



2004 COMPANY PROFILE

Working hard
to make life easier
for our customers



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WELCOME

Our corporate overview will tell you that Albertsons is one of the largest retail food and drug chains in the world, and that the company operates more than 2,500 stores in 37 states across the country.

But that description only skims the surface.

To get to know us, you have to know our people. Albertsons is a team of talented, innovative associates in 2,503 stores, 19 major distribution centers, and more than a dozen offices across the nation, who are working hard every day to make life easier for our customers.

Albertsons is a dynamic organization that is constantly changing. In 2004 we acquired over 200 Shaw's and Star Market stores in New England, and gained access to one of the industry's fastest growing sectors—fresh prepared, gourmet, and specialty foods—through the acquisition of 11 Bristol Farms stores in Southern California.

We are a company that makes a difference in communities at home and abroad. From the hurricanes that devastated Florida residents to the tsunami that ravaged Southeast Asia to food and toy drives throughout all of our communities, our associates respond time and again with overwhelming concern for their neighbors.

We are also a company that takes its responsibility to the environment seriously, recognizing that energy management, environmental protection, and resource conservation are important to our customers, and that operating in a sustainable manner makes good business sense.

We are improving every day with a single vision in mind—to become the world's number one food and drug retailer. In this company profile, we have attempted to capture the spirit of our organization—and give you a glimpse of the people, initiatives, and technologies that will help us achieve our vision.

Larry Johnston,
Chairman of the Board, Chief Executive Officer & President



CORPORATE OVERVIEW

Albertsons is one of the largest retail food and drug chains in the world. The company operates 2,503 stores in 37 states across the country. Retail operations are supported by 19 major company-owned distribution centers. Albertsons is headquartered in Boise, Idaho, and employs approximately 240,000 people. The company's stock is traded on both the New York Stock Exchange and the Pacific Stock Exchange under the symbol ABS.

Corporate Store Support Center

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Stockholder Information

- Stock symbol: ABS
- Listed on the New York and the Pacific stock exchanges
- Options traded on the American and the Philadelphia stock exchanges
- Shares of common stock outstanding on January 29, 2005: approximately 368 million
- Fiscal year-end: Thursday closest to January 31
- Annual Meeting of Stockholders:
8:00 a.m. Eastern Daylight Time
Thursday, June 2, 2005—Boston, MA
- Fiscal 2005 quarter-end dates:
May 5, 2005
August 4, 2005
November 3, 2005
February 2, 2006



COMPANY VALUES

Brand Promise

Working hard to make life easier for our customers. That's our brand promise, and we remain focused on fulfilling that promise every day in every store, office, and distribution center throughout the company.

Vision

Albertsons is a unified team of energized associates obsessed with creating the world's number one food and drug retailer in the areas of market value, scale, profitability, customer service, and associate satisfaction.

Mission

Guided by the relentless focus on our five imperatives, we will constantly strive to implement the critical initiatives required to achieve our vision.

In doing this, we will deliver operational excellence in every corner of the company and meet or exceed our commitments to the many constituencies we serve.

All of our long-term strategies and short-term actions will be molded by a set of core values that are shared by each and every associate.

Strategic Imperatives

- 1 Aggressive Cost & Process Control
- 2 Maximize Return on Invested Capital
- 3 Customer-Focused Approach to Growth
- 4 Company-Wide Focus on Technology
- 5 Energized Associates

Core Values

With an unyielding commitment to integrity, quality, and compliance, we will...

- 1 Drive and passionately implement the spirit of **customer first, second to none**...every day...in all we do.
- 2 Embrace a strong commitment to **community citizenship**...**sharing with those in need** our time and our resources.
- 3 See **change as an opportunity** for growth and renewal...not as a threat.
- 4 Demonstrate **bias for action and speed** to establish and sustain competitive advantage.
- 5 Foster a mindset of **continuous improvement** in every process, person, and product...creating a culture that **values the idea of every associate**...relentlessly searches out and transfers best practices...believing that there is an infinite capacity to improve everything we do.
- 6 Create an **uplifting atmosphere for associates**...by practicing **positive leadership** each day...understanding that an organization's attitude always determines its altitude.
- 7 Build a strong **commitment to diversity**...constantly striving to build an associate population at every level that mirrors our customer base, while also developing formats and products that meet the diverse needs of our society.
- 8 Establish an uplifting environment of **recognition and reward**...both in the wallet and the heart.
- 9 Show a clear **intolerance for bureaucracy**...insisting on **excellence in execution**...and **accountability** for delivering results.
- 10 **Partner with and reward vendors** who assist us in creating compelling offers for customers and maximizing returns for shareowners.



OPERATIONS

We're working hard to **make life easier** for our customers.

Retail Formats

Albertsons customers have more choices than ever before in how and where they shop. From dual-branded combination stores, conventional supermarkets, stand-alone drugstores, and online shopping to new formats such as price-impact stores and premier fresh, gourmet, and specialty food stores, we continue to provide the products, services, and shopping experiences our customers want.

Combination Food & Drug Stores

Combination (combo) stores are dual branded with a food banner and a drug banner—both operating under one roof. These stores offer a convenient one-stop shopping experience for our busy customers. Most combo stores offer prescription drugs, an expanded section of cosmetics and other non-food items, and specialty departments such as service seafood and meat, bakery, lobby/video, service delicatessen, liquor, and floral. Many also offer meal centers, party supply centers, coffee bars, in-store banks, photo processing, and destination categories for beverages, snacks, pet-care products, paper products, and baby-care merchandise.

Average Size 54,655 square feet
Store Count 1,521 stores in 33 states
Banners Include Acme Sav-on, Albertsons Osco, Albertsons Sav-on, Jewel-Osco, Shaw's Osco

Conventional Supermarkets

In our conventional supermarkets, customers will find a full selection of grocery, meat, produce, and dairy products, as well as limited non-food lines. Many have an in-store bakery and a service delicatessen.

Average Size 28,049 square feet
Store Count 265 stores in 18 states
Banners Include Acme, Albertsons, Jewel, Shaw's, Star Market, SuperSaver

Stand-Alone Drugstores

Freestanding or in-line drugstores offer convenient shopping and prescription pickup as well as a wide assortment of general merchandise, health and beauty-care products, over-the-counter medications, greeting cards, and photo processing services. During 2004 we continued the rollout of our Renaissance drugstore format, which provides customers a more exciting shopping experience through enhanced beauty care, digital photo, and food offerings. Nearly 100 drugstores and grocery stores include elements of the Renaissance format.

Average Size 18,414 square feet
Store Count 695 stores in 16 states
Banners Osco Drug, Sav-on drugs

Price-Impact Stores

First introduced in 2004 through the launch of the new Super Saver chain, these stores are targeted to meet the needs of our most price-sensitive customers. Independently managed and operated by Extreme Inc., these stores offer a limited assortment of high-quality food items in a bright, clean environment with minimal services to hold down overall operating costs. Some stores also feature a Sav-on pharmacy.

Average Size 55,798 square feet
Store Count 11 stores in 2 states
Banner SuperSaver

Premier Fresh, Gourmet, and Specialty Food Stores

Albertsons acquired gourmet grocer Bristol Farms in 2004. Operated as an independently managed subsidiary, this innovative chain serves a more affluent clientele with one-of-a-kind products and services.

Average Size 23,041 square feet
Store Count 11 stores in 1 state
Banner Bristol Farms



OPERATIONS

Online Shopping

Our online grocery shopping service is available in 17 major markets across the country—giving it the largest geographic reach of any online grocery provider.

Albertsons.com serves more than 2,000 zip codes in Arizona, California, Idaho, Nevada, New Jersey, Oregon, Pennsylvania, Texas, Utah, and Washington.

Albertsons.com offers shoppers a secure site where they can order from a full online selection of food and drugstore items 24 hours a day, seven days a week. It also provides additional benefits such as a weekly meal planner; special promotions; a store locator feature; a service to have fresh flowers delivered anywhere in the country; and an accessibility site for the visually impaired.

In a 2004 study conducted by the Customer Respect Group, Albertsons was ranked #3 for online retail sites among the nation's 52 largest retailers. In a study of the nation's 100 largest companies, the same group ranked Albertsons #7 for how we treated our online customers. Recently, Albertsons.com received the highest overall scores out of eight online grocers surveyed by Money Magazine. Also in 2004, Philadelphia Magazine named Acmemarkets.com "the Best of Philly" for online grocery delivery.

Albertsons online drugstore, **Savon.com**, offers customers nationwide a full range of sundry items, new and refill prescription services, and consumer health information. The Web site gives customers the freedom to have new or refilled prescriptions ready for pickup at any local Sav-on or Osco pharmacy, or have them mailed to their doorstep. Its sister site, **SavonHealth.com**, offers complete, reliable health information services on many health-care topics.

Fuel Centers

Conveniently located near some of our existing stores, each fuel center features two to eight fuel pumps and a small building, which ranges from a pay-only kiosk to a convenience store carrying such items as candy, soft drinks, and snack foods. Forty-six of our fuel centers also offer car washes.

