018 compared to the 12 and 28 weeks ended September 9, 2017 was primarily the result of our corporate reorganization in the fourth quarter of fiscal 2017. Prior to the fourth quarter of fiscal 2017, we were organized as a limited liability company and conducted our operations primarily through limited liability companies and Subchapter C corporations. As such, our

effective tax rate in prior periods was largely driven by the mix of pre-tax income or loss between our taxable and nontaxable entities.

On December 22, 2017, the President signed the Tax Cuts and Jobs Act ("Tax Act") into law, which enacted significant changes to U.S. income tax and related laws. Among other things, the Tax Act reduces the top U.S. corporate income tax rate from 35% to 21%, and makes changes to certain other business-related exclusions, deductions and credits. As a result, we expect our effective tax rate to be approximately 25% to 27% during fiscal 2018, excluding one-time asset sales and discrete items.

Adjusted EBITDA and Free Cash Flow

For the second quarter of fiscal 2018, Adjusted EBITDA was \$548.6 million, or 3.9% of Net sales and other revenue, compared to \$485.2 million, or 3.5% of Net sales and other revenue, for the second quarter of fiscal 2017. For the first 28 weeks of fiscal 2018, Adjusted EBITDA was \$1,364.4 million, or 4.2% of Net sales and other revenue, compared to \$1,256.9 million, or 3.9% of Net sales and other revenue, for the first 28 weeks of fiscal 2017. The increase in Adjusted EBITDA primarily reflects increases in sales, improved gross profit margin and the realization of cost reduction initiatives.

The following is a reconciliation of Net loss to Adjusted EBITDA (in millions):

	12 weeks ended		28 weeks ended	
	September 8, 2018	September 9, 2017	September 8, 2018	September 9, 2017
Net loss	\$ (32.4)	\$ (355.2)	\$ (50.1)	\$ (560.1)
Depreciation and amortization	402.6	439.2	939.2	1,017.6
Interest expense, net	194.9	214.8	449.5	485.3
Income tax benefit	(11.9)	(67.7)	(14.9)	(67.3)
EBITDA	553.2	231.1	1,323.7	875.5
Integration costs (1)	64.2	33.2	134.9	73.4
Acquisition-related costs (2)	44.4	9.0	57.5	26.7
Equity-based compensation expense	12.2	9.3	25.6	18.1
Net (gain) loss on property dispositions, asset impairment and lease exit costs	(135.8)	53.2	(175.8)	51.3
Goodwill impairment	—	142.3	—	142.3
LIFO expense	3.4	7.9	12.9	23.6
Miscellaneous adjustments (3)	7.0	(0.8)	(14.4)	46.0
Adjusted EBITDA	\$ 548.6	\$ 485.2	\$ 1,364.4	\$ 1,256.9

(1) Related to activities to integrate acquired businesses, primarily the Safeway acquisition.

(2) Includes expenses related to acquisitions (including the mutually terminated merger with Rite Aid Corporation) and expenses related to management fees paid in connection with acquisition and financing activities.

(3) Miscellaneous adjustments include the following (see table below):

	12 weeks ended		28 weeks ended	
	September 8, 2018	September 9, 2017	September 8, 2018	September 9, 2017
Lease related adjustments (a)	\$ 3.4	\$ 2.9	\$ 3.9	\$ 9.1
Gain on sale of non-operating investments	—	(5.1)	(27.5)	(5.1)
Changes in our equity method investment in Casa Ley and related CVR adjustments	—	0.8	—	25.3
Other (b)	3.6	0.6	9.2	16.7
Total other adjustments	\$ 7.0	\$ (0.8)	\$ (14.4)	\$ 46.0

(a) Primarily includes lease adjustments related to deferred rents, deferred gains on leases and costs incurred on acquired leased surplus properties.

(b) Primarily includes adjustments for unconsolidated equity investments.

The following is a reconciliation of Net cash provided by operating activities to Free Cash Flow (in millions):

	28 weeks ended	
	September 8, 2018	September 9, 2017
Net cash provided by operating activities	\$ 1,191.3	\$ 872.7
Income tax benefit	(14.9)	(67.3)
Deferred income taxes	66.2	127.9
Interest expense, net	449.5	485.3
Changes in operating assets and liabilities	(517.6)	(204.7)
Amortization and write-off of deferred financing costs	(17.7)	(40.9)
Integration costs	134.9	73.4
Acquisition-related costs	57.5	26.7
Other adjustments	15.2	(16.2)
Adjusted EBITDA	1,364.4	1,256.9
Less: capital expenditures	(631.2)	(752.6)
Free Cash Flow	\$ 733.2	\$ 504.3

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth the major sources and uses of cash and cash equivalents and restricted cash for each period (in millions):

	28 weeks ended	
	September 8, 2018	September 9, 2017
Cash and cash equivalents and restricted cash at end of period	\$ 1,669.8	\$ 583.8
Cash flows from operating activities	1,191.3	872.7
Cash flows from investing activities	(88.2)	(754.4)
Cash flows from financing activities	(114.1)	(763.6)

Net Cash Provided By Operating Activities

Net cash provided by operating activities was \$1,191.3 million for the first 28 weeks of fiscal 2018 compared to \$872.7 million for the first 28 weeks of fiscal 2017. The increase in cash flow from operations was driven by improvements in operating results in the first 28 weeks of fiscal 2018 and changes in working capital, primarily related to accounts payable and inventory.

Net Cash Used In Investing Activities

Net cash used in investing activities was \$88.2 million for the first 28 weeks of fiscal 2018 compared to \$754.4 million for the first 28 weeks of fiscal 2017.

