

**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 June 18, 2022

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: 001-39350



Albertsons Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

47-4376911

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

250 Parkcenter Blvd.

Boise, Idaho 83706

(Address of principal executive offices and zip code)

(208) 395-6200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.01 par value	ACI	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	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 July 22, 2022, the registrant had 531,899,693 shares of Class A common stock, par value \$0.01 per share, outstanding.

Albertsons Companies, Inc. and Subsidiaries

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

	June 18, 2022	February 26, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,213.1	\$ 2,902.0
Receivables, net	565.3	560.6
Inventories, net	4,573.2	4,500.8
Other current assets	326.6	403.0
Total current assets	8,678.2	8,366.4
Property and equipment, net	9,069.9	9,349.6
Operating lease right-of-use assets	5,908.4	5,908.4
Intangible assets, net	2,309.6	2,285.0
Goodwill	1,201.0	1,201.0
Other assets	1,052.9	1,012.6
TOTAL ASSETS	\$ 28,220.0	\$ 28,123.0
LIABILITIES		
Current liabilities		
Accounts payable	\$ 3,970.3	\$ 4,236.8
Accrued salaries and wages	1,349.7	1,554.9
Current maturities of long-term debt and finance lease obligations	825.4	828.8
Current maturities of operating lease obligations	647.0	640.6
Other current liabilities	1,119.9	1,087.4
Total current liabilities	7,912.3	8,348.5
Long-term debt and finance lease obligations	7,121.2	7,136.3
Long-term operating lease obligations	5,497.2	5,419.9
Deferred income taxes	806.9	799.8
Other long-term liabilities	2,176.4	2,115.4
Commitments and contingencies		
Series A convertible preferred stock, \$0.01 par value; 1,750,000 shares authorized, 695,412 and 745,410 shares issued and outstanding as of June 18, 2022 and February 26, 2022, respectively	635.4	681.1
Series A-1 convertible preferred stock, \$0.01 par value; 1,410,000 shares authorized, no shares issued and outstanding as of June 18, 2022 and 653,776 shares issued and outstanding as of February 26, 2022	—	597.4
STOCKHOLDERS' EQUITY		
Undesignated preferred stock, \$0.01 par value; 96,840,000 shares authorized, no shares issued as of June 18, 2022 and February 26, 2022	—	—
Class A common stock, \$0.01 par value; 1,000,000,000 shares authorized, 590,384,128 and 587,904,283 shares issued as of June 18, 2022 and February 26, 2022, respectively	5.9	5.9
Class A-1 convertible common stock, \$0.01 par value; 150,000,000 shares authorized, no shares issued as of June 18, 2022 and February 26, 2022	—	—
Additional paid-in capital	1,998.2	2,032.2
Treasury stock, at cost, 58,776,088 and 99,640,065 shares held as of June 18, 2022 and February 26, 2022, respectively	(971.8)	(1,647.4)
Accumulated other comprehensive income	66.2	69.0
Retained earnings	2,972.1	2,564.9
Total stockholders' equity	4,070.6	3,024.6
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 28,220.0	\$ 28,123.0

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 Income
(in millions, except per share data)
(unaudited)

	16 weeks ended	
	June 18, 2022	June 19, 2021
Net sales and other revenue	\$ 23,310.3	\$ 21,269.4
Cost of sales	16,765.3	15,078.4
Gross margin	6,545.0	6,191.0
Selling and administrative expenses	5,864.3	5,503.6
(Gain) loss on property dispositions and impairment losses, net	(79.4)	0.3
Operating income	760.1	687.1
Interest expense, net	138.9	153.3
Other income, net	(6.3)	(43.5)
Income before income taxes	627.5	577.3
Income tax expense	143.3	132.5
Net income	\$ 484.2	\$ 444.8
Other comprehensive income (loss), net of tax		
Recognition of pension gain	0.2	0.1
Other	(3.0)	—
Other comprehensive (loss) income	\$ (2.8)	\$ 0.1
Comprehensive income	\$ 481.4	\$ 444.9
Net income per Class A common share		
Basic net income per Class A common share	\$ 0.86	\$ 0.80
Diluted net income per Class A common share	0.84	0.78
Weighted average Class A common shares outstanding (in millions)		
Basic	513.3	465.1
Diluted	576.3	571.4

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)

	16 weeks ended	
	June 18, 2022	June 19, 2021
Cash flows from operating activities:		
Net income	\$ 484.2	\$ 444.8
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss on property dispositions and impairment losses, net	(79.4)	0.3
Depreciation and amortization	547.7	504.2
Operating lease right-of-use assets amortization	198.8	189.3
LIFO expense	62.1	14.5
Deferred income tax	2.8	(17.9)
Contributions to pension and post-retirement benefit plans, net of (income) expense	(9.5)	(14.5)
Gain on interest rate swaps and energy hedges, net	(18.5)	(6.3)
Equity-based compensation expense	35.3	22.2
Other	25.2	(22.9)
Changes in operating assets and liabilities:		
Receivables, net	(5.4)	(74.7)
Inventories, net	(134.4)	14.8
Accounts payable, accrued salaries and wages and other accrued liabilities	(123.2)	(31.3)
Operating lease liabilities	(118.1)	(109.5)
Self-insurance assets and liabilities	24.5	27.5
Other operating assets and liabilities	99.8	118.5
Net cash provided by operating activities	991.9	1,059.0
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	—	(23.5)
Payments for property, equipment and intangibles, including payments for lease buyouts	(613.8)	(513.4)
Proceeds from sale of long-lived assets	71.8	15.2
Other investing activities	(9.4)	28.7
Net cash used in investing activities	(551.4)	(493.0)
Cash flows from financing activities:		
Payments on long-term borrowings	(0.1)	(0.3)
Payments of obligations under finance leases	(13.1)	(14.1)
Dividends paid on common stock	(63.0)	(46.5)
Dividends paid on convertible preferred stock	(22.8)	(29.5)
Employee tax withholding on vesting of restricted stock units	(37.3)	(10.0)
Other financing activities	6.8	(8.8)
Net cash used in financing activities	(129.5)	(109.2)
Net increase in cash and cash equivalents and restricted cash	311.0	456.8
Cash and cash equivalents and restricted cash at beginning of period	2,952.6	1,767.6
Cash and cash equivalents and restricted cash at end of period	\$ 3,263.6	\$ 2,224.4