Average Size 185 fuel centers with convenience stores ranging in size from 1,000 to 3,000 square feet; 49 centers with kiosks

Store Count 234 fuel centers in 22 states

Specialty Services & Departments

GENERAL MERCHANDISE	2,291	BUTCHER BLOCK	1,500
LOBBY/VIDEO	946	FUEL CENTER	234
PHARMACY	1,979	LIQUOR	1,593
BANKING	788	24-HOUR PHARMACY	115
SERVICE DELICATESSEN	1,772	30-MINUTE PHOTO	1,648
COFFEE BAR	362	CAR WASH	46
BAKERY	1,755	FLORAL	1,765
DRIVE-THROUGH PHARMACY	363		



OPERATIONS

Retail Locations

We select and develop our store sites using a neighborhood marketing approach to maximize sales and profits, and we design each store specifically to meet the shopping needs of its particular neighborhood. In this process, we use cross-functional development teams, each of which consists of a real estate specialist, an attorney, an architect, a construction manager, store planners, engineers, and purchasing agents.

In 2004 Albertsons:

- Acquired 206 supermarkets through the acquisition of Shaw's
- Acquired 11 specialty retail stores through the acquisition of Bristol Farms
- Opened 11 price-impact stores through Extreme Inc.
- Opened 44 combination/conventional supermarkets and 15 drugstores
- Opened 13 fuel centers under the names Albertsons Express, Jewel Express, Acme Express, and SuperSaver Express
- Opened 46 in-store banks
- Completed 186 store remodels, including 11 expansions

Retail Locations by Division

DIVISION	TOTAL STORES 2/3/05*	SQUARE FEET	ALTERNATE FORMATS	COMBO STORES	CONVENTIONAL SUPERMARKETS	STAND-ALONE DRUGSTORES	FUEL CENTERS
DRUG	615	11,504				615	
CALIFORNIA	499	23,088		368	126	5	19
JEWEL-OSCO	278	12,775		188	15	75	25
DALLAS/FT. WORTH	194	11,466		194			67
INTERMOUNTAIN WEST	423	20,317		375	48		102
EASTERN	261	13,495		218	43		19
SHAW'S	211	10,717		178	33		
BRISTOL FARMS**	11	253	11				
EXTREME INC**	11	614	11				2
TOTAL	2,503	104,229	22	1,521	265	695	234

*Does not include fuel centers

**Bristol Farms and Extreme Inc. are independently managed and operated subsidiaries of Albertson's, Inc.



OPERATIONS

Distribution Centers

Major Distribution Facilities	GROCERY	FROZEN FOOD	LIQUOR	PRODUCE	MEAT & DELI	HEALTH & BEAUTY CARE	GENERAL MERCHANDISE	PHARMACEUTICALS	
MELROSE PARK, ILLINOIS	•	•		•	•				1,662,000
LANCASTER, PENNSYLVANIA	•			•	•	•	•		1,413,000
BREA, CALIFORNIA	•	•			•				1,331,000
LA HABRA, CALIFORNIA	•		•			•	•	•	1,203,000
FORT WORTH, TEXAS	•	•		•	•				1,131,000
PLANT CITY, FLORIDA	•	•	•	•	•	•			1,011,000
IRVINE, CALIFORNIA	•			•					1,009,000
ELK GROVE, ILLINOIS	•					•	•	•	933,000
VACAVILLE, CALIFORNIA	•								854,000
PORTLAND, OREGON	•	•		•	•				834,000
PHOENIX, ARIZONA	•	•	•	•	•				734,000
SALT LAKE CITY, UTAH	•	•		•	•				660,000
WELLS, MAINE	•	•							536,000
SAN LEANDRO, CALIFORNIA		•		•	•				480,000
SACRAMENTO, CALIFORNIA	•	•	•	•	•				442,000
PONCA CITY, OKLAHOMA						•	•	•	420,000
DENVER, COLORADO	•	•		•	•				388,000
BOISE, IDAHO						•	•		302,000
METHUEN, MASSACHUSETTS				•	•				291,000
Other Distribution Facilities									
NORTHBOROUGH, MASSACHUSETTS	•					•	•		93,000
CARSON, CALIFORNIA	•		•	•	•				40,000
LAS VEGAS, NEVADA			•						30,000
INDIANAPOLIS, INDIANA			•						22,000
TOTAL SQUARE FOOTAGE – ALL DISTRIBUTION FACILITIES									15,819,000



OPERATIONS

Consumer Demand Chain

Our Consumer Demand Chain integrates the functions of marketing, merchandising, and supply chain to help us create effective customer-focused programs.

By transforming processes, technology, and organizational structure, we are streamlining the Consumer Demand Chain to make it faster and more efficient. Through this transformation, we are improving our ability to give our customers superior shopping experiences by delivering the right products at the right time, at competitive and profitable prices. In 2004 we focused on the following:

Marketing Strategy Our marketing strategy defines how we position ourselves to customers. An important element in our marketing strategy—and equally important to consumers—is pricing. Finding the right price for the thousands of products we sell in our stores has become easier through Khimetrics software. We piloted this price-optimization tool in a number of divisions in 2004.

Merchandising Execution Through an annual business planning process with top suppliers, we worked toward best-in-class merchandising execution. In 2004 we saw a dramatic improvement in retail execution on national promotions through acute focus and centralized planning.

We also consolidated additional divisions in 2004 to help drive consistent execution of merchandising projects, as evidenced by the centralization of our Intermountain West Division. Subsequent to year end, we centralized our health and beauty-care and general merchandise teams, relocating them to Boise, Idaho.

Supply Chain Execution We improved our ability to respond to customer demands by focusing on strategic procurement, inventory management, and network optimization in 2004.

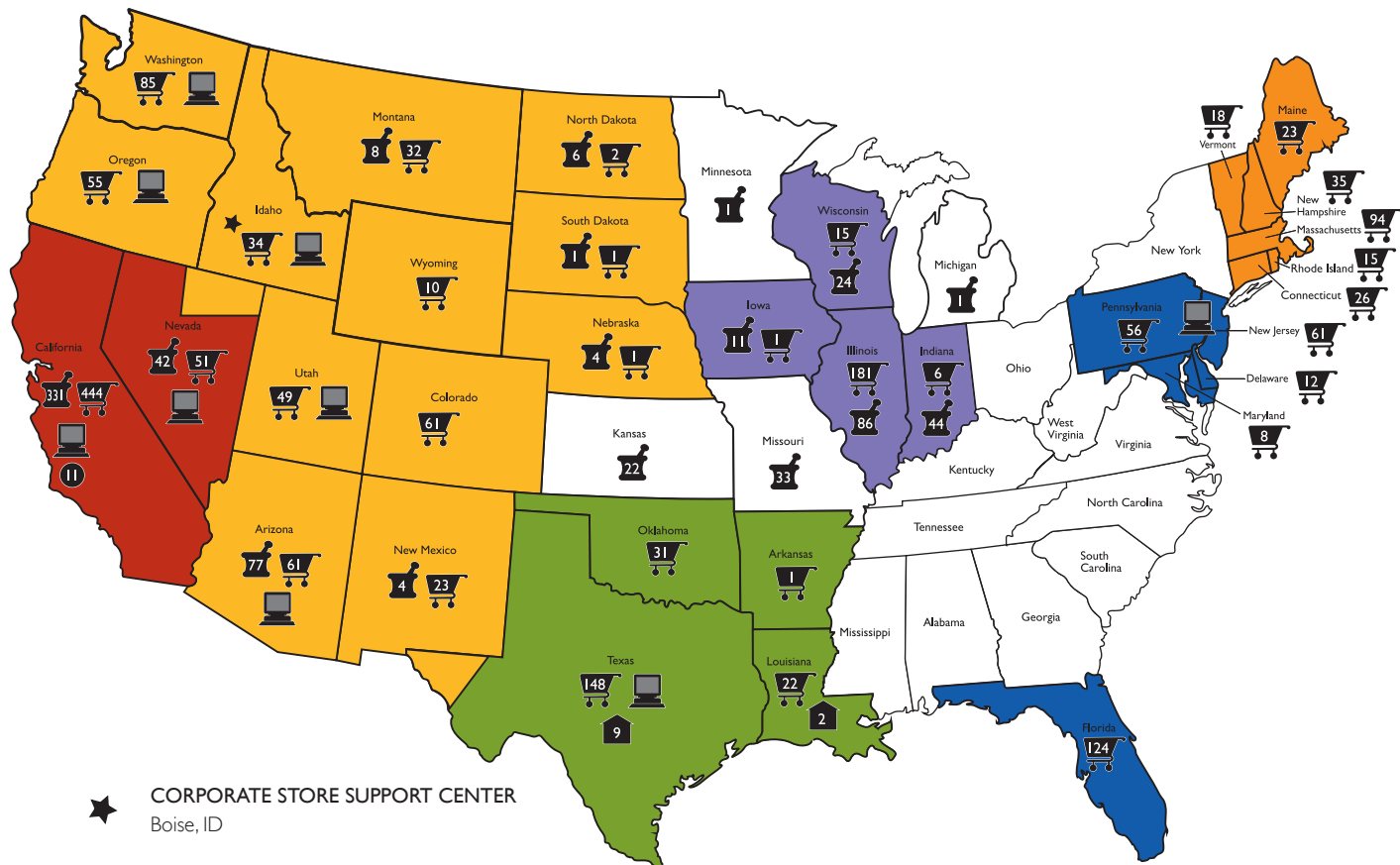
- Through a new eight-step strategic procurement process, we have achieved measurable benefits in several categories of merchandise that we sell, as well as with products that we use internally such as equipment and maintenance products.
- With a focus on reducing overall inventory, improving inventory turns, and reducing out-of-stock items, we began enhancing our inventory management system and processes at our distribution centers and stores.
- We began optimizing our supply chain by “right-sizing” the company’s distribution network, streamlining inbound and outbound transportation, and improving the reverse logistics system.