For the first 28 weeks of fiscal 2018, cash used in investing activities consisted primarily of payments for property and equipment, including lease buyouts, of \$631.2 million, partially offset by proceeds from the sale of assets of \$509.4 million. Payments for property and equipment included the opening of three new stores, 59 remodels and continued investment in our digital and eCommerce technology. Proceeds from the sale of assets included the sale and leaseback of two distribution centers for approximately \$290 million, net of closing costs during the second quarter of fiscal 2018.

Payments for property and equipment, including lease buyouts, of \$752.6 million, and the acquisition of Medcart for \$34.5 million comprised the primary cash used in investing activities for the first 28 weeks of fiscal 2017.

In fiscal 2018, we expect to spend approximately \$1.4 billion in capital expenditures, including \$75.0 million of Safeway integration-related capital expenditures, as follows (in millions):

Projected Fiscal 2018 Capital Expenditures

Integration capital	\$	75.0
New stores and remodels		450.0
Maintenance		200.0
Supply chain		200.0
IT		200.0
Real estate and expansion capital		275.0
Total	\$	1,400.0

Net Cash Used In Financing Activities

Net cash used in financing activities was \$114.1 million during the first 28 weeks of fiscal 2018 compared to \$763.6 million during the first 28 weeks of fiscal 2017.

Net cash used in financing activities during the first 28 weeks of fiscal 2018 consisted primarily of payments on long-term debt and capital lease obligations of \$831.7 million, partially offset by proceeds from the issuance of long-term debt of \$750.0 million. Proceeds from the issuance of long-term debt and payments of long-term debt principally consisted of the issuance and subsequent redemption of the floating rate senior secured notes as a result of the mutual termination of the Rite Aid Corporation merger agreement.

Net cash used in financing activities during the first 28 weeks of fiscal 2017 consisted primarily of payments on long-term debt and capital lease obligations of \$501.4 million and a member distribution of \$250.0 million.

Debt Management

As of September 8, 2018, we maintained a \$4.0 billion senior secured asset-based loan facility (our "ABL Facility") that, unless extended, terminates on December 21, 2020. As of September 8, 2018, there were no borrowings outstanding under our ABL Facility and total availability was approximately \$3.2 billion (net of letter of credit usage of \$547.6 million). As of February 24, 2018, there were no borrowings outstanding under our ABL Facility and total availability was approximately \$3.1 billion (net of letter of credit usage of \$576.8 million).

Liquidity Needs

We estimate our liquidity needs over the next 12 months to be in the range of \$4.0 billion to \$4.5 billion, which includes anticipated requirements for working capital, capital expenditures, interest payments and scheduled principal payments of debt, operating leases, capital leases and our transition services agreements. Based on current operating trends, we believe that cash flows from operating activities and other sources of liquidity, including borrowings under our ABL Facility, will be adequate to meet our liquidity needs for the next 12 months and for the foreseeable future. We believe we have adequate cash flow to continue to respond effectively to competitive conditions. In addition, we may enter into refinancing and sale-leaseback transactions from time to time. There can be no assurance, however, that our business will continue to generate cash flow at or above current levels or that we will maintain our ability to borrow under our ABL Facility.

On September 14, 2018, subsequent to the end of the second quarter, the Company contributed \$184.3 million to its defined benefit pension plans, which included \$150.0 million of additional discretionary contributions. The discretionary contribution will reduce the Pension Benefit Guaranty Corporation premium costs, improve the overall funded status of the plan and significantly reduce future required minimum contributions during the next three fiscal years.

CRITICAL ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We have chosen accounting policies that we believe are appropriate to report accurately and fairly our operating results and financial position, and we apply those accounting policies in a fair and consistent manner. See the Critical Accounting Policies section included in our Annual Report on Form 10-K for the fiscal year ended February 24, 2018 for discussion of our significant accounting policies.

RECENTLY ISSUED AND RECENTLY ADOPTED ACCOUNTING STANDARDS

See Note 1 - Basis of presentation and summary of significant accounting policies of our unaudited interim Condensed Consolidated Financial Statements located elsewhere in this Form 10-Q.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our exposure to market risk from the information provided in our Annual Report on Form 10-K for the fiscal year ended February 24, 2018.

Item 4 - Controls and Procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q, our Principal Executive Officer and Principal Financial Officer concluded our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the second quarter ended September 8, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

The Company is subject from time to time to various claims and lawsuits arising in the ordinary course of business, including lawsuits involving trade practices, lawsuits alleging violations of state and/or federal wage and hour laws (including alleged violations of meal and rest period laws and alleged misclassification issues), real estate disputes as well as other matters. Some of these suits purport or may be determined to be class actions and/or seek substantial damages. It is the opinion of the Company's management that although the amount of liability with respect to certain of the matters described in this Form 10-Q cannot be ascertained at this time, any resulting liability of these and other matters, including any punitive damages, will not have a material adverse effect on the Company's business or financial condition. See the matters under the caption *Legal Proceedings* in Note 8 - Commitments and contingencies and off balance sheet arrangements in the unaudited interim Condensed Consolidated Financial Statements located elsewhere in this Form 10-Q.

The Company continually evaluates its exposure to loss contingencies arising from pending or threatened litigation and believes it has made provisions where the loss contingency can be reasonably estimated and an adverse outcome is probable. Nonetheless, assessing and predicting the outcomes of these matters involves substantial uncertainties. Management currently believes that the aggregate range of reasonably possible loss for the Company's exposure in excess of the amount accrued is expected to be immaterial to the Company. It remains possible that despite management's current belief, material differences in actual outcomes or changes in management's evaluation or predictions could arise that could have a material effect on the Company's financial condition, results of operations or cash flows.

Item 1A - Risk Factors

There have been no material changes in the risk factors previously included in our Annual Report on Form 10-K for the fiscal year ended February 24, 2018 under the heading "Risk Factors" with the exception of the elimination of risk factors related to the Rite Aid merger, which was terminated on August 8, 2018.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 - Defaults Upon Senior Securities

None.