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

Albertsons Companies, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(in millions, except share data)
(unaudited)

	Class A Common Stock		Additional paid in capital	Treasury Stock		Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
	Shares	Amount		Shares	Amount			
Balance as of February 26, 2022	587,904,283	\$ 5.9	\$ 2,032.2	99,640,065	\$ (1,647.4)	\$ 69.0	\$ 2,564.9	\$ 3,024.6
Equity-based compensation	—	—	35.3	—	—	—	—	35.3
Shares issued and employee tax withholding on vesting of restricted stock units	2,479,845	—	(37.3)	—	—	—	—	(37.3)
Convertible preferred stock conversions	—	—	(32.5)	(40,863,977)	675.6	—	—	643.1
Cash dividends declared on common stock (\$0.12 per common share)	—	—	—	—	—	—	(63.0)	(63.0)
Dividends accrued on convertible preferred stock	—	—	—	—	—	—	(13.7)	(13.7)
Net income	—	—	—	—	—	—	484.2	484.2
Other comprehensive loss, net of tax	—	—	—	—	—	(2.8)	—	(2.8)
Other activity	—	—	0.5	—	—	—	(0.3)	0.2
Balance as of June 18, 2022	<u>590,384,128</u>	<u>\$ 5.9</u>	<u>\$ 1,998.2</u>	<u>58,776,088</u>	<u>\$ (971.8)</u>	<u>\$ 66.2</u>	<u>\$ 2,972.1</u>	<u>\$ 4,070.6</u>

	Class A Common Stock		Additional paid in capital	Treasury Stock		Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
	Shares	Amount		Shares	Amount			
Balance as of February 27, 2021	585,574,666	\$ 5.9	\$ 1,898.9	120,009,647	\$ (1,907.0)	\$ 63.5	\$ 1,263.0	\$ 1,324.3
Equity-based compensation	—	—	22.2	—	—	—	—	22.2
Shares issued and employee tax withholding on vesting of restricted stock units	945,942	—	(10.0)	—	—	—	—	(10.0)
Cash dividends declared on common stock (\$0.10 per common share)	—	—	—	—	—	—	(46.5)	(46.5)
Dividends accrued on convertible preferred stock	—	—	—	—	—	—	(36.4)	(36.4)
Net income	—	—	—	—	—	—	444.8	444.8
Other comprehensive income, net of tax	—	—	—	—	—	0.1	—	0.1
Other activity	—	—	—	—	—	—	(0.1)	(0.1)
Balance as of June 19, 2021	<u>586,520,608</u>	<u>\$ 5.9</u>	<u>\$ 1,911.1</u>	<u>120,009,647</u>	<u>\$ (1,907.0)</u>	<u>\$ 63.6</u>	<u>\$ 1,624.8</u>	<u>\$ 1,698.4</u>

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 26, 2022 is derived from the Company's annual audited Consolidated Financial Statements, 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 for the fiscal year ended February 26, 2022, filed with the Securities and Exchange Commission (the "SEC") on April 26, 2022. 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 16 weeks ended June 18, 2022 and June 19, 2021.

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 surety bonds and funds held in escrow. The Company had \$50.5 million and \$50.6 million of restricted cash as of June 18, 2022 and February 26, 2022, respectively.

Inventories, net: Substantially all of the Company's inventories consist of finished goods valued at the lower of cost or net realizable value and net of vendor allowances. The Company primarily uses the retail inventory or the item-cost method to determine inventory cost before application of any last-in, first-out ("LIFO") adjustment. 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 \$62.1 million and \$14.5 million for the 16 weeks ended June 18, 2022 and June 19, 2021, respectively.

Convertible Preferred Stock: During the 16 weeks ended June 18, 2022, certain holders of the Company's Series A-1 convertible preferred stock ("Series A-1 preferred stock") and Series A convertible preferred stock ("Series A preferred stock" and together with the Series A-1 preferred stock, the "Convertible Preferred Stock") converted approximately 703,774 shares of Convertible Preferred Stock into 40,863,977 shares of the Company's Class A common stock, which were issued from treasury stock. Subsequent to the end of the 16 weeks ended June 18, 2022, through July 22, 2022, certain holders of the Convertible Preferred Stock converted approximately 4,411 shares of Convertible Preferred Stock into 256,162 shares of the Company's Class A common stock. As a result, the Company has issued, in the aggregate, 61,489,721 shares of Class A common stock to holders of Convertible Preferred Stock related to these non-cash conversions, representing approximately 61% of the originally issued Convertible Preferred Stock.