Six Sigma

Albertsons is the first food and drug retailer in the world to adopt the proven continuous quality disciplines of Six Sigma companywide. In 2004, 50 “Black Belts,” or highly trained project leaders, began working on projects across the enterprise. Six Sigma processes are helping Albertsons improve operating efficiencies, and we’re translating cost savings into better prices, promotions, and services for customers.



ALBERTSONS FOOD & DRUG STORES



★ CORPORATE STORE SUPPORT CENTER
Boise, ID

Divisions

CALIFORNIA
Store Support Center: Fullerton, CA

 You click. We deliver. Easy.

INTERMOUNTAIN WEST
Store Support Center: Boise, ID

 You click. We deliver. Easy.

JEWEL-OSCO
Store Support Center: Melrose Park, IL

DALLAS/FORT WORTH
Store Support Center: Fort Worth, TX

 You click. We deliver. Easy.

EASTERN
Store Support Center: Malvern, PA

 You Click. We Deliver. Easy.

SHAW'S
Store Support Center: West Bridgewater, MA

DRUG
Store Support Center: Scottsdale, AZ

BRISTOL FARMS
Store Support Center: Carson, CA

 An Extraordinary Food Store.

EXTREME INC.
Store Support Center: Boise, ID

1786 Combination/
Conventional Stores

695 Stand-Alone
Drug Stores

Bristol Farms*

Extreme Inc.*

On-Line Shopping
Operating States
See page 7 for specific markets.

*Bristol Farms and Extreme Inc. are independently managed and operated subsidiaries of Albertson's, Inc.



RETAIL PROGRAMS

We're responding to our customers' changing needs with innovative programs and services that help make their lives easier.

That's our promise.

Our advertising campaign, featuring the talented Patricia Heaton, former co-star of television's "Everybody Loves Raymond," brings our promise to life by demonstrating the endless ways our stores make a real difference in people's lives. Ms. Heaton, a working mother of four boys, lends to the campaign her own special brand of humor that resonates with consumers everywhere. She helps to make our commercials entertaining yet unmistakably powerful vehicles for communicating to our customers.

In 2004 Albertsons continued to make life easier for our customers with extreme values, innovative new programs, and faster, more convenient service options.

Pricing and Promotions

We grow our business by providing excellent service, one customer at a time. That's why we are continuously working to bring our customers inventive solutions to help them with their busy lifestyles. Whether it is to develop a new program or simply to improve a long-time favorite, we never stop innovating.



Check the Price

This new pricing program delivers competitive, everyday value pricing on the products that our customers buy most frequently, such as milk, bread, and cereal.

10 for \$10 Mix or Match

After a year of successful testing, this dollar-zone concept was rolled out to all food stores and drugstores in 2004. Products in the "10 for \$10" zones range from fresh foods to dry grocery products to general merchandise, with assortments changing frequently and announced in the company's weekly ads.

Xtreme Value Buy of the Week

At the check-stand, customers are offered an "Xtreme Value Buy" product of the week at a very competitive price. Our "Xtreme Value Buy" features products that are important to our customers, and we make it easy for our customers to take advantage of the special pricing.

Preferred Savings Card

Loyalty cards are available in all of our markets,* offering customers valuable discounts on hundreds of products throughout the store. Designed to provide the company with a better understanding of our customers' unique needs, the Preferred Savings Card helps Albertsons deliver the best combination of products, services, and value to meet those needs.

*Albertsons Preferred Savings Card program is not available in selected stores in Oklahoma City, Okla.; Tulsa, Okla.; Austin, Tex.; and College Station, Tex.

Dual Branding

One of our strategic advantages in today's marketplace comes from the company's unique heritage in two market formats—food stores and drugstores. With decades of experience in both market formats, Albertsons has been able to create dual-branded combination stores that leverage the company's powerful food and drug brands. The company



RETAIL PROGRAMS

expanded this concept in 2004 by branding pharmacies as either Sav-on or Osco in food stores across the country. This will allow our customers to get their prescriptions filled in any of our pharmacies from coast to coast, and it will enable us to offer the lowest possible prescription prices to customers.

Neighborhood Marketing

We are listening to our customers and giving them broader choices and greater convenience with more personalized service. By tailoring each store to meet the unique needs of its neighborhood, we are making life easier for our customers everywhere. Our neighborhood marketing programs help to ensure we have the right product selection for local kosher, Hispanic, African-American, and Asian tastes.

Natural/Organic, Specialty, and Gourmet Foods

Albertsons was one of the first traditional supermarkets to begin offering natural/organic products in our stores, and the company has continued to expand product selection in this growing category. In 2004 Albertsons began to roll out new boutique specialty departments, including *Wild Harvest*™ natural and organic foods and *Shop the World Food Hall*® international foods. Both of these departments have been included in new and remodeled stores throughout the country. To date over 150 stores offer *Wild Harvest* products. Shoppers will find an expanded natural/organic product offering in more than 700 of our stores and organic produce in all of our stores.



Brand Partnerships

We're proud to partner with top brands such as Starbucks® and Toys "R" Us® to offer customers in many of our stores convenient access to popular products and services. In a pilot program in 2004, we partnered with Office Depot®, making their products available in eleven stores in Phoenix and Chicago.

Focus on Fresh

Our Focus on Fresh is a key initiative that supports our brand promise and positions Albertsons as a destination of choice for every Fresh category. In step with this initiative, we continue to work with suppliers, distribution teams, and store associates to offer the freshest vegetables and fruit, the highest quality deli meats, cheeses, and salads, the best floral offering, the finest signature cakes and breads, and the best meat and seafood in the industry.

Retail Technology

Technology is one of our company's strategic imperatives and investment priorities. Both within our stores and behind the scenes, technology is transforming the way we operate and plays an increasingly important role in our ability to make life easier for customers.

The state-of-the-art technology center in Boise, Idaho, is the nerve center for technology applications that help us make life easier for our customers during their 1.5 billion shopping experiences each year. This 33,000-square-foot facility stores and processes over 200 terabytes of information to support all of our retail, distribution, and office locations.

In our stores, new and improved technologies are enhancing customers' shopping experiences, giving them faster, better ways to shop than ever before.



RETAIL PROGRAMS

Front-End Technology

Fast, friendly customer service is important to customers, and we're using the latest technology in our checkstands to give customers the quick, efficient service they deserve. Checkstands are equipped with PC-based registers, intuitive computerized keyboards for checkers, and color display screens for customers. Customers can choose to pay with debit cards, credit cards, or electronic benefit payments, and easy-to-read receipts show overall promotional savings, and continuity points for our Preferred Savings Card customers.

Self-Checkout

Self-checkout terminals, available in more than 60 percent of our stores companywide, are providing even more convenience to customers.

Shop 'N' Scan

Albertsons continued to leverage this "personal shopper" technology in two of our major markets in 2004—Dallas/Fort Worth and Chicago. Using a handheld unit, customers can scan their products as they shop, receive promotional offers based upon their individual shopping habits, and get immediate notification when their pharmacy and photo orders are ready. This technology creates an efficient and unique shopping experience for customers.

Pharmacy Systems

Albertsons customers are able to refill prescriptions via telephone or Internet, and our state-of-the-art pharmacy computer system helps ensure prescription accuracy and patient privacy. Every pharmacy also offers E-Prescribing, the latest in communications technologies helping doctors and pharmacists communicate prescription information quickly, accurately, and efficiently in a highly secure and confidential environment. Robotics technology is used

in selected pharmacies to fill prescriptions, allowing our pharmacies to efficiently process prescriptions without compromising service.

Photo Kiosks

Our customers can crop and print their digital pictures with our self-service photo kiosks at approximately 700 stores nationwide. Using their camera's memory card, they can produce beautiful, full-color pictures in standard sizes—quickly and efficiently.

Other Technology Initiatives

Many technological tools at Albertsons are not visible to our customers but play an important role in creating convenient and easy shopping experiences.

Store Execution Manager

Introduced to all stores in 2004, this tool helps store managers prioritize, manage, and track key tasks. Helping reduce paper-based communications, e-mail, faxes, and phone calls, Store Execution Manager gives our store associates a clear, concise list of actions that need to be taken to provide our customers with the superior products and services they deserve.

Real-Time Information Delivery

Real-time information delivery helps us quickly capture and track transactions across the company. Before the customer makes it to the parking lot with her or his purchases, the information about those purchases is in the Albertsons data warehouse. This valuable information provides the foundation for sales analysis and forecasting to ensure that we bring the right products to each store for our customers.



OUR OWN BRANDS

We offer our customers high-quality, award-winning products under brands that we're proud to call **Our Own**.