Item 4 - Mine Safety Disclosures

Not Applicable.

Item 5 - Other Information

On September 12, 2018, the Company announced the appointment of James L. Donald, as the Company's Chief Executive Officer and President, effective September 11, 2018. Mr. Donald succeeded Robert G. Miller, who continues to serve as Chairman of ACI.

The Company and Mr. Donald have entered into an employment contract reflecting his appointment as President and Chief Executive Officer, which is furnished herewith. There are no arrangements or understandings with any person pursuant to which Mr. Donald was appointed Chief Executive Officer of the Company. There are no family relationships between Mr. Donald and any director or executive officer of the Company, and he is not a party to any transaction requiring disclosure under Item 404(a) of Regulation S-K.

Mr. Miller will continue to receive payments and benefits as provided under and subject to the conditions set forth in his existing employment agreement with the Company.

Item 6 - Exhibits

[2.1\(a\) Termination Agreement, dated as of August 8, 2018, among Rite Aid Corporation, Albertsons Companies, Inc., Ranch Acquisition II LLC and Ranch Acquisition Corp.](#)

[4.1 \(b\) Indenture, dated June 25, 2018, by and among Albertsons Companies, Inc., the Guarantors party thereto from time to time, and Wilmington Trust, National Association, as Trustee and Notes Collateral Agent](#)

[10.1 Letter Agreement, dated October 18, 2018, by and among Albertsons Companies, Inc. and James L. Donald](#)

[12.1 Computation of Ratio of Earnings to Fixed Charges](#)

[31.1 Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

[31.2 Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

[32.1 Certification of the Principal Executive Officer and of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

EXHIBIT 101.INS - XBRL Instance Document

EXHIBIT 101.SCH - XBRL Taxonomy Extension Schema Document

EXHIBIT 101.CAL - XBRL Taxonomy Extension Calculation Linkbase Document

EXHIBIT 101.DEF - XBRL Taxonomy Extension Definition Linkbase Document

EXHIBIT 101.LAB - XBRL Taxonomy Extension Label Linkbase Document

EXHIBIT 101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document

(a) Filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 9, 2018 and incorporated herein by reference.

(b) Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 28, 2018 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Albertsons Companies, Inc.
(Registrant)

Date: October 18, 2018

By: /s/ James L. Donald

James L. Donald

Chief Executive Officer and President (Principal Executive Officer)

Albertsons Companies, Inc.
(Registrant)

Date: October 18, 2018

By: /s/ Robert B. Dimond

Robert B. Dimond

Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”), dated as of September 11, 2018 (the “Effective Date”), between Albertsons Companies, Inc., a Delaware corporation (the “Company”), and James L. Donald (the “Executive,” and together with the Company, the “Parties”).

WHEREAS, the Executive is currently employed by the Company; and

WHEREAS, the Parties desire to set forth the terms and conditions of the Executive’s continued employment with the Company under this Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein and other good and valuable consideration, the Parties agree to the following:

1. Employment and Acceptance. The Company shall continue to employ the Executive, and the Executive shall accept employment with the Company, subject to the terms of this Agreement effective on the Effective Date.

2. Term. Subject to earlier termination pursuant to Section 5 of this Agreement, this Agreement and the employment relationship hereunder shall continue from the Effective Date until September 11, 2021 (the "Term Date"). As used in this Agreement, the "Term" shall refer to the period beginning on the Effective Date and ending on the date the Executive's employment hereunder terminates in accordance with this Section 2 or Section 5. In the event that the Executive's employment with the Company terminates (such date, the "Termination Date") prior to the Term Date, the Company's obligation to continue to pay all base salary, as adjusted, bonus and other benefits then accrued shall terminate except as may be provided for in Section 5 of this Agreement.

3. Duties and Title.

3.1 Title. The Executive shall be employed to render exclusive and full-time services to the Company and its subsidiaries and affiliates. The Executive shall serve in the capacity of Chief Executive Officer and President.

3.2 Duties. The Executive shall have such authority and responsibilities and shall perform such executive duties customarily performed by a similarly titled executive of a company in similar lines of business as the Company, its subsidiaries and its affiliates or as may be assigned to the Executive by the Company's Board of Directors (the "Board"). The Executive shall devote all of the Executive's full working-time and best efforts to the performance of such duties and to the promotion of the business and interests of the Company, its subsidiaries and its affiliates. Notwithstanding the foregoing, during the Term, subject to disclosure to the Board, the Executive may (a) serve on up to two outside public or private company boards of directors, and (b) serve on other corporate, industry, civic or charitable boards and committees, provided that (x) such activities do not materially interfere with and are not inconsistent with the Executive's performance of the Executive's duties under this Agreement, and (y) any such entity does not engage in the "Business" (as defined below in section 6.3). Also notwithstanding the foregoing, the Executive

may accept and attend outside speaking engagements at his discretion, provided that such activities do not materially interfere with and are not inconsistent with the Executive's performance of the Executive's duties under this Agreement.

4. Compensation and Benefits by the Company.

4.1 Base Salary. During the Term, the Company shall pay to the Executive an annual base salary of \$1,500,000, payable in accordance with the customary payroll practices of the Company ("Base Salary"). The Executive shall be entitled to such increases, if any, in Base Salary as may be determined from time to time by the Board or the Board's Compensation Committee ("Compensation Committee").

4.2 Bonuses. During the Term, the Executive shall be eligible to receive a bonus or bonuses (collectively, the "Bonus") for each fiscal year of the Company subject to a plan (or plans) established by the Company (the "Bonus Plan") in an amount determined by the Board or Compensation Committee based upon achievement of performance measures derived from the business plan presented by management and approved by the Board or Compensation Committee. The target amount of the Executive's Bonus for each fiscal year shall be 100% of the Base Salary (the "Target Bonus"). If such performance measures are only partially achieved or not achieved, the Executive shall only be entitled to such Bonus, if any, as provided under the applicable Bonus Plan or as otherwise determined in the sole discretion of the Board or Compensation Committee.