Concurrent with the issuance and sale of the Convertible Preferred Stock during the first quarter of fiscal 2020, a consolidated real estate subsidiary of the Company entered into a real estate agreement with an affiliate of the holders ("RE Investor") of the Convertible Preferred Stock. Under the terms of the real estate agreement, the Company placed fee owned real estate properties into its real estate subsidiary and contributed \$36.5 million of cash into a restricted escrow account, with a total value of \$2.9 billion (165% of the liquidation preference of the Convertible Preferred Stock). The real estate agreement provides that the Company may require the release of properties and/or cash from the escrow account if the holders of Convertible Preferred Stock convert their shares into Class A Common Stock, provided that certain conversion thresholds are met. Subsequent to the end of the 16 weeks ended June 18, 2022, due to the non-cash conversions of Convertible Preferred Stock to Class A common stock discussed above, real estate properties and cash of \$36.5 million, representing approximately 60% of the

original \$2.9 billion, have been released from the restricted escrow account, and the real estate properties are being transferred from the real estate subsidiary to operating subsidiaries. For additional information related to the Convertible Preferred Stock and the Investor Exchange Right, see "Part II—Item 8. Financial Statements and Supplementary Data—Note 9" of the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2022.

Income taxes: Income tax expense was \$143.3 million, representing a 22.8% effective tax rate, for the 16 weeks ended June 18, 2022. The Company's effective tax rate for the 16 weeks ended June 18, 2022 differs from the federal income tax statutory rate of 21% primarily due to state income taxes, reduced by vesting of equity-based compensation. Income tax expense was \$132.5 million, representing a 23.0% effective tax rate for the 16 weeks ended June 19, 2021. The Company's effective tax rate for the 16 weeks ended June 19, 2021 differs from the federal income tax statutory rate of 21% primarily due to state income taxes.

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 digital 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 12 operating divisions, which are reported in 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 division offers through its stores and digital channels 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.

Revenue Recognition: Revenues from the retail sale of products are recognized at the point of sale or delivery to the customer, net of returns and sales tax. Pharmacy sales are recorded upon the customer receiving the product. Third-party receivables from pharmacy sales were \$250.1 million and \$247.5 million as of June 18, 2022 and February 26, 2022, respectively, and are recorded in Receivables, net. For digital related sales, which primarily include home delivery and Drive Up & Go curbside pickup, revenues are recognized upon either pickup in store or delivery to the customer and may include revenue for separately charged delivery services. 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 contract liability balance was immaterial as of June 18, 2022 and February 26, 2022.

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 Company's 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 \$101.9 million and \$104.3 million as of June 18, 2022 and February 26, 2022, respectively.

Disaggregated Revenues

The following table represents Net sales and other revenue by product type (dollars in millions):

	16 weeks ended			
	June 18, 2022		June 19, 2021	
	Amount (1)	% of Total	Amount (1)	% of Total
Non-perishables (2)	\$ 11,446.0	49.1 %	\$ 10,742.7	50.5 %
Fresh (3)	7,881.5	33.8	7,412.5	34.9
Pharmacy	1,923.5	8.3	1,728.6	8.1
Fuel	1,654.7	7.1	1,049.3	4.9
Other (4)	404.6	1.7	336.3	1.6
Net sales and other revenue	<u>\$ 23,310.3</u>	<u>100.0 %</u>	<u>\$ 21,269.4</u>	<u>100.0 %</u>

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

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

(3) Consists primarily of produce, meat, deli and prepared foods, bakery, floral and seafood.

(4) Consists primarily of wholesale revenue to third parties, commissions and other miscellaneous revenue.

Recently issued accounting standards: In June 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-03, "*Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*" ("ASU 2022-03"). ASU 2022-03 clarifies the guidance on the fair value measurement of an equity security that is subject to a contractual sale restriction and requires specific disclosures related to such an equity security. ASU 2022-03 is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted. The Company currently does not expect the adoption of this standard to have a material impact on its Consolidated Financial Statements and related disclosures, but evaluation is continuing.

NOTE 2 - 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; and

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 certain assets which were measured at fair value on a recurring basis as of June 18, 2022 (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:				
Short-term investments (1)	\$ 17.2	\$ 4.7	\$ 12.5	\$ —
Non-current investments (2)	94.7	—	94.7	—
Derivative contracts (3)	24.5	—	24.5	—
Total	\$ 136.4	\$ 4.7	\$ 131.7	\$ —

(1) Primarily relates to Mutual Funds (Level 1) and Certificates of Deposit (Level 2). Included in Other current assets.

(2) Primarily relates to investments in publicly traded stock (Level 1) and certain equity investments, U.S. Treasury Notes and Corporate Bonds (Level 2). Included in Other assets.

(3) Primarily relates to energy derivative contracts and interest rate swaps. Included in Other assets.

The following table presents certain assets and liabilities which were measured at fair value on a recurring basis as of February 26, 2022 (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:				
Short-term investments (1)	\$ 14.4	\$ 4.9	\$ 9.5	\$ —
Non-current investments (2)	114.7	10.9	103.8	—
Derivative contracts (3)	18.6	—	18.6	—
Total	\$ 147.7	\$ 15.8	\$ 131.9	\$ —
Liabilities:				
Derivative contracts (4)	\$ 10.4	\$ —	\$ 10.4	\$ —
Total	\$ 10.4	\$ —	\$ 10.4	\$ —

(1) Primarily relates to Mutual Funds (Level 1) and Certificates of Deposit (Level 2). Included in Other current assets.

(2) Primarily relates to investments in publicly traded stock (Level 1) and certain equity investments, U.S. Treasury Notes and Corporate Bonds (Level 2). Included in Other assets.

(3) Primarily relates to energy derivative contracts. Included in Other assets.

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

The Company records cash and cash equivalents, restricted cash, accounts receivable and accounts payable at cost. The recorded values of these financial instruments approximate fair value based on their short-term nature.