Albertsons has one of the most powerful private label programs in the retail food and drug industry. We are continuously improving the products we offer under our private labels, and we never compromise on quality or value. We're so proud of our private label products, in fact, that we now call them Our Own Brands.

Our Own Brands play an important role in helping us make life easier for our customers. With products including competitively priced, high-quality alternatives to national brands, as well as sophisticated and unique items, Our Own Brands provide superior value and a wide range of choices to our customers.

Product Categories

Our Own Brands, carried exclusively by our stores, are available in three categories to meet a variety of customer needs.

Premium From our *essensia*™ chocolate chip cookies that are 43 percent chocolate to our *Steakhouse Choice*™ beef that undergoes a stringent aging process to our award-winning *Q*™ wines, we offer a unique selection of premium products with great flavor and superior quality.

Portfolio Products We provide our customers with many choices of portfolio products with the same quality ingredients as leading national brands at competitive prices.

Value Our limited value offering, represented by the *Good Day*® brand, is designed for customers who make their shopping decisions based primarily on price.





OUR OWN BRANDS

Innovations & Awards

We continued to make significant investments in Our Own Brands in 2004 and earn accolades for our products from customers and industry associations.

Product Development and Sensory Labs We built state-of-the-art product development and sensory laboratories in our corporate store support center in Boise, Idaho. The labs feature ten private sensory booths where consumers can evaluate a product's taste, look, feel, and smell. Additionally, this facility has five kitchens, nine product-evaluation areas, and a focus group area.

New Products The company introduced more than 70 new premium-tier products under the *essensia* label and a premium line of beef under the *Steakhouse Choice* label. We also introduced numerous new and improved portfolio products, including products under two new brands: *equaline*™ and *HomeLife*™.

Awards Our Own Brand products received many awards throughout the year, surpassing our competitors' products with exceptional quality and value. Our *essensia* Organic Blueberry Juice was honored by the Private Label Manufacturers Association, and our wines were recognized with more than 70 awards, including a commendation at the prestigious Decanter World Wine Awards for our Q Napa Chardonnay.

that are superior to competing national brands in both quality and taste. In 2004 we offered customers some exceptional new products, including pizzas, chicken wings, and ice cream.

equaline™ and HomeLife™ *Equaline*, our brand for over-the-counter health and beauty products, and *HomeLife*, our brand for general merchandise products, replaced the *Sav-on Osco by Albertsons™* brand.

From vitamins and beauty products to over-the-counter medicines and first-aid products, *equaline* products offer quality equal to leading national brands at a better value for customers. *equaline* products are wrapped in innovative packaging that features “compare to” information so that customers can easily compare the product features to the leading national brand. Our *HomeLife* brand offers home products, from cameras to batteries to film, providing customers with convenient, reliable general merchandise products at a terrific value.

Multi-Banner Brands

In addition to developing great products, we are building strong brands. We are listening to our customers and then creating the brands and products they want. And by introducing many of these brands across all of our company's banners, we are making it even easier for customers to recognize the brands they trust—whether they are shopping at a Sav-on in California or at a Shaw's in Maine. Our “multi-banner” brands include:

essensia™ Launched in 2003 and now 198 items strong, our *essensia* brand is a premium line of products developed exclusively for Albertsons. In developing *essensia* products, we concentrate on the attributes that matter most in each product, resulting in products



COMMUNITY INVOLVEMENT

We believe in being a **good neighbor**.

One of our company's core values represents our commitment to giving back:

*"With an unyielding commitment to integrity, quality, and compliance, we will embrace a strong **commitment to community citizenship... sharing with those in need** our time and our resources."*

In 2004 Albertsons, along with our associates, customers, and vendor partners, gave \$82 million in cash and in-kind donations, providing valuable resources to neighbors in need both at home and abroad.

At Albertsons, charitable giving in 2004 was focused on hunger relief, youth and education, and health and nutrition—all critical elements of a thriving community. Here are highlights of the company's 2004 charitable efforts:

A Su Salud/To Your Health The company's health-fair program, A Su Salud (To Your Health), was honored with the Neighborhood Partnership Award from the Food Marketing Institute. The program, which began in 2002, provides free diagnostic screenings and low-cost follow-up care. Albertsons sponsored 280 health fairs in five markets (Los Angeles, San Diego, Las Vegas, Kansas City, and Indianapolis) in 2004, conducting more than 1.8 million health screenings. These screenings generated more than 75,000 free doctor consultations and more than 35,000 follow-up medical visits at minimal cost, helping thousands of people identify threats to their health and begin appropriate treatment.

Community Partners Card Program Albertsons gave back more than \$15.5 million to our communities across America through the Community Partners Card Program, a partnership between Albertsons and schools (preschool-12), churches, and non-profit organizations directly benefiting youth. Albertsons donates back to participating organizations a percentage of purchases made by the supporters of those organizations.

CORUS Associates donated more than 1,000,000 volunteer hours throughout the year to a wide variety of community organizations through the associate volunteer program, CORUS. Thousands of volunteers

donated their time on Saturday, October 24, 2004, logging over 11,000 volunteer hours at more than 50 non-profit organizations across the country as part of the company's first annual "Day of Caring."

Food Donations The company donated more than 25 million pounds of food and household goods to food banks and other hunger-relief programs.

Fresh Rescue Program Albertsons became the first major retailer to launch a "fresh rescue" program, which puts limited-shelf-life products to use at local food banks affiliated with America's Second Harvest, the nation's largest hunger-relief organization. Altogether, the company donated over \$100,000 to the effort last year.

Holiday Food Drive More than 200,000 associates and customers demonstrated exceptional generosity over the holidays during the largest nationwide food drive in the company's history.

Hurricane Relief To help repair the damage caused in Florida by four hurricanes, Albertsons donated \$100,000 to the Red Cross Disaster Relief Fund, and held a canister campaign in our stores that raised another \$400,000.

Muscular Dystrophy Association (MDA) The company continued its support of the MDA through a variety of fund-raisers, from in-store events to golf tournaments. Albertsons presented a \$3.5 million check to Jerry Lewis during the 2004 MDA telethon.

School Tours Albertsons launched the "Healthy Eaters" school tour program to promote healthy eating habits among schoolchildren. During fun and informative "Healthy Eaters" field trips, students learn how to create balanced and healthy meals and get to sample nutritious snacks from our stores.

Tsunami Relief Customer, associate, and corporate contributions raised \$1.2 million for the American Red Cross to assist families affected by the catastrophe in Southeast Asia.

United Way In conjunction with our associates, Albertsons donated over \$3.6 million to United Way organizations nationwide—leveraging the power of pooling resources with a knowledgeable community partner.



ENVIRONMENTAL & ENERGY MANAGEMENT INITIATIVES

We act **responsibly** toward the environment.

From providing convenient plastic-bag recycling centers in our stores to implementing technology solutions that help achieve our regulatory compliance objectives, dedicated Environmental Affairs and Energy Management teams aggressively identify and support business initiatives with our environment in mind. For example, during 2004:

- The company achieved considerable reductions in energy consumption in our stores and distribution centers, undertaking nearly 450 lighting upgrades and other energy management projects. These projects not only reduce utility costs but also benefit the environment through significant carbon dioxide emission reductions.
- Supply chain improvements benefited the environment through increased transportation efficiencies and responsible sourcing with our vendor partners.
- We introduced new technology to enable real-time monitoring of refrigerant use throughout our network of stores, and we continued to use remote monitoring systems to ensure underground storage tank compliance in our fuel centers.
- We continued to evaluate and expand our recycling programs and other waste reduction measures through the use of technology improvements and sustainable packaging alternatives.

Awards

Albertsons continues to earn national recognition for our environmental and energy management initiatives. In 2004 the company received EPA Energy Star Awards for several grocery stores in Southern California, where new building designs and improved construction standards led to energy efficiencies that exceed general industry standards.

Albertsons was also honored as a finalist for the University of Colorado Leeds School of Business's

inaugural Summit Award—an award that recognizes companies for operations that benefit the environment while maximizing financial performance for shareholders.

Key Programs

We proudly demonstrate our commitment to preserving and protecting our environment through the following core programs and initiatives:

Climate Change and Emission Reduction

Albertsons perceives climate change, as it relates to global warming, to be a very real potential risk to the environment, which ultimately could affect the company, our customers, and the communities we serve. To further support our emission reduction measures, we continued our program to quantify, claim, and trade Greenhouse Gas Emission Reduction Credits (ERCs).

Energy Conservation We reduced electricity consumption in many of our existing facilities by incorporating energy-control technologies such as lighting retrofits, anti-sweat heaters, and electronic motion sensors to turn off unused equipment. Examples of new-store designs to reduce electricity consumption and help the environment include skylights, improved refrigeration systems, and the use of non-ozone-depleting refrigerants and high-efficiency display cases. Energy management systems are periodically recommissioned to help ensure optimal performance.

Environmental Stewardship Council Formed in 2004, the council represents all areas of the organization, and its members meet regularly to review projects, exchange ideas, and take a leadership role in promoting environmental awareness throughout the company.