4.3 Equity. The Executive shall receive annual equity grants valued at \$8 million (such valuation made in the sole discretion of the Board and/or the Compensation Committee), subject to three-year ratable vesting, and subject to any combination of time and/or performance conditions placed on such vesting by the Board or Compensation Committee.

4.4 Participation in Employee Benefit Plans. The Executive shall be entitled, if and to the extent eligible, to participate in all of the applicable benefit plans of the Company or its affiliates, which may be available to other senior executives of the Company, on the same terms as such other executives. The Company or its affiliates may at any time or from time to time amend, modify, suspend or terminate any employee benefit plan, program or arrangement for any reason without the Executive's consent if such amendment, modification, suspension or termination is consistent with the amendment, modification, suspension or termination for other similarly-situated employees of the Company and its affiliates.

4.5 Life Insurance. The Company will maintain a \$5 million life insurance policy on the Executive's life in favor of one or more beneficiaries designated from time to time by the Executive and will maintain such policy (or substitute equivalent policy) in effect for the period through the Term Date.

4.6 Personal Use of Aircraft. During the Term, the Executive shall be entitled to the use of corporate aircraft reasonably satisfactory to the Executive for up to 50 hours per annum for personal use by the Executive, his family members and guests at no cost to the Executive, other than the responsibility to pay income taxes at the lowest permissible rate.

4.7 Expense Reimbursement. The Executive shall be entitled to receive reimbursement for all of the Executive's appropriate business expenses incurred in connection with the Executive's duties under this Agreement in accordance with the policies of the Company as in effect from time to time.

5. Termination of Employment.

5.1 By the Company for Cause or by the Executive Without Good Reason. If: (i) the Company terminates the Executive's employment with the Company for "Cause" (as defined below); or (ii) the Executive voluntarily terminates the Executive's employment without "Good Reason" (as defined below), the Executive shall be entitled to receive the following:

- (a) payment for accrued but unused vacation days, payable in accordance with Company policy;
- (b) the Executive's accrued but unpaid Base Salary and vested benefits, if any, through the Termination Date;
- (c) the earned but unpaid portion of any Bonus earned in respect of any completed performance period prior to the Termination Date; and
- (d) expenses reimbursable under Section 4.7 incurred but not yet reimbursed to the Executive through the Termination Date (Sections 5.1(a), 5.1(b), 5.1(c) and 5.1(d), collectively, the "Accrued Benefits").

For the purposes of this Agreement, "Cause" means, as determined by the Board, with respect to conduct during the Executive's employment with the Company, whether or not committed during the Term, (i) conviction of a felony by the Executive; (ii) acts of intentional dishonesty by the Executive resulting or intending to result in personal gain or enrichment at the expense of the Company, its subsidiaries or its affiliates; (iii) the Executive's material breach of the Executive's obligations under this Agreement; (iv) conduct by the Executive in connection with the Executive's duties hereunder that is fraudulent, unlawful or grossly negligent; (v) engaging in personal conduct by the Executive (including but not limited to employee harassment or discrimination, the use or possession at work of any illegal controlled substance) which seriously discredits or damages the Company, its subsidiaries or its affiliates; (vi) contravention of specific lawful direction from the Board; or (vii) breach of the Executive's covenants set forth in Section 6 below before termination of employment. The Executive shall have fifteen (15) business days after notice from the Company to cure the deficiency leading to the Cause determination (except with respect to (i) above), if curable. A termination for "Cause" shall be effective immediately (or on such other date set forth by the Company).

For the purposes of this Agreement, "Good Reason" means the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause, for such termination exists or has occurred): (i) a reduction in the Executive's Base Salary or Target Bonus, provided that, the Company may at any time or from time to time amend, modify, suspend or terminate any bonus, incentive compensation or other benefit plan or program provided to the

Executive for any reason and without the Executive's consent if such modification, suspension or termination (x) is a result of the underperformance of the Company under its business plan, or (y) is consistent with an "across the board" reduction for all senior executives of the Company, and, in each case, is undertaken in the Board's reasonable business judgment, acting in good faith, and engaging in fair dealing with the Executive; or (ii) without the Executive's prior written consent, relocation of the Executive's principal location of work to any location that is in excess of fifty (50) miles from the location thereof on the Effective Date.

The Company shall have fifteen (15) business days after receipt from the Executive of a written notice specifying the deficiency to cure the deficiency that would result in Good Reason.

5.2 Due to Death or Disability. If either: (a) the Executive's employment terminates due to the Executive's death; or (b) the Company terminates the Executive's employment with the Company due to the Executive's "Disability" (as defined below), the Executive or the Executive's beneficiaries (in the case of the Executive's death), shall be entitled to receive (i) the Accrued Benefits and (ii) subject to Section 5.4, a lump sum payment in an amount equal twenty-five percent (25%) of the Executive's then Base Salary.

For the purposes of this Agreement, "Disability" means a determination by the Company in accordance with applicable law that as a result of a physical or mental injury or illness, the Executive is unable to perform the essential functions of the Executive's job with or without reasonable accommodation for a period of (i) ninety (90) consecutive days; or (ii) one hundred eighty (180) days in any one (1) year period.

The Company shall have no obligation to provide the benefits set forth above (other than the Accrued Benefits) in the event that the Executive breaches the provisions of Section 6.