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 June 18, 2022, the fair value of total debt was \$6,774.0 million compared to the carrying value of \$7,484.3 million, excluding debt discounts and deferred financing costs. As of February 26, 2022, the fair value of total debt was \$7,531.5 million compared to the carrying value of \$7,484.6 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, operating lease assets 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 3 - LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

The Company's long-term debt and finance lease obligations as of June 18, 2022 and February 26, 2022, net of unamortized debt discounts of \$40.2 million and \$41.4 million, respectively, and deferred financing costs of \$53.8 million and \$57.5 million, respectively, consisted of the following (in millions):

	June 18, 2022	February 26, 2022
Senior Unsecured Notes due 2023 to 2030, interest rate range of 3.25% to 7.50%	\$ 6,496.0	\$ 6,492.5
Safeway Inc. Notes due 2027 to 2031, interest rate range of 7.25% to 7.45%	374.5	374.4
New Albertsons L.P. Notes due 2026 to 2031, interest rate range of 6.52% to 8.70%	473.7	472.6
Other financing obligations	29.0	29.1
Mortgage notes payable, secured	17.1	17.1
Finance lease obligations	556.3	579.4
Total debt	7,946.6	7,965.1
Less current maturities	(825.4)	(828.8)
Long-term portion	\$ 7,121.2	\$ 7,136.3

ABL Facility

As of June 18, 2022 and February 26, 2022, there were no amounts outstanding under the Company's asset-based loan facility ("ABL Facility"), and letters of credit ("LOC") issued under the LOC sub-facility were \$249.6 million and \$249.4 million, respectively.

NOTE 4 - EMPLOYEE BENEFIT PLANS

Pension and Other Post-Retirement Benefits

The following table provides the components of net pension and post-retirement (income) expense (in millions):

	16 weeks ended			
	Pension		Other post-retirement benefits	
	June 18, 2022	June 19, 2021	June 18, 2022	June 19, 2021
Estimated return on plan assets	\$ (28.6)	\$ (32.7)	\$ —	\$ —
Service cost	6.2	6.9	—	—
Interest cost	15.8	13.0	0.1	0.1
Amortization of prior service cost	0.1	0.1	—	—
Amortization of net actuarial loss (gain)	0.2	0.3	(0.1)	(0.2)
(Income) expense, net	\$ (6.3)	\$ (12.4)	\$ —	\$ (0.1)

The Company contributed \$3.2 million and \$2.0 million to its defined pension plans and post-retirement benefit plans during the 16 weeks ended June 18, 2022 and June 19, 2021, respectively. At the Company's discretion, additional funds may be contributed to the defined benefit pension plans that are determined to be beneficial to the

Company. The Company currently anticipates contributing an additional \$17.9 million to these plans for the remainder of fiscal 2022.

Multiemployer Pension Plans

ARP Act: The American Rescue Plan Act ("ARP Act"), which was signed into law on March 11, 2021, established a special financial assistance program for financially troubled multiemployer pension plans. Under the ARP Act, eligible multiemployer plans can apply to receive a one-time cash payment in an amount projected by the Pension Benefit Guaranty Corporation ("PBGC") to pay pension benefits through the plan year ending 2051. In the fourth quarter of fiscal 2021, the Combined Plan submitted its application to receive one-time special financial assistance. During the 16 weeks ended June 18, 2022, the Combined Plan received approval and payment from the PBGC for \$1.2 billion in special financial assistance. For additional information, including a description and definition of the Combined Plan, as well as the impact on the Excess Plan, as defined therein, see "Part II—Item 8. Financial Statements and Supplementary Data—Note 12" of the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2022.

NOTE 5 - COMMITMENTS AND CONTINGENCIES AND OFF BALANCE SHEET ARRANGEMENTS

Guarantees

California Department of Industrial Relations: On January 21, 2014, the Company entered into a Collateral Substitution Agreement with the California Self-Insurers' Security Fund to provide collateral related to certain California self-insured workers' compensation obligations pursuant to applicable regulations. The collateral not covered by the California Self-Insurers' Security Fund is covered by surety bonds for the benefit of the State of California Office of Self-Insurance Plans. A portion of the surety bonds is covered by irrevocable LOCs. The collateral requirements are adjusted annually based on semi-annual filings of an actuarial study reflecting liabilities as of December 31 of each year reduced by claim closures and settlements. The related LOC was \$1.7 million as of June 18, 2022 and \$9.2 million as of February 26, 2022.

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, including matters involving trade practices, personnel and employment issues, lawsuits alleging violations of state and/or federal wage and hour laws, real estate disputes, personal injury, antitrust claims, packaging or product claims, claims related to the sale of drug or pharmacy products, such as opioids, intellectual property claims and other proceedings arising in or outside of the ordinary course of business. Some of these claims or 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 overall 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 is probable and can be reasonably estimated. Nonetheless, assessing and predicting the outcomes of these matters involves substantial uncertainties. While management currently believes that the aggregate estimated liabilities currently recorded are reasonable, it remains possible that differences in actual outcomes or changes in management's evaluation or predictions could arise that could be material to the Company's results of operations or cash flows.

False Claims Act: Two qui tam actions alleging violations of the False Claims Act ("FCA") have also been filed against the Company and its subsidiaries. Violations of the FCA are subject to treble damages and penalties of up to a specified dollar amount per false claim.