Fuel Centers To minimize environmental risk, underground storage tank (UST) systems at our fuel centers are constructed using state-of-the-art components. Fuel tanks and lines are double-walled and the system is monitored continuously via electronic sensors. Systems in urban areas are equipped with Stage II vapor recovery systems, which



ENVIRONMENTAL & ENERGY MANAGEMENT INITIATIVES

reduce volatile emissions and improve air quality. Third-party industry experts are retained to oversee installations, help monitor our fueling systems, and complete inspection and testing services.

Green Building Practices Albertsons architects and engineers are hard at work designing new stores that not only please our customers but also meet or exceed industry standards for energy efficiency and resource conservation. As a member of the U.S. Green Building Council, Albertsons has incorporated many LEED (Leadership in Energy and Environmental Design) guidelines into new building criteria. Improved lighting and refrigeration systems, water saving fixtures, and skylights are just some of the improvements that Albertsons considers when building or remodeling stores, distribution centers, and office facilities. In addition, Albertsons legal, environmental, architectural and construction teams often partner to acquire and redevelop contaminated properties and put them back into productive use.

Recycling Our stores and distribution centers recycled over 300,000 tons of materials in 2004.

In 2004, Albertsons recycled:

- Shelf-stable products (9,400 tons)
- Plastic, including used grocery bags (6,400 tons)
- Cardboard (285,500 tons)
- Scrap metal (1,000 tons)
- Single-use camera bodies (1,200 tons)

We also demonstrate responsible electronic and computer equipment disposal management by shipping obsolete equipment and parts to recyclers with "zero landfill" policies. If the equipment cannot be sold for reuse, it is scavenged for recyclable parts to promote resource conservation while minimizing potential future liability.

Sustainable Packaging Albertsons continues to provide a leadership role and drive change in food retailing package improvements. As a member of the recently formed Sustainable Packaging Coalition (SPC), we continued to work directly with container and coating manufacturers and suppliers to monitor alternative recyclable packaging developments

applicable to the company's operations. Many of our suppliers now provide bulk produce, seafood, and poultry products in non-waxed (recyclable) cardboard boxes—a big shift from traditional practices using non-recyclable containers. In 2004 Albertsons introduced a new 100% recyclable bakery box, which is made with a special coating and a see-through window. In addition, most of the packaging for Our Own Brand products use paper made from 100% recycled paperboard, which can be recycled curbside by our customers.

In summary, we believe all of our environmental and energy management programs can generate savings in operating costs, encourage resource conservation, improve asset management practices, and even yield revenues through recycling or emissions reduction credit programs. We are committed to implementing daily operational practices that will benefit the company, the environment, and the customers we serve.



OUR PEOPLE

We are a team of 240,000
energized associates
working hard to make life easier
for our customers.

Customer Service

At Albertsons we know how much a friendly and easy shopping experience means to customers, and providing exceptional service is a passion among our 240,000 associates. We used the following tools in 2004 to improve our service levels and recognize associates who delivered extraordinary service to customers.

Service Challenge Our second annual companywide checker/courtesy clerk Service Challenge competition featured ten grocery teams and seven drug store associates competing in Las Vegas for the coveted customer service title. Demonstrating their superior service skills, associates **Jeremy Butler** and **Rebecca Stuhlmiller** from Albertsons in Spokane, Washington, captured the first place title in the food store competition, and **Diane Crawford** from Sav-on in Placentia, California, won the drugstore competition.



Checker/courtesy clerk duo Jeremy Butler (above) and Rebecca Stuhlmiller (above right) earned first-place honors in the food store category at Albertsons annual Service Challenge. Diane Crawford (right) won the title for the drugstore category.



Service First, Second to None This highly successful and comprehensive audit program measures execution of customer service behaviors in our stores. Service levels rose in drugstores from 95.1 percent at the end of 2003 to 95.9 percent at the end of 2004. In food stores, service levels rose from 92.9 percent to 93.6 percent.

Store of the Year In its second year, the company's Store of the Year contest identified outstanding performance among our food stores and drugstores, rewarding winning teams with cash prizes and companywide recognition.

Voice of the Customer In 2004 we launched this program to increase customer feedback. The program features a new in-store customer satisfaction survey with access numbers distributed randomly on register receipts. Approximately 85,000 customers replied to our in-store satisfaction surveys each quarter last year. The information gathered from these surveys, along with data from 10,000 e-mails and 75,000 calls to our newly formed Customer Interaction Center, has helped us better align products and services with customer needs.

Energized Associates

From recruiting and retaining to mentoring and developing high-potential, diverse associates, we work hard to maintain a passionate and energetic team. Here are some of the company programs that help us energize our associates:

Associate Advantage Albertsons associates are offered an "Associate Advantage" discount every time they shop at one of our company's stores. An additional discount is offered to associates on Our Own Brand products.

Competitive Compensation A dynamic, performance-based pay program was recently developed and implemented for all non-union associates. The performance-based pay philosophy, which rewards associates for achieving business goals, is at the heart of the compensation program.



OUR PEOPLE

Comprehensive Benefit Choices The Albertsons benefits program, *Choices*, offers associates exactly that—choices! Associates can choose the medical, dental, and life insurance plans that best fit their needs, and they enroll online. Albertsons also offers associates two flexible spending accounts—for health care and dependent day care—that provide the opportunity to set aside money on a tax-free basis for these expenses. Albertsons also offers a wide variety of voluntary benefits such as homeowners insurance, auto insurance, pet insurance, limited medical plans, long-term-care insurance, and preferred home mortgage loans.

Educational Opportunities To foster a culture of lifelong learning, we developed and introduced a retail and leadership curriculum in 2004 to help associates actively set and pursue clear learning goals throughout their careers. The curriculum is filled with learning experiences that happen outside a traditional classroom and in an environment of action science, where associates focus on their own actions and behaviors to achieve objectives.

It's a blended approach that includes e-learning, peer group dialogue, mentoring, interactive workshops, external development opportunities, and university-sponsored events. The curriculum has tracks for entry-level associates through executive-level leaders.

Employee Assistance Program/Child-care Discounts Albertsons provides an Employee Assistance Program (EAP) to associates who are eligible for company-sponsored health and welfare plans. In addition to providing child-care and elder-care referral services, counseling, financial planning assistance, and access to discounted legal services, Albertsons EAP provider, VMC Connect, introduced a new child-care discount program to all associates. This program offers discounted tuition, registration-fee waivers, and discounts for siblings at over 8,000 child-care centers nationwide.

Retirement Package Now in its 66th year, Albertsons Savings and Retirement Estates (ASRE) has been recognized as one of the premier retirement benefit plans in the country. For 2004 Albertsons

contributed \$138 million to participants' accounts. This company contribution was made through a profit-sharing contribution of 4 percent of pay, and for participants who elected to contribute a portion of their salary to their ASRE accounts, a company matching contribution of 45 percent (applied to the first 6 percent of eligible pay contributed by the participant).

Robust Communication From companywide CEO messages and division-level broadcasts and newsletters to annual division communication meetings, we are committed to open and honest communication. We use technologies like e-mail, satellite broadcasts, video conferencing, online surveys, and virtual classroom settings to help our associates get the information they need when they need it.

Successful Life Course More than 7,000 leaders in our company have now attended the Successful Life Course led by well-known motivational speaker Ed Foreman. This three-day program focuses on the principles of positive attitudes and positive leadership.

Unicru Hiring System Focused on positive, service-oriented attitudes, this interactive recruitment system has proven highly effective in delivering a strong pool of talented, diverse job candidates. The system has been adapted for recruiting needs across the company and is in place in all 2,500 stores.

Diversity

As with any great company, Albertsons values, encourages, and respects the diverse ideas, experiences, and contributions of our associates—believing that diversity is at the core of our ability to grow and become the best employer and best retailer in the world.

Albertsons Diversity Leadership Council (DLC), established in 2002, ensures that diversity is reflected in our daily business. Company leaders involved in the DLC represent all areas of the business and are committed to integrating diversity initiatives throughout the organization.



OUR PEOPLE

Guided by Albertsons diversity mission statement, the company's diversity initiatives will always:

Provide innovative solutions to serve its diverse customer base more effectively.

Recognize that properly serving a diverse customer base better than anyone in the industry helps Albertsons create market share and build earnings.

Strive to build an energetic and productive environment where diverse associates, customers, and vendors are treated with courtesy, dignity, and respect.

Support a mentoring and learning environment for all associates that helps drive career growth and leadership opportunities at all levels in the organization.

In 2004 Albertsons continued to strengthen its commitment to diversity through:

Affinity Groups Affinity groups (also called employee network groups) are an important part of the company's diversity strategy. Affinity groups support the attainment of company goals in areas such as recruitment, promotion, retention, and community outreach; provide a support system and positive forum for professional and personal development; and participate in marketing activities to drive sales.

Three new affinity groups were formed in 2004, bringing the company's total to 33. Most affinity groups are started by a small group of associates who have a similar race, ethnicity, gender, or interest. Albertsons has affinity groups representing African Americans, Asians, Hispanics, and women.

Diversity Training Approximately 2,000 store directors and management associates completed diversity training through a program designed to develop leaders who can effectively manage and inspire a diverse workforce.

Supplier Diversity Albertsons Supplier Diversity Program helps the company identify and build strong relationships with successful businesses that are owned and operated by minorities or women. In 2004 Albertsons launched a Web site that enables interested suppliers to contact the company directly.