5.3 By the Company Without Cause or By the Executive for Good Reason. If the Company terminates the Executive's employment without Cause or the Executive voluntarily terminates the Executive's employment for Good Reason, the Executive shall be entitled to receive the Accrued Benefits and, subject to Section 5.4:

(a) a lump sum payment in an amount equal to two hundred percent (200%) of the sum of (i) the Base Salary, plus (ii) the Target Bonus, each based on the then Base Salary; and

(b) reimbursement on a monthly basis of the cost of continuation coverage of group health coverage (including family coverage) for twelve (12) months; provided that the Executive elects continuation coverage under a policy, plan, program or arrangement of the Company or its affiliate pursuant to COBRA. The twelve (12) month period shall include, and run concurrently with, the maximum continuation coverage period pursuant to COBRA. If, and to the extent, that any benefit described in this Section 5.3(b) cannot be paid or provided under any policy, plan, program or arrangement of the Company, then the Company itself shall pay or provide for the payment to the Executive, the Executive's dependents, eligible family members and beneficiaries, of such benefits, along with, in the case of any benefit described in this Section 5.3(c) which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program

or arrangement of the Company, an additional amount such that after payment by the Executive, or the Executive's dependents, eligible family members or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, benefits under this Section 5.3(b) shall cease when the Executive is covered under another group health plan.

5.4 Continued Compliance and Release. The Company shall have no obligation to provide the payments and benefits provided in Section 5.2 and Section 5.3 (other than the Accrued Benefits) (the "Severance Benefits") in the event (a) the Executive breaches the provisions of Section 6 of this Agreement and (b) unless the Executive signs, and does not revoke, a valid release agreement in a form reasonably acceptable to the Company (the "Release"), not later than sixty (60) days following the Termination Date. If the Severance Benefits are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), such Severance Benefits shall begin (or be paid, as applicable) on the first pay period following the date that is sixty (60) days after the Termination Date. If the Severance Benefits are not otherwise subject to Section 409A of the Code, they shall begin (or be paid, as applicable) on the first pay period after the Release becomes effective.

5.5 No Mitigation. The obligations of the Company to the Executive which arise upon the termination of the Executive's employment pursuant to this Section 5 shall not be subject to mitigation or offset.

5.6 Change in Status. If the Executive's employment with the Company as Chief Executive Officer and President terminates but (a) the Executive continues to provide services to the Company as Chairman or Co-Chairman of the Board and (b) the terms of this Agreement with respect to compensation and employee benefits (to the extent legally permissible) otherwise continue in full force and effect (a "Permitted Change in Status"), such Permitted Change in Status shall not be deemed to constitute a termination of employment for purposes of this Agreement (and shall not constitute Good Reason), the Executive will not be eligible to receive the Severance Benefits as a result of such Permitted Change in Status, and the Executive shall not have a Termination Date until the Executive ceases to serve as Chairman or Co-Chairman of the Board.

5.7 Removal from any Boards and Position. If the Executive's employment is terminated for any reason under this Agreement, the Executive shall be deemed to resign (i) if a member, from the board of directors of the Company or any subsidiary or affiliate of the Company or any other board to which the Executive has been appointed or nominated by or on behalf of the Company and (ii) from any position with the Company or any subsidiary or affiliate of the Company, including, but not limited to, as an officer of the Company and any of its subsidiaries.

5.8 Continued Employment Beyond the Expiration of the Term. Unless the Company and the Executive otherwise agree in writing, continuation of the Executive's employment with the Company beyond the expiration of the Term shall be deemed an employment at-will and shall not be deemed to extend any of the provisions of this Agreement and the Executive's employment may thereafter be terminated at will by either the Executive or the Company; provided that Sections 6, 7, 8, 9.7 and 9.12 of this Agreement shall survive any termination of this Agreement or the termination of the Executive's employment hereunder.

6. Restrictions and Obligations of the Executive.

6.1 Confidentiality.

(a) During the course of the Executive's employment by the Company and its affiliates (prior to, during, and if applicable, after, the Term), the Executive has had and shall have access to certain trade secrets and confidential information relating to the Company, its subsidiaries and its affiliates (the "Protected Parties") which is not readily available from sources outside the Protected Parties. The confidential and proprietary information and, in any material respect, trade secrets of the Protected Parties are among their most valuable assets, including but not limited to, their customer, supplier and vendor lists, databases, competitive strategies, computer programs, frameworks, or models, their marketing programs, their sales, financial, marketing, training and technical information, their product development (and proprietary product data) and any other information, whether communicated orally, electronically, in writing or in other tangible forms concerning how the Protected Parties create, develop, acquire or maintain their products and marketing plans, target their potential customers and operate their retail and other businesses. The Protected Parties invested, and continue to invest, considerable amounts of time and money in their process, technology, know-how, obtaining and developing the goodwill of their customers, their other external relationships, their data systems and data bases, and all the information described above (hereinafter collectively referred to as "Confidential Information"), and any misappropriation or unauthorized disclosure of Confidential Information in any form would irreparably harm the Protected Parties. The Executive acknowledges that such Confidential Information constitutes valuable, highly confidential, special and unique property of the Protected Parties. The Executive shall hold in a fiduciary capacity for the benefit of the Protected Parties all Confidential Information relating to the Protected Parties and their businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or its affiliates and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). Except as required by law or an order of a court or governmental agency with jurisdiction, the Executive shall not, during the period the Executive is employed by the Company, its subsidiaries or its affiliates, or at any time thereafter disclose any Confidential Information, directly or indirectly, to any person or entity, nor shall the Executive use it in any way, except in the course of the Executive's employment with, and for the benefit of, the Protected Parties or to enforce any rights or defend any claims hereunder or under any other agreement to which the Executive is a party, provided that such disclosure is relevant to the enforcement of such rights or defense of such claims and is only disclosed in the formal proceedings related thereto. The Executive shall take all reasonable steps to safeguard the Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive understands and agrees that the Executive shall acquire no rights to any such Confidential Information.