In *United States ex rel. Proctor v. Safeway*, filed in the United States District Court for the Central District of Illinois, the relator alleges that Safeway overcharged federal government healthcare programs by not providing the federal government, as part of its usual and customary prices, the benefit of discounts given to customers in pharmacy membership discount and price-matching programs. The relator filed his complaint under seal on November 11, 2011, and the complaint was unsealed on August 26, 2015. The relator amended the complaint on March 31, 2016. On June 12, 2020, the Court granted Safeway's motion for summary judgment, holding that the relator could not prove that Safeway acted with the intent required under the FCA, and judgment was issued on June 15, 2020. On July 10, 2020, the relator filed a motion to alter or amend the judgment and to supplement the record, which Safeway opposed. On November 13, 2020, the Court denied relator's motion, and on December 11, 2020, relator filed a notice of appeal. Oral arguments took place September 9, 2021 and the Seventh Circuit Court of Appeals affirmed the judgement in the Company's favor on April 5, 2022. Relators have until August 4, 2022 to file a petition seeking review by the U.S. Supreme Court.

In *United States ex rel. Schutte and Yarberry v. SuperValu, New Albertson's, Inc., et al.*, also filed in the Central District of Illinois, the relators allege that defendants (including various subsidiaries of the Company) overcharged federal government healthcare programs by not providing the federal 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. On August 5, 2019, the Court granted relators' motion for partial summary judgment, holding that price-matched prices are the usual and customary prices for those drugs. On July 1, 2020, the Court granted the defendants' motions for summary judgment and dismissed the case, holding that the relator could not prove that defendants acted with the intent required under the FCA. Judgment was issued on July 2, 2020. On July 9, 2020, the relators filed a notice of appeal. Oral argument was held on January 19, 2021. On August 12, 2021, the Court of Appeals for the Seventh Circuit affirmed the grant of summary judgment in the Company's favor. On September 23, 2021, the relators filed a petition for rehearing *en banc* with the Seventh Circuit. On December 3, 2021, the Seventh Circuit denied relators' petition. On April 1, 2022, relators filed a petition to seek review by the U.S. Supreme Court.

In both of the above cases, the federal government previously investigated the relators' allegations and declined to intervene. The relators elected to pursue their respective cases on their own and in each case have alleged FCA damages in excess of \$100 million before trebling and excluding penalties. The Company is vigorously defending each of these matters and believes each of these cases is without merit. The Company has recorded an estimated liability for these matters.

Pharmacy Benefit Manager (PBM) Litigation: The Company (including its subsidiary, Safeway Inc.) is a defendant in a lawsuit filed on January 21, 2021, in Minnesota state court, captioned *Health Care Service Corp. et al. v. Albertsons Companies, LLC, et al.* The action challenges certain prescription-drug prices reported by the Company to a pharmacy benefit manager, Prime Therapeutics LLC ("Prime"), which in turn contracted with the health-insurer plaintiffs to adjudicate and process prescription-drug reimbursement claims.

On December 7, 2021, the Company filed a motion to dismiss the complaint. On January 14, 2022, the court denied the Company's motion to dismiss as to all but one count, plaintiffs' claim of negligent misrepresentation. On January 21, 2022, the Company and co-defendant SUPERVALU, Inc. ("SUPERVALU") filed a third-party complaint against Prime, asserting various claims, including: indemnification, fraud and unjust enrichment. On February 17, 2022, the Company filed in the Minnesota Court of Appeals an interlocutory appeal of the denial of their motion to dismiss on personal jurisdiction grounds (the "Jurisdictional Appeal"). On February 24, 2022, the Company and SUPERVALU filed in the trial court an unopposed motion to stay proceedings, pending the resolution of the Jurisdictional Appeal. The parties agreed on March 6, 2022, to an interim stay in the trial court pending a ruling on the unopposed motion to stay proceedings. The Jurisdictional Appeal is currently pending.

The Company is vigorously defending the claims filed against it, and believes the claims are without merit. The Company also intends to prosecute its claims against Prime with equal vigor. The Company has recorded an estimated liability for these matters.

Opioid Litigation: The Company is one of dozens of companies that have been named in various lawsuits alleging that defendants contributed to the national opioid epidemic. At present, the Company is named in over 90 suits pending in various state courts as well as in the United States District Court for the Northern District of Ohio, where over 2,000 cases have been consolidated as Multi-District Litigation pursuant to 28 U.S.C. §1407. Most of these cases have been stayed pending bellwether trials. At present, the most active case is a matter in New Mexico state court where we have been in active discovery and where a September 2022 trial date has been set. A trial has also been scheduled in Nevada state court for April 2023. Cases filed by Tarrant County (Texas), Santa Fe County (New Mexico), Washington County (Utah) and the State of Nevada are proceeding through discovery. The Company is vigorously defending these matters and believes that these cases are without merit. At this stage in the proceedings, the Company is unable to determine the probability of the outcome of these matters or the range of reasonably possible loss, if any.

Oregon Class Action: A putative class action complaint entitled *Schearon Stewart and Jason Stewart v. Safeway Inc.* is pending in Circuit Court, County of Multnomah, State of Oregon, alleging that Safeway engaged in unfair trade practices, in violation of Oregon's Unlawful Trade Practices Act (ORS 646.608), regarding the sale of certain meat products in 2015 and 2016 with its "Buy One, Get One Free" and similar promotions. Safeway denies plaintiffs' claim and is vigorously defending itself in the matter. The Company has recorded an estimated liability for this matter.

FACTA: On May 31, 2019, a putative class action complaint entitled *Martin v. Safeway* was filed in the California Superior Court for the County of Alameda, alleging the Company failed to comply with the Fair and Accurate Credit Transactions Act ("FACTA") by printing receipts that failed to adequately mask payment card numbers as required by FACTA. The plaintiff claims the violation was "willful" and exposes the Company to statutory damages provided for in FACTA. On January 8, 2020, the Company commenced mediation discussions with plaintiff's counsel and reached a settlement in principle on February 24, 2020. On May 5, 2022, the court approved the negotiated settlement. Pursuant to the settlement, funds have been paid to a claims administrator, who will oversee the processing of claims.