COMPANY HISTORY

- 1860** Shaw's founder George C. Shaw opens his first store in Portland, Maine.
- 1891** Acme founders Samuel Robinson and Robert Crawford open first Acme Market in south Philadelphia.
- 1899** Frank Ross and Frank Skiff begin Jewel as a company of door-to-door salesmen selling tea and coffee from the back of horse-drawn wagons.
- 1915** Samuel M. Skaggs opens the first Skaggs Cash Store.
- 1917** Acme merges with four Philadelphia grocery stores to form American Stores Company.
- 1931** Charles Crouch, Lucky Stores founder, and four investors purchase six stores on the San Francisco peninsula—Peninsula Stores, Ltd.
- 1932** Jewel purchases a chain of 77 stores, creating Jewel Food Stores.
L.J. Skaggs opens the first self-service drug store in Tacoma, Washington, under the Pay Less Drug name.
- 1935** Peninsula Stores, Ltd., changes its name to Lucky Stores
- 1937** L.L. Skaggs and Harold Finch found Payless Drug—eventually Osco Drug—in Rochester, Minnesota.
- 1939** Joe Albertson enters into partnership with L.S. Skaggs and Tom Cuthbert, Mr. Skaggs' accountant, and opens his first Albertsons store in Boise, Idaho.
Skaggs' family purchases four drug stores in Utah, Idaho, and Montana.
- 1942** Owners Service Company forms from the dissolved Payless Drug operation, and new Osco Drug stores open.
- 1945** C.J. Call and Ira Brown open first Sav-on drugs store in San Bernardino, California.
- 1948** Pay Less Drug changes name to Skaggs Drug Store.
- 1951** Albertsons opens first combination food and drug store, a 60,000-square-foot superstore.
- 1956** Lucky acquires 48 stores in Southern California, doubling the size of the chain.
- 1957** Albertsons begins incorporating drug stores in the new Albertsons Food Centers with the purchase of Sugarhouse Drug in Salt Lake City.
Jewel and Eisner Food of Champaign, Illinois, merge.
- 1959** Albertsons becomes a public entity and begins selling shares over the counter.
- 1961** Jewel forms a partnership with Osco Drug for combination food and drug stores.
- 1962** Jewel acquires Turnstyle department stores.
- 1964** Albertsons acquires Greater All-American Markets.
- 1965** Skaggs Drug Stores incorporates under the name Skaggs Drug Centers, Inc.





COMPANY HISTORY

- 1966** Jewel acquires Buttrey Food and Drug Stores in Montana.
- 1968** Lucky Stores acquires Illinois-based Eagle Stores, establishing a national presence.
- 1970** Albertsons is listed on the New York Stock Exchange as ABS.
Albertsons/Skaggs partner to open Skaggs-Albertsons combination food and drug stores.
- 1977** Albertsons/Skaggs partnership dissolves amicably. Jointly held assets are evenly divided.
- 1978** Albertsons builds Boise General Office.
Albertsons acquires Fazio Stores from Fisher Foods.
- 1979** Skaggs Drug Centers, Inc., acquires American Stores Company and adopts the American Stores Company name; company headquarters moves to Salt Lake City, Utah.
- 1980** Jewel Companies, Inc. acquires Sav-on drugs.
- 1984** American Stores Company acquires Jewel Companies, Inc.
- 1988** American Stores Company acquires Lucky Stores, Inc.
- 1992** Albertsons purchases 74 Jewel-Osco combination food and drug stores from American Stores Company.
- 1998** Albertsons acquires Seessel's, Smitty's, Buttrey's, and certain Bruno's stores.
- 1999** Albertsons and American Stores Company merge. Lucky Stores name is changed to Albertsons.
- 2001** Larry Johnston joins Albertsons as Chairman of the Board and Chief Executive Officer. Restructuring begins.
- 2002** The New Albertsons continues restructuring to create a more efficient company. Company completes market exists in Houston, Nashville, Memphis, and San Antonio markets; sells Houston and Tulsa distribution centers.
- 2004** Albertsons acquires over 200 Shaw's and Star Market stores in New England, and acquires the specialty chain of Bristol Farms, which consists of 11 stores in Southern California.
Albertsons creates a new price-impact format, independently operated by subsidiary Extreme Inc., and exits the Omaha and New Orleans markets.





2004 HEADLINES

With significant restructuring, two major acquisitions, and an unparalleled commitment to diversity, Albertsons continued to earn attention from national media in 2004.

“A Shot at the Crown”

Baseline, February 2004

“Tough Scrub”

Executive Technology, March 2004

“Grocer Rings up Shaw’s”

Boston Herald, March 27, 2004

“Albertsons Buying Shaw’s, New England Grocery Chain”

The New York Times, March 27, 2004

“At Albertsons, U-scan While U-shop”

The Dallas Morning News, March 29, 2004

“Grocery Shopping Enters a New Age”

The Wall Street Journal, March 30, 2004

“Top of the Food Chain”

Fortune, April 5, 2004

“Convenience Modernizes Traditional Passovers”

Supermarket News, April 5, 2004

“Albertsons to Close all of its Stores in New Orleans”

The New York Times, April 17, 2004

“Six Sigma Process Bodes Well for Center Store”

Supermarket News, May 3, 2004

“Supermarket Smackdown”

Time, May 3, 2004

“The Low-Carb Frenzy”

Time, May 3, 2004

“Keyboard to Fridge”

May 15, 2004

“After Flashy Failures, Internet Grocery Quietly Grows to \$2.4 Billion Industry”

Associated Press, May 17, 2004

“Scanning the Globe”

Fortune, June 2004

“Executives Address Workforce ‘Jerk Factor’”

Supermarket News, July 5, 2004

“People Watching: Groceries With a Click”

Money, July 2004

“Albertsons: A Tasty Bite”

BusinessWeek, August 9, 2004

“Albertsons Gets Extreme”

Supermarket News, August 9, 2004

“Who’s That Knocking on Boardroom Doors (and Getting In)?”

The New York Times, August 29, 2004

“Albertsons Woos Ethnic Consumers”

Food Retailing Today, September 6, 2004

“Nuns on the Run for Charity at Albertsons”

Supermarket News, September 13, 2004



2004 HEADLINES

“Albertsons Sees Pharmacy Opportunities in Shaw’s Buy”

Supermarket News, September 13, 2004

“Gannon to Build Albertsons Brand”

Supermarket News, September 20, 2004

“Albertsons Moves Upscale With Bristol Farms Purchase”

Los Angeles Times, September 22, 2004

“Albertsons Bites Into Gourmet Market With Bristol Farms Buy”

Supermarket News, September 27, 2004

“The Latin Influence”

Progressive Grocer, October 15, 2004

“Board Diversity in Aisle Three”

Directorship, November 2004

“Why Women Are Now the Majority on Albertson’s Board”

Board Alert, November 2004

“Tested in Translation”

New York Times, November 14, 2004

“Making Diversity a Profitable Reality”

Chief Executive, December 2004

“Fight for Survival in the Aisles”

Financial Times, December 15, 2004

“Albertsons Leads the Way for Women”

Idaho Statesman, January 16, 2005

“Albertsons’ Fresh Rescue”

Supermarket News, January 17, 2005

“The Jack Welch of the Meat Aisle”

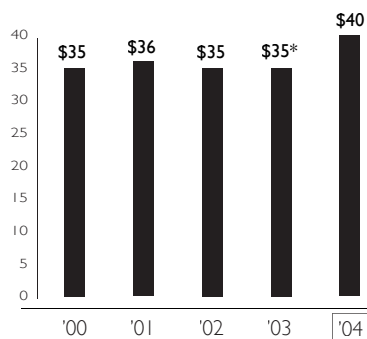
BusinessWeek, January 25, 2005



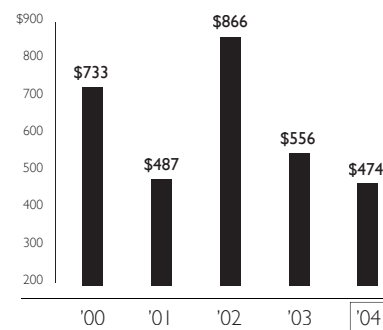
FINANCIAL INFORMATION

Five-Year Trends Income Statement

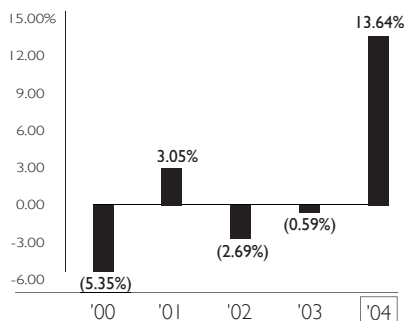
Sales
(dollars in billions)



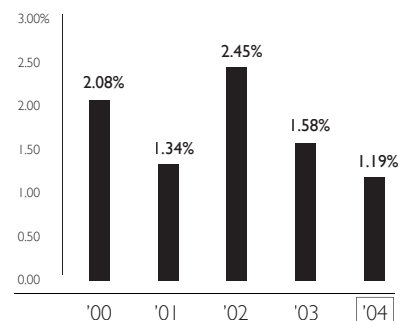
**Earnings from
Continuing Operations**
(dollars in millions)