(b) All files, records, documents, drawings, specifications, data, computer programs, evaluation mechanisms and analytics and similar items relating thereto or to the Business, as well as all customer lists, specific customer information, compilations of product research and marketing techniques of the Company and its affiliates, whether prepared by the Executive or otherwise coming into the Executive's possession, shall remain the exclusive property of the Company, its subsidiaries and its affiliates, and the Executive shall not remove any such items

from the premises of the Company, its subsidiaries and its affiliates, except in furtherance of the Executive's duties under any employment agreement.

(c) It is understood that while employed by the Company, its subsidiaries or its affiliates, the Executive shall promptly disclose to it, and assign to it the Executive's interest in any invention, improvement or discovery made or conceived by the Executive, either alone or jointly with others, which arises out of the Executive's employment. At the Company's request and expense, the Executive shall assist the Company, its subsidiaries and its affiliates during the period of the Executive's employment by the Company, its subsidiaries and its affiliates and thereafter in connection with any controversy or legal proceeding relating to such invention, improvement or discovery and in obtaining domestic and foreign patent or other protection covering the same.

(d) As requested by the Company and at the Company's expense, from time to time and upon the termination of the Executive's employment with the Company for any reason, the Executive shall promptly deliver to the Company, its subsidiaries and its affiliates all copies and embodiments, in whatever form, of all Confidential Information in the Executive's possession or within the Executive's control (including, but not limited to, memoranda, records, notes, plans, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes and all other materials containing any Confidential Information) irrespective of the location or form of such material. If requested by the Company, the Executive shall provide the Company with written confirmation that all such materials have been delivered to the Company as provided herein.

(e) The Executive understands that nothing contained in this Agreement limits the Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (each, a "Government Agency"). The Executive further understands that this Agreement does not limit the Executive's ability to communicate with any Government Agency, including to report possible violations of federal law or regulation or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

(f) This Agreement does not limit the Executive's right to receive an award for information provided to any Government Agency. The Executive will not be criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

6.2 Non-Solicitation or Hire. During the Term and for the "Restricted Period" (as defined below) following the termination of the Executive's employment for any reason, the Executive shall not directly or indirectly solicit or attempt to solicit or induce, directly or indirectly, (a) any supplier, vendor or service provider to the Company, its subsidiaries or its affiliates to

terminate, reduce or alter negatively its relationship with the Company, its subsidiaries or its affiliates or in any manner interfere with any agreement or contract between the Company, its subsidiaries or its affiliates and such supplier, vendor or service provider; or (b) any employee of the Company, its subsidiaries or its affiliates or any person who was an employee of the Company, its subsidiaries or its affiliates during the twelve (12) month period immediately prior to the date the Executive's employment terminates to terminate such employee's employment relationship with the Protected Parties in order, in either case, to enter into a similar relationship with the Executive, or any other person or any entity in competition with the Business.

For the purposes of this Agreement, "Restricted Period" means a period of twenty-four (24) months following the Termination Date.

6.3 Non-Competition. During the Term and for the Restricted Period following the termination of the Executive's employment (for any reason), the Executive shall not, whether individually, as a director, manager, member, stockholder, partner, owner, employee, consultant or agent of any business, or in any other capacity, other than on behalf of the Company, its subsidiaries or its affiliates, organize, establish, own, operate, manage, control, engage in, participate in, invest in, permit the Executive's name to be used by, act as a consultant or advisor to, render services for (alone or in association with any person, firm, corporation or business organization), or otherwise assist any person or entity that engages in or owns, invests in, operates, manages or controls any venture or enterprise which engages or proposes to engage in any business conducted by the Company, its subsidiaries or its affiliates on the Termination Date or within twelve (12) months of the Executive's termination of employment in the geographic locations where the Company, its subsidiaries or its affiliates engage or, to the Executive's knowledge, propose to engage in such business (the "Business"). Notwithstanding the foregoing, nothing in this Agreement shall prevent the Executive from owning for passive investment purposes not intended to circumvent this Agreement, less than five percent (5%) of the publicly traded common equity securities of any company engaged in the Business (so long as the Executive has no power to manage, operate, advise, consult with or control the competing enterprise and no power, alone or in conjunction with other affiliated parties, to select a director, manager, general partner, or similar governing official of the competing enterprise other than in connection with the normal and customary voting powers afforded the Executive in connection with any permissible equity ownership).

6.4 Property. The Executive acknowledges that all originals and copies of materials, records and documents generated by the Executive or coming into the Executive's possession during the Executive's employment by the Company, its subsidiaries or its affiliates are the sole property of the Company, its subsidiaries and its affiliates ("Company Property"). During the Term, and at all times thereafter, the Executive shall not remove, or cause to be removed, from the premises of the Company, its subsidiaries or its affiliates copies of any record, file, memorandum, document, computer related information or equipment, or any other item relating to the business of the Company, its subsidiaries or its affiliates, except in furtherance of the Executive's duties under this Agreement. When the Executive's employment with the Company terminates, or upon request of the Company at any time, the Executive shall promptly deliver to the Company all copies of Company Property in the Executive's possession or control.

6.5 Nondisparagement.

(a) The Executive agrees that the Executive shall not at any time (whether during or after the Term) publish or communicate to any person or entity any “Disparaging” (as defined below) remarks, comments or statements concerning the Company, Cerberus Capital Management, L.P., their parents, subsidiaries and affiliates, and their respective present and former members, partners, directors, officers, shareholders, employees, agents, attorneys, successors and assigns. “Disparaging” remarks, comments or statements are those that impugn the character, honesty, integrity or morality or business acumen or abilities in connection with any aspect of the operation of business of the individual or entity being disparaged.

(b) The Company will instruct its Board, Cerberus Capital Management, L.P., the Company’s senior management and their affiliates not to publish or communicate at any time to outside parties any Disparaging (as defined above) remarks, comments or statements concerning the Executive.