Plated Litigation: On September 1, 2020, a complaint entitled *Shareholder Representative Services LLC v. Albertsons Companies Inc.* was filed in Delaware Chancery Court where Shareholder Representative Services LLC sued on behalf of former shareholders and rightsholders of DineInFresh, Inc. d/b/a Plated ("Plated"). Plaintiff alleged that, following the Company's acquisition of Plated, pursuant to a September 19, 2017 Agreement and Plan of Merger, the Company intentionally engaged in conduct to prevent Plated from reaching certain milestones that would have resulted in post-acquisition consideration paid to Plated shareholders and rightsholders. Plaintiff alleged breach of contract, breach of the implied covenant of good faith and fair dealing, and fraudulent inducement. On October 21, 2020, the Company filed a motion to dismiss the complaint. On June 7, 2021, the Court granted the motion in part, dismissing all claims except for the breach-of-contract claim. The Company is vigorously defending

itself in the lawsuit and believes that the case is without merit. At this stage in the proceedings, the Company is unable to determine the probability of the outcome of the matter or the 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 6 - 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 equals net income plus or minus adjustments for pension and other post-retirement liabilities. 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):

	16 weeks ended June 18, 2022		
	Total	Pension and Post-retirement benefit plans	Other
Beginning AOCI balance	\$ 69.0	\$ 67.1	\$ 1.9
Other comprehensive loss before reclassifications	(4.0)	—	(4.0)
Amounts reclassified from accumulated other comprehensive income (1)	0.2	0.2	—
Tax benefit	1.0	—	1.0
Current-period other comprehensive (loss) income, net of tax	(2.8)	0.2	(3.0)
Ending AOCI balance	<u>\$ 66.2</u>	<u>\$ 67.3</u>	<u>\$ (1.1)</u>

	16 weeks ended June 19, 2021		
	Total	Pension and Post-retirement benefit plans	Other
Beginning AOCI balance	\$ 63.5	\$ 61.3	\$ 2.2
Amounts reclassified from accumulated other comprehensive income (1)	0.2	0.2	—
Tax expense	(0.1)	(0.1)	—
Current-period other comprehensive income, net of tax	0.1	0.1	—
Ending AOCI balance	<u>\$ 63.6</u>	<u>\$ 61.4</u>	<u>\$ 2.2</u>

(1) These amounts are included in the computation of net pension and post-retirement (income) expense. For additional information, see Note 4 - Employee Benefit Plans.

NOTE 7 - NET INCOME PER CLASS A COMMON SHARE

The Company calculates basic and diluted net income per Class A common share using the two-class method. The two-class method is an allocation formula that determines net income per Class A common share for each share of Class A common stock and Convertible Preferred Stock, a participating security, according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to Class A common shares and Convertible Preferred Stock based on their respective rights to receive dividends. The holders of Convertible Preferred Stock participate in cash dividends that the Company pays on its common stock to the extent that such cash dividends exceed \$206.25 million per fiscal year. In applying the two-class method to interim periods, the Company allocates income to its quarterly periods independently and discretely from its year-to-date and annual periods. Basic net income per Class A common share is computed by dividing net income allocated to Class A common stockholders by the weighted average number of Class A common shares outstanding for the period, including Class A common shares to be issued with no prior remaining contingencies prior to issuance. Diluted net income per Class A common share is computed based on the weighted average number of shares of Class A common stock outstanding during each period, plus potential Class A common shares considered outstanding during the period, as long as the inclusion of such awards is not antidilutive. Potential Class A common shares consist of unvested restricted stock units ("RSUs"), restricted common stock ("RSAs") and Convertible Preferred Stock, using the more dilutive of either the two-class method or as-converted stock method. Performance-based RSUs are considered dilutive when the related performance criterion has been met.

The components of basic and diluted net income per Class A common share were as follows (in millions, except per share data):

	16 weeks ended	
	June 18, 2022	June 19, 2021
Basic net income per Class A common share		
Net income	\$ 484.2	\$ 444.8
Accrued dividends on Convertible Preferred Stock	(13.7)	(36.4)
Earnings allocated to Convertible Preferred Stock	(26.9)	(36.2)
Net income allocated to Class A common stockholders - Basic	<u>\$ 443.6</u>	<u>\$ 372.2</u>
Weighted average Class A common shares outstanding - Basic (1)	513.3	465.1
Basic net income per Class A common share	<u>\$ 0.86</u>	<u>\$ 0.80</u>
Diluted net income per Class A common share		
Net income allocated to Class A common stockholders - Basic	\$ 443.6	\$ 372.2
Accrued dividends on Convertible Preferred Stock	13.7	36.4
Earnings allocated to Convertible Preferred Stock	26.9	36.2
Net income allocated to Class A common stockholders - Diluted	<u>\$ 484.2</u>	<u>\$ 444.8</u>
Weighted average Class A common shares outstanding - Basic (1)	513.3	465.1
Dilutive effect of:		
Restricted stock units and awards	4.8	4.7
Convertible Preferred Stock (2)	58.2	101.6
Weighted average Class A common shares outstanding - Diluted (3)	<u>576.3</u>	<u>571.4</u>
Diluted net income per Class A common share	<u>\$ 0.84</u>	<u>\$ 0.78</u>

(1) The number of Class A common shares remaining to be issued for the 16 weeks ended June 18, 2022 and June 19, 2021 were not material.

(2) Reflects the number of shares of Convertible Preferred Stock issued, if converted into common stock for the period outstanding.