**Sales % Increase
(Decrease)**



**Earnings From Continuing
Operations as a % to Sales**



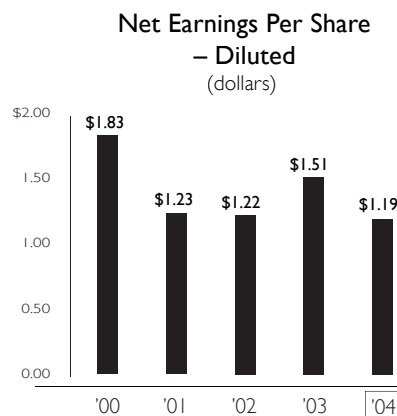
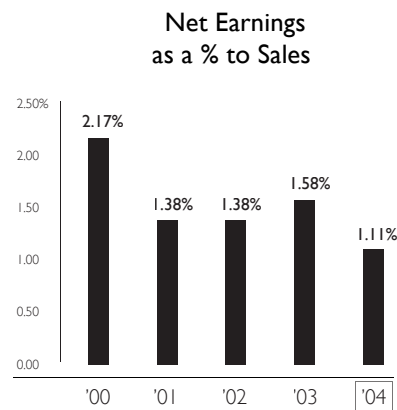
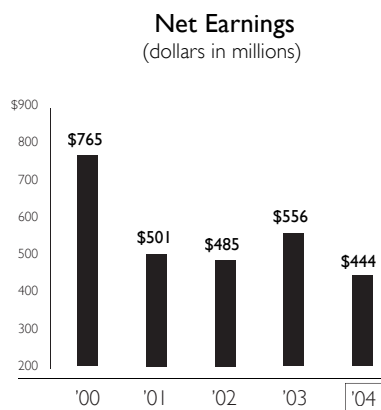
- Certain reclassifications have been made in prior years to conform to classifications used in the current year.
- Fiscal years 1999 and 2004 were 53-week years.

* It is estimated that the Southern California labor dispute negatively impacted total sales by over \$800 million in 2003.



FINANCIAL INFORMATION

Five-Year Trends Income Statement (Cont'd)



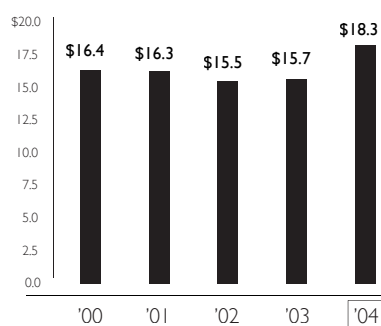
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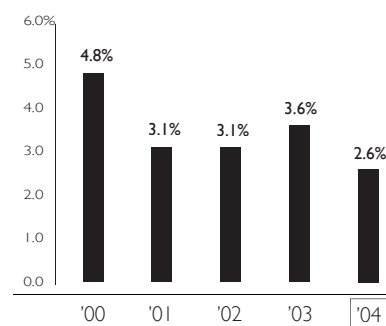
FINANCIAL INFORMATION

Five-Year Trends Balance Sheet

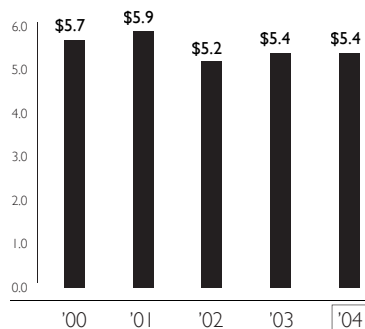
Total Assets
(dollars in billions)



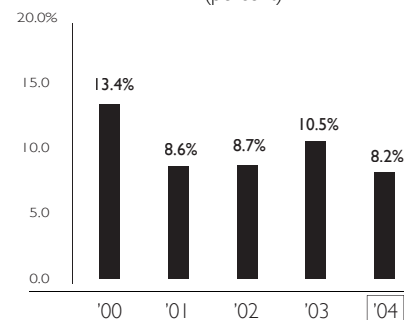
Return on Average Assets
(percent)



Stockholders' Equity
(dollars in billions)



**Return on Average
Stockholders' Equity**
(percent)



- Certain reclassifications have been made in prior years to conform to classifications used in the current year.
- Balance sheet amounts are as of the fiscal year end.



FINANCIAL INFORMATION

Three-Year Quarterly Statistics

(dollars in millions except per share amounts)

	First	Second	Third	Fourth
SALES				
2004	\$ 8,633	\$ 10,191	\$ 9,995	\$ 11,078
2003*	8,854	8,971	8,715	8,567
2002	8,846	8,863	8,582	9,025
SALES INCREASE (DECREASE) OVER PRIOR YEAR				
2004	(2.50%)	13.60%	14.68%	29.32%
2003	0.11	1.21	1.55	(5.08)
2002	(0.79)	(3.21)	(4.22)	(2.55)
GROSS PROFIT				
2004	\$ 2,434	\$ 2,879	\$ 2,792	\$ 3,081
2003	2,525	2,634	2,504	2,383
2002	2,603	2,611	2,511	2,575
GROSS MARGIN				
2004	28.19%	28.25%	27.93%	27.82%
2003	28.51	29.36	28.74	27.82
2002	29.43	29.45	29.26	28.53
OPERATING PROFIT				
2004	\$ 192	\$ 332	\$ 281	\$ 422
2003	383	369	254	312
2002	486	519	385	426
OPERATING MARGIN				
2004	2.23%	3.26%	2.81%	3.81%
2003	4.33	4.11	2.91	3.65
2002	5.49	5.86	4.49	4.72
EARNINGS FROM CONTINUING OPERATIONS				
2004	\$ 56	\$ 125	\$ 107	\$ 186
2003	173	162	91	130
2002	231	245	190	201
EARNINGS FROM CONTINUING OPERATIONS AS % TO SALES				
2004	0.65%	1.23%	1.07%	1.68%
2003	1.95	1.81	1.05	1.51
2002	2.61	2.77	2.21	2.22

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

* It is estimated that the Southern California labor dispute negatively impacted total sales by over \$800 million in 2003.



FINANCIAL INFORMATION

Three-Year Quarterly Statistics (Cont'd)

(dollars in millions except per share amounts)

	First	Second	Third	Fourth
NET EARNINGS				
2004	\$ 36	\$ 104	\$ 110	\$ 194
2003	172	162	92	130
2002	(165)	258	187	206
NET EARNINGS PERCENT TO SALES				
2004	0.42%	1.02%	1.10%	1.76%
2003	1.94	1.82	1.05	1.52
2002	(1.87)	2.91	2.18	2.28
EARNINGS PER SHARE - DILUTED				
2004	\$ 0.10	\$ 0.28	\$ 0.29	\$ 0.52
2003	0.47	0.44	0.25	0.35
2002	(0.40)	0.63	0.47	0.54
LIFO CHARGES (CREDITS) BEFORE INCOME TAXES				
2004	6	1	3	(2)
2003	4	4	4	(25)
2002	5	5	0	(12)

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



FINANCIAL INFORMATION

Three-Year Annual Statistics

(dollars in millions except per share amounts)

YEAR	SALES	% INCREASE (DECREASE)	GROSS PROFIT	GROSS MARGIN	S, G & A EXPENSES	S, G & A EXPENSES % TO SALES	NET CASH PROVIDED BY OP ACTIVITIES
2004	\$39,897	13.64%	\$ 11,186	28.04%	\$ 9,969	24.99	\$ 2,100
2003	35,107**	(0.59)	10,046	28.62	8,738	24.89	1,526
2002	35,316	(2.69)	10,300	29.16	8,521	24.13	1,984

YEAR	OPERATING PROFIT	OPERATING MARGIN	EARNINGS BEFORE INCOME TAXES	INCOME TAX EXPENSE	EFFECTIVE TAX RATE	NET EARNINGS	NET EARNINGS % TO SALES
2004	\$ 1,227	3.08%	\$ 728	\$ 254	34.89%	\$ 444	1.11%
2003	1,318	3.76	906	350	38.63	556	1.58
2002	1,816	5.14	1,404	538	38.32	485	1.38

YEAR	NET EARNINGS % INCREASE (DECREASE)	DEPRECIATION & AMORTIZATION	RENT EXPENSE OPERATING LEASES	INTEREST EXPENSE LONG-TERM DEBT	INTEREST EXPENSE CAPITALIZED LEASES	LIFO CHARGE (CREDIT) BEFORE INCOME TAXES	EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (FIFO BASIS)*
2004	(20.1%)	\$ 1,101	\$ 424	\$ 416	\$ 77	\$ 8	\$ 2,307
2003	14.6	969	365	374	36	(13)	2,271
2002	(3.2)	943	372	377	35	(2)	2,360

- Certain reclassifications have been made in prior years to conform to classifications used in the current year.
- Fiscal 2004 was a 53-week year.

* See reconciliations in footnotes on page 35.

** It is estimated that the Southern California labor dispute negatively impacted total sales by over \$800 million in 2003.