7. Remedies; Specific Performance. The Company and the Executive acknowledge and agree that the Executive’s breach or threatened breach of any of the restrictions set forth in Section 6, on the one hand, or the Company’s breach or threatened breach of the restrictions set forth in Section 6.5(b), on the other hand, shall result in irreparable and continuing damage to the Protected Parties or the Executive, as applicable, for which there may be no adequate remedy at law and that the Protected Parties or the Executive, as applicable, shall be entitled to equitable relief, including specific performance and injunctive relief as remedies for any such breach or threatened or attempted breach. The Executive and the Company hereby consent to the grant of an injunction (temporary or otherwise) against the other Party or the entry of any other court order against the other Party prohibiting and enjoining the other Party from violating, or directing the other Party to comply with the applicable provisions of Section 6. The Executive and the Company also agree that such remedies shall be in addition to any and all remedies, including damages, available to the Executive and the Protected Parties for such breaches or threatened or attempted breaches. In addition, without limiting the Protected Parties’ remedies for any breach of any restriction on the Executive set forth in Section 6, except as required by law, the Executive shall not be entitled to any Severance Benefits if the Executive has breached the covenants applicable to the Executive contained in Section 6, the Executive shall immediately return to the Protected Parties any such Severance Benefits previously received, upon such a breach, and, in the event of such breach, the Protected Parties shall have no obligation to pay any of the amounts that remain payable by the Company under Section 5.3.

8. Indemnification. The Company agrees, to the extent permitted by applicable law and its organizational documents, to indemnify, defend and hold harmless the Executive from and against any and all losses, suits, actions, causes of action, judgments, damages, liabilities, penalties, fines, costs or claims of any kind or nature (“Indemnified Claim”), including reasonable legal fees and related costs incurred by the Executive in connection with the preparation for or defense of any Indemnified Claim, whether or not resulting in any liability, to which the Executive may become subject or liable or which may be incurred by or assessed against the Executive, relating to or arising out of the Executive’s employment by the Company or the services to be performed pursuant to

this Agreement, provided that the Company shall only defend, but not indemnify or hold the Executive harmless, from and against an Indemnified Claim in the event there is a final, non-appealable, determination that the Executive's liability with respect to such Indemnified Claim resulted from the Executive's willful misconduct or gross negligence. The Company's obligations under this section shall be in addition to any other right, remedy or indemnification which the Executive may have or be entitled to at common law or otherwise.

9. Other Provisions.

9.1 Notices. Any notice or other communication required or which may be given hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid or overnight mail and shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed, four (4) days after the date of mailing or one (1) day after overnight mail, as follows:

(a) If the Company, to:

Albertsons Companies, Inc.
Attention: Executive Vice President, Human Resources
Telephone: (208) 395-6200

(b) If the Executive, to the Executive's home address reflected in the Company's records.

9.2 Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

9.3 Limitation on Payments and Benefits. Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement would be an "Excess Parachute Payment," within the meaning of Section 280G of the Code, but for the application of this sentence, then the payments and benefits to be paid or provided under this Agreement shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction shall be made only if and to the extent that such reduction would result in an increase in the aggregate payment and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes). Whether requested by the Executive or the Company, the determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence shall be made at the expense of the Company by the Company's independent accountant. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 9.3 shall not of itself limit or otherwise affect any other rights of the Executive other than pursuant

to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 9.3, cash Severance Benefits payable hereunder shall be reduced first, then other cash payments that qualify as Excess Parachute Payments payable to the Executive, then non-cash benefits shall be reduced, as determined by the Company.

9.4 Representations and Warranties by the Executive. The Executive represents and warrants that the Executive is not a party to or subject to any restrictive covenants, legal restrictions or other agreements in favor of any entity or person which would in any way preclude, inhibit, impair or limit the Executive's ability to perform the Executive's obligations under this Agreement, including, but not limited to, non-competition agreements, non-solicitation agreements or confidentiality agreements.

9.5 Waiver and Amendments. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the Parties or, in the case of a waiver, by the Party waiving compliance. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

9.6 Section 409A. The Company and the Executive intend that the payments and benefits provided for in this Agreement either be exempt from Section 409A of the Code, or be provided in a manner that complies with Section 409A of the Code, and any ambiguity herein shall be interpreted so as to be consistent with the intent of this Section 9.6. Notwithstanding anything contained herein to the contrary, to the extent that any Severance Benefits constitute "nonqualified deferred compensation" subject to Section 409A of the Code, all such Severance Benefits shall be paid or provided only upon the Executive's "separation from service" within the meaning of Section 409A of the Code and the regulations and guidance promulgated thereunder (determined after applying the presumptions set forth in Treas. Reg. Section 1.409A-1(h)(1)). Further, if as of the Executive's Termination Date, the Executive is a "specified employee" as defined in Section 409A of the Code as determined by the Company in accordance with Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company shall defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in payments or benefits ultimately paid or provided to the Executive) until the date that is at least six (6) months following the Executive's Termination Date (or the earliest date permitted under Section 409A of the Code), whereupon the Company shall pay the Executive a lump-sum amount equal to the cumulative amounts that would have otherwise been previously paid to the Executive under this Agreement during the period in which such payments or benefits were deferred. Thereafter, payments shall resume in accordance with this Agreement.

Notwithstanding anything to the contrary in this Agreement, in-kind benefits and reimbursements provided under this Agreement during any calendar year shall not affect in-kind

benefits or reimbursements to be provided in any other calendar year, other than an arrangement providing for the reimbursement of medical expenses referred to in Section 105(b) of the Code, and are not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Agreement, reimbursement requests must be timely submitted by the Executive and, if timely submitted, reimbursement payments shall be promptly made to the Executive following such submission, but in no event later than December 31st of the calendar year following the calendar year in which the expense was incurred. In no event shall the Executive be entitled to any reimbursement payments after December 31st of the calendar year following the calendar year in which the expense was incurred. This paragraph shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to the Executive.