(3) The number of potential Class A common shares outstanding related to RSUs and RSAs that were antidilutive for the 16 weeks ended June 18, 2022 and June 19, 2021 were not material.

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

FORWARD-LOOKING STATEMENTS AND FACTORS THAT IMPACT OUR OPERATING RESULTS AND TRENDS

This Form 10-Q contains "forward-looking statements" within the meaning of the federal securities laws. The "forward-looking statements" include our current expectations, assumptions, estimates and projections about our business and our industry. They include statements relating to our future operating or financial performance which the Company believes to be reasonable at this time. You can identify forward-looking statements by the use of words such as "outlook," "may," "should," "could," "estimates," "predicts," "potential," "continue," "anticipates," "believes," "plans," "expects," "future" and "intends" and similar expressions which are intended to identify forward-looking statements.

These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict, including, among others:

- changes in macroeconomic conditions and uncertainty regarding the geopolitical environment;
- retail consumer behavior and environment and the Company's industry;
- ability to attract and retain qualified associates and negotiate acceptable contracts with labor unions;
- failure to achieve productivity initiatives;
- increased rates of food price inflation, as well as fuel and commodity prices;
- availability of agricultural commodities and raw materials used in our food products;
- ability to enter into strategic transactions, investments or partnerships in the future on terms acceptable to us, or at all; and
- factors related to the continued impact of the COVID-19 pandemic, about which there are still many unknowns, including its duration, recurrence, new variants, status and effectiveness of vaccinations, duration and scope of related government orders, financial assistance programs, mandates and regulations and the extent of the overall impact to our business and the communities we serve.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements and risk factors. Forward-looking statements contained in this Form 10-Q reflect our view only as of the date of this Form 10-Q. We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

While certain aspects of our financial results have been favorably impacted by increased demand during the COVID-19 pandemic, in addition to favorable consumer conditions including incremental financial assistance provided by various government agencies, our business continues to experience challenges to meet customer demand. We have experienced increased labor shortages due to COVID-19 variants resulting in operational disruptions. Together with labor shortages and higher demand for talent, the current economic environment is driving higher wages. Labor shortages could also impact our ability to negotiate acceptable contracts with labor unions which could result in strikes by affected workers and thereby significantly disrupt our operations. Our ability to meet labor needs, control wage and labor-related costs and minimize labor disruptions will be key to our success of operating our business and executing our business strategies. Furthermore, our business is experiencing an inflationary environment and food price inflation, which has benefited our sales and gross margin growth but has negatively impacted our gross margin rates. We are unable to predict how long the current inflationary environment, including increased energy costs, will continue. We expect the economic environment to remain uncertain as we

navigate the current geopolitical environment, the COVID-19 pandemic, labor challenges, supply chain constraints and the current inflationary environment, including increasing energy and commodity prices.

Such risks and uncertainties could cause actual results to differ materially from those expressed or forecasted by us. In evaluating our financial results and forward-looking statements, you should carefully consider the risks and uncertainties more fully described in the "Risk Factors" section or other sections in our reports filed with the SEC including the most recent annual report on Form 10-K and any subsequent periodic reports on Form 10-Q and current reports on Form 8-K.

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 core performance. We define Adjusted net income as GAAP Net income adjusted to eliminate the effects of items management does not consider in assessing our ongoing core performance. We define Adjusted net income per Class A common share as Adjusted net income divided by the weighted average diluted Class A common shares outstanding, as adjusted to reflect all restricted stock units ("RSUs") and restricted common stock ("RSAs") outstanding at the end of the period, as well as the conversion of Convertible Preferred Stock when it is antidilutive for GAAP. We define Net debt as total debt (which includes finance lease obligations and is net of deferred financing costs and original issue discount) minus unrestricted cash and cash equivalents and we define Net debt Ratio as the ratio of Net debt to Adjusted EBITDA for the rolling 52 or 53 week period. See "Results of Operations" for further discussion and a reconciliation of Adjusted EBITDA, Adjusted net income and Adjusted net income per Class A common share.

EBITDA, Adjusted EBITDA, Adjusted net income, Adjusted net income per Class A common share and Net debt ratio (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, gross margin and net income per Class A common share. These Non-GAAP Measures exclude the financial impact of items management does not consider in assessing our ongoing core operating performance, and thereby provide useful measures to analysts and investors of our operating performance on a period-to-period basis. Other companies may have different definitions of Non-GAAP Measures and provide for different adjustments, and comparability to our results of operations may be impacted by such differences. We also use Adjusted EBITDA and Net debt ratio 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.

FIRST QUARTER OF FISCAL 2022 OVERVIEW

As of June 18, 2022, we operated 2,273 retail food and drug stores with 1,720 pharmacies, 402 associated fuel centers, 22 dedicated distribution centers and 19 manufacturing facilities. During the first quarter of fiscal 2022, we executed on our Customer for Life strategy as we continued to invest in our strategic priorities, including deepening our digital connection and engagement with our customers, differentiating our store experience, enhancing what we offer and modernizing our capabilities. Identical sales increased 6.8%, excluding fuel, during the first quarter of fiscal 2022 and we continued to gain market share in food market and Multi Outlet ("MULO"). Food market generally includes traditional supermarkets while MULO includes most food market, drug, mass merchants, club, dollar and military stores that sell food.