FINANCIAL INFORMATION

Three-Year Annual Statistics (Cont'd)

(dollars in millions except per share amounts)

	EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION % OF SALES (FIFO BASIS)*	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL**	LAND, BUILDINGS & EQUIPMENT, NET	TOTAL ASSETS	INVENTORIES (LIFO)
2004	5.78%	\$ 4,295	\$ 4,085	\$ 210	\$ 10,472	\$ 18,311	\$ 3,119
2003	6.47	4,633	3,903	730	9,146	15,666	3,035
2002	6.68	4,495	3,676	819	9,029	15,477	2,973

YEAR	CAPITAL EXPENDITURES (INCLUDING OPERATING LEASES)	CURRENT & LONG-TERM DEBT	STOCKHOLDERS' EQUITY	TOTAL DEBT INCLUDING CAPITAL LEASES*	TOTAL DEBT TO SHAREHOLDERS EQUITY RATIO*	TOTAL CAPITAL*	NUMBER OF SHARES OUTSTANDING (000'S)
2004	\$ 1,293	\$ 6,006	5,421	\$ 6,887	127.0%	12,308	368
2003	1,276	4,958	5,381	5,324	98.9	10,705	368
2002	1,584	5,055	5,197	5,376	103.4	10,573	372

YEAR	NET EARNINGS PER SHARE - DILUTED	CASH DIVIDENDS PER SHARE	TOTAL CASH DIVIDENDS	PRICE RANGE OF STOCK (NYSE)	FISCAL YEAR END STOCK PRICE	FISCAL YEAR END P/E RATIO	NUMBER OF STORES
2004	\$ 1.19	\$ 0.76	\$ 279	27.75 - 21.57	23.36	19.6	2,503
2003	1.51	0.76	279	24.19 - 17.76	24.14	16.0	2,305
2002	1.22	0.76	306	35.49 - 18.85	20.92	17.1	2,287

Sarbanes-Oxley

Albertsons has complied with the requirements of Sarbanes-Oxley Section 404. Our Internal Controls over Financial Reporting have been documented, assessed and were operating effectively as of our fiscal year end, February 3, 2005. Management's Annual Report on Internal Control over Financial Reporting is included in our 2004 10-K. The company has implemented a self-sustaining process to ensure ongoing compliance with Sarbanes-Oxley Section 404.

- Fiscal 2004 was a 53-week year.

* See reconciliations in footnotes on page 35.

** Working capital equals current assets minus current liabilities.



FINANCIAL INFORMATION

Footnotes

(dollars in millions)

Total Debt Reconciliation	2002	2003	2004
Current Capital Lease Obligations	14	14	24
Long-term Capital Lease Obligations	307	352	857
Current & Long-term Capital Lease Obligations	321	366	881
Current Debt	105	506	214
Long-term Debt	4,950	4,452	5,792
Current & Long-term Debt	5,055	4,958	6,006
Current & Long-term Capital Leases	321	366	881
Current & Long-term Debt	5,055	4,958	6,006
Total Long Term Debt	5,376	5,324	6,887

Total Capital Reconciliation	2002	2003	2004
Total Stockholders' Equity	5,197	5,381	5,421
Total Debt	5,376	5,324	6,887
Total Capital	10,573	10,705	12,308

Debt to Stockholders' Equity Reconciliation	2002	2003	2004
Total Stockholders' Equity	5,197	5,381	5,421
Total Debt	5,376	5,324	6,887
Total Debt to Stockholders' Equity Ratio	103.4%	98.9%	127.0%

EBITDA Reconciliation	2002	2003	2004
Sales	\$35,316	\$35,107	\$39,897
Net Earnings	485	556	444
Income Taxes	538	350	254
Interest Expense, Net	396	409	500
Depreciation & Amortization	943	969	1,101
EBITDA without adjustments for LIFO	2,362	2,284	2,299
% to Sales	6.69%	6.51%	5.76%
LIFO	(2)	(13)	8
EBITDA adjusted for FIFO	2,360	2,271	2,307
% to Sales	6.68%	6.47%	5.78%



FINANCIAL INFORMATION

Forward-Looking Information

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

All statements other than statements of historical fact contained in this and other documents disseminated by the Company, including statements regarding the Company's expected financial performance, are forward-looking information as defined in the Private Securities Litigation Reform Act of 1995. In reviewing such information about the future performance of the Company, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information since predictions regarding future results of operations and other future events are subject to inherent uncertainties. These statements may relate to, among other things: statements of expectation regarding the results of operations had the labor dispute in southern California not occurred; achieving sales increases and increases in comparable and identical sales; attainment of cost reduction goals; competing effectively; and the Company's five strategic imperatives. These statements are indicated by words or phrases such as "expects," "plans," "believes," "estimate," and "goal". In reviewing such information about the future performance of the Company, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information.

Important assumptions and other important factors that could cause actual results to differ materially from those set forth in the forward-looking information include changes in consumer spending; actions taken by new or existing competitors (including nontraditional competitors), particularly those intended to improve their market share (such as pricing and promotional activities); labor negotiations; adverse determinations with respect to, or the need to increase reserves for litigation or other claims (including environmental matters); financial difficulties experienced by third-party insurance providers; employee benefit costs; the Company's ability to recruit, retain and develop employees; the Company's ability to develop new stores or complete remodels as rapidly as planned; the Company's ability to implement new technology successfully; stability of product costs; the Company's ability to integrate the operations of and realize synergies from acquired or merged companies, including Shaw's; the Company's ability to execute its restructuring plans; the Company's ability to achieve its five strategic imperatives; and other factors affecting the Company's business in or beyond the Company's control. These other factors include changes in the rate of inflation; changes in state or federal legislation or regulation; the cost and stability of energy sources; the continued safety of the products the Company sells; changes in the general economy; changes in interest rates; and the occurrence of natural disasters.

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

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CORPORATE GOVERNANCE

The business and affairs of Albertsons are managed under the direction of the Board of Directors. The Board monitors the overall performance of the Company and oversees strategic planning, including the Company's capital expenditures budget. The Board also monitors the Company's financial controls.

As of June 2004, the Board of Directors was made up of 11 members (10 "independent" directors and one Albertsons employee). For a director to be considered independent, the Board must consider the independence requirements set forth in the Albertsons Categorical Independence Standards for Directors, the rules of the New York Stock Exchange and applicable law. Our categorical standards are published on our Web site at www.albertsons.com/governance.

The Board has four standing committees: the Audit / Finance Committee, the Management Development / Compensation Committee, the Executive Committee and the Nominating / Corporate Governance Committee. A description of the membership and functions of the committees can be found on our Web site at www.albertsons.com/governance.

Corporate Governance Guidelines

Our Board's Corporate Governance Guidelines assist the Board in the exercise of its responsibilities. The Guidelines reflect the Board's commitment to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing shareholder value over the long term. The Guidelines address such matters as Board responsibility and composition, Board meetings, committee matters and leadership development. The Corporate Governance Guidelines are published on our Web site at www.albertsons.com/governance.

Code of Conduct

All directors, officers and employees of Albertsons are held to the highest standards of ethical and legal conduct. Each year the Chief Executive Officer and senior financial officers agree, in writing, to be bound by the Code of Business Conduct published on our Web site at www.albertsons.com/governance. The code of business conduct and ethics applicable to all directors, officers and employees can also be found on the governance section of our Web site.

Communications with the Board

The Board believes in facilitating open communications between the shareholders and the Board. Shareholders who wish to communicate with the Board of Directors, the Lead Director, or other specified individual directors may do so through the procedures published on our Web site at www.albertsons.com/governance.



GLOBAL REPORTING INITIATIVE (GRI) GUIDELINES INDEX*

GRI INDICATOR	DESCRIPTION	SECTION(S)
1.2	CEO STATEMENT	WELCOME
2.1	ENTITY NAME	CORPORATE OVERVIEW
2.2	MAJOR PRODUCTS/SERVICES	RETAIL FORMATS
2.4	DIVISIONAL DESCRIPTIONS	RETAIL LOCATIONS BY DIVISION
2.5	OPERATING COUNTRIES	CORPORATE OVERVIEW
2.6	OWNERSHIP AND STRUCTURE	CORPORATE OVERVIEW
2.7	MARKETS SERVED	OPERATIONS
2.8	OPERATIONAL BREADTH	OPERATIONS FINANCIAL INFORMATION
2.10	CONTACT INFORMATION	CORPORATE OVERVIEW
2.11	REPORTING PERIOD	FINANCIAL INFORMATION
2.20	INTERNAL ASSURANCE PROCESS	FINANCIAL INFORMATION
3.1	GOVERNANCE STRUCTURE	CORPORATE GOVERNANCE
3.2	DIRECTOR INDEPENDENCE	CORPORATE GOVERNANCE
3.7	MISSION AND VALUES STATEMENTS	COMPANY VALUES CORPORATE GOVERNANCE
3.8	SHAREHOLDER RECOMMENDATIONS	CORPORATE GOVERNANCE
3.16	UPSTREAM/DOWNSTREAM IMPACTS	ENVIRONMENTAL AND ENERGY MANAGEMENT INITIATIVES
4.1	GRI INDEX	GRI GUIDELINES INDEX
EC.10	COMMUNITY SERVICE	COMMUNITY INVOLVEMENT

* The Global Reporting Initiative (GRI) is a globally recognized process to develop and disseminate sustainability reporting guidelines.