Additionally, in the event that following the date hereof the Company or the Executive reasonably determines that any compensation or benefits payable under this Agreement may be subject to Section 409A of the Code, the Company and the Executive shall work together to adopt such amendments to this Agreement or adopt other policies or procedures (including amendments, policies and procedures with retroactive effect), or take any other commercially reasonable actions necessary or appropriate to (x) exempt the compensation and benefits payable under this Agreement from Section 409A of the Code and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Agreement or (y) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

9.7 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Idaho applicable to agreements made and not to be performed entirely within such state, without regard to conflicts of laws principles.

9.8 Assignability by the Company and the Executive. This Agreement, and the rights and obligations hereunder, may not be assigned by the Company or the Executive without written consent signed by the other Party; provided that the Company may assign this Agreement to any successor that continues the business of the Company.

9.9 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

9.10 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein.

9.11 Severability. If any term, provision, covenant or restriction of this Agreement, or any part thereof, is held by a court of competent jurisdiction of any foreign, federal, state, county or local government or any other governmental, regulatory or administrative agency or authority to be invalid, void, unenforceable or against public policy for any reason, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected or impaired or invalidated. The Executive acknowledges that the restrictive covenants contained in Section 6 are a condition of this Agreement and are reasonable and valid in temporal scope and in all other respects.

9.12 Judicial Modification. If any court determines that any of the covenants in Section 6, or any part of any of them, is invalid or unenforceable, the remainder of such covenants and parts thereof shall not thereby be affected and shall be given full effect, without regard to the invalid portion. If any court determines that any of such covenants, or any part thereof, is invalid or unenforceable because of the geographic or temporal scope of such provision, such court shall reduce such scope to the minimum extent necessary to make such covenants valid and enforceable.

9.13 Tax Withholding. The Company or other payor is authorized to withhold from any benefit provided or payment due hereunder, the amount of withholding taxes due any federal, state or local authority in respect of such benefit or payment and to take such other action as may be necessary in the opinion of the Board to satisfy all obligations for the payment of such withholding taxes.

IN WITNESS WHEREOF, the Parties hereto, intending to be legally bound hereby, have executed this Agreement on October 18, 2018.

EXECUTIVE

/s/ James L. Donald
James L. Donald

ALBERTSONS COMPANIES, INC.

By: /s/ Robert A. Gordon
Name: Robert A. Gordon
Title: Executive Vice President and General Counsel

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Section 3: EX-12.1 (EXHIBIT 12.1)

Exhibit 12.1

Albertsons Companies, Inc. and Subsidiaries
Computation of Ratio of Earnings to Fixed Charges
(in millions, except ratio)
(unaudited)

	28 weeks ended September 8, 2018	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013
Earnings:						
Pre-tax (loss) income	\$ (65.0)	\$ (917.5)	\$ (463.6)	\$ (541.8)	\$ (1,378.6)	\$ 1,140.5
Income from unconsolidated affiliate (1)	1.5	13.3	17.5	14.4	1.1	—
(Loss) income before tax and unconsolidated affiliate	(66.5)	(930.8)	(481.1)	(556.2)	(1,379.7)	1,140.5
Plus: fixed charges						
Interest expense, net (2)	449.5	874.8	1,003.8	950.5	633.2	390.1
Capitalized interest	6.0	6.4	7.8	2.1	0.5	0.1
Portion of rent expense deemed to be interest	154.3	281.2	268.5	260.4	125.3	101.4
Interest income	10.3	6.8	3.9	7.4	1.4	1.6
Charges related to guarantee obligations	—	—	1.6	30.6	—	—
Total fixed charges	620.1	1,169.2	1,285.6	1,251.0	760.4	493.2
Less: capitalized interest	(6.0)	(6.4)	(7.8)	(2.1)	(0.5)	(0.1)
Earnings:	\$ 547.6	\$ 232.0	\$ 796.7	\$ 692.7	\$ (619.8)	\$ 1,633.6
Fixed Charges:	\$ 620.1	\$ 1,169.2	\$ 1,285.6	\$ 1,251.0	\$ 760.4	\$ 493.2

- (1) Represents earnings related to the Company's equity method investments.
- (2) Interest expense, net does not include interest relating to liabilities for uncertain tax positions, which the Company records as a component of income tax expense.
- (3) Due to the Company's losses during the 28 weeks ended September 8, 2018, fiscal 2017, fiscal 2016, fiscal 2015 and fiscal 2014, the ratio coverage was less than 1:1 in each of those periods. The Company would have needed to generate additional earnings of \$72.5 million, \$937.2 million, \$488.9 million, \$558.3 million and \$1,380.2 million during the 28 weeks ended September 8, 2018, fiscal 2017, fiscal 2016, fiscal 2015 and fiscal 2014, respectively, in order to achieve a coverage ratio of 1:1 during those periods.

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Section 4: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James L. Donald, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Albertsons Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 18, 2018

/s/ James L. Donald

James L. Donald

President and Chief Executive Officer (Principal Executive Officer)

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Section 5: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert B. Dimond, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Albertsons Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 18, 2018

/s/ Robert B. Dimond

Robert B. Dimond

Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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Section 6: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Albertsons Companies, Inc. (the "Company") on Form 10-Q for the period ended September 8, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 18, 2018

/s/ James L. Donald

James L. Donald

President and Chief Executive Officer (Principal Executive Officer)

/s/ Robert B. Dimond

Robert B. Dimond

*Executive Vice President and Chief Financial Officer
(Principal Financial Officer)*

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