Our digital initiatives continue to resonate with our customers, underscoring our omnichannel capabilities that allow customers to complete their shopping with us in any way they want. During the first quarter of fiscal 2022, digital sales, which include home delivery and Drive Up & Go curbside pickup, increased 28% compared to the first quarter of fiscal 2021. *Just for U* loyalty members increased 16% to 31 million in the first quarter of fiscal 2022 compared to the first quarter of fiscal 2021. Within the program, our retention rate of actively engaged members, those that redeemed fuel or grocery rewards during the first quarter of fiscal 2022, remained at over 90%.

In deepening our digital connection and engagement with our customers, during the first quarter of fiscal 2022, we launched new merchandising features in our Unified Mobile App, providing a personalized and curated digital experience. We also saw increased digital engagement driven by our Meal Planning tool, launched in the fourth quarter of fiscal 2021. The Meal Planning capability inspires our customers to engage in our app more frequently as they plan, shop and prepare the recipes we offer, which can be filtered by dietary preferences, such as carb conscious, vegetarian and pescatarian. We also continued to invest in the Albertsons Media Collective using industry-leading technologies to build a platform that is easy to use, transparent, modern and measurable.

We are differentiating our store experience by deepening engagement through the use of technology to automate task management, thus creating more time for our team members to assist our customers. We are also simplifying the end-to-end shopping journey by improving localized assortments and adjacencies of complimentary products, installing more self-checkouts, and adding grab and go sections to ensure a convenient and easy experience. In support of our omnichannel growth, we are evolving store operations, including building out staging areas for Drive Up & Go, adding warerooms for easier picking and installing additional micro fulfillment centers.

We are enhancing what we offer by expanding our Own Brands products and elevating our distinctiveness in Fresh. In Own Brands, our sales penetration was at its highest at 25.8% during the first quarter of fiscal 2022. We launched 59 new items during the first quarter of fiscal 2022 and we expect to launch a total of approximately 425 new products in fiscal 2022. In Fresh, our in-store processing capabilities allow us to tailor the selection, the cuts and package sizes to fit local demographics and economic circumstances. In addition, we now have rolled out our ReadyMeals, our ready to eat, ready to heat and ready to cook meals to approximately 600 stores and expect to be in more than 1,100 stores by the end of fiscal 2022.

Lastly, we continue to modernize our capabilities in part through an improved supply chain, enhanced data and data analytics, ongoing productivity and automation, all built on the foundation of being Locally Great and Nationally Strong.

Capital Allocation

Capital expenditures were approximately \$614 million during the first quarter of fiscal 2022, primarily including the building of our digital and technology platforms and investments in the modernization of our store fleet, including 27 remodels. We continue to make progress in strengthening the balance sheet, reducing our Net debt ratio to 1.0x as of the end of the first quarter of fiscal 2022 compared to 1.5x as of the end of the end of first quarter of fiscal

2021. Capital returns to shareholders during the first quarter of fiscal 2022 included \$63.0 million of common stock dividends (\$0.12 per common share).

First quarter of fiscal 2022 highlights

In summary, our financial and operating highlights for the first quarter of fiscal 2022 include:

- Identical sales increased 6.8%
- Digital sales increased 28%
- Net income of \$484 million, or \$0.84 per Class A common share
- Adjusted net income of \$582 million, or \$1.00 per Class A common share
- Adjusted EBITDA of \$1,420 million
- Continued modernization of our store fleet, including completing 27 remodels

Stores

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

	16 weeks ended	
	June 18, 2022	June 19, 2021
Stores, beginning of period	2,276	2,277
Acquired	—	1
Opened	—	5
Closed	(3)	(5)
Stores, end of period	<u>2,273</u>	<u>2,278</u>

The following table summarizes our stores by size:

Square Footage	Number of stores		Percent of Total		Retail Square Feet (1)	
	June 18, 2022	June 19, 2021	June 18, 2022	June 19, 2021	June 18, 2022	June 19, 2021
Less than 30,000	220	223	9.7 %	9.8 %	5.0	5.1
30,000 to 50,000	781	786	34.4 %	34.5 %	32.7	32.9
More than 50,000	1,272	1,269	55.9 %	55.7 %	75.2	75.0
Total Stores	<u>2,273</u>	<u>2,278</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>112.9</u>	<u>113.0</u>

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

RESULTS OF OPERATIONS***Comparison of the 16 weeks ended June 18, 2022 to the 16 weeks ended June 19, 2021:***

The following tables and related discussion set forth certain information and comparisons regarding the components of our Condensed Consolidated Statements of Operations for the 16 weeks ended June 18, 2022 ("first quarter of fiscal 2022") and 16 weeks ended June 19, 2021 ("first quarter of fiscal 2021") (in millions, except per share data).

	16 weeks ended			
	June 18, 2022	% of Sales	June 19, 2021	% of Sales
Net sales and other revenue	\$ 23,310.3	100.0 %	\$ 21,269.4	100.0 %
Cost of sales	16,765.3	71.9	15,078.4	70.9
Gross margin	6,545.0	28.1	6,191.0	29.1
Selling and administrative expenses	5,864.3	25.2	5,503.6	25.9
(Gain) loss on property dispositions and impairment losses, net	(79.4)	(0.3)	0.3	—
Operating income	760.1	3.2	687.1	3.2
Interest expense, net	138.9	0.6	153.3	0.7
Other income, net	(6.3)	—	(43.5)	(0.2)
Income before income taxes	627.5	2.6	577.3	2.7
Income tax expense	143.3	0.6	132.5	0.6
Net income	<u>\$ 484.2</u>	<u>2.0 %</u>	<u>\$ 444.8</u>	<u>2.1 %</u>
Basic net income per Class A common share	\$ 0.86		\$ 0.80	
Diluted net income per Class A common share	0.84		0.78	

Net Sales and Other Revenue

Net sales and other revenue increased 9.6% to \$23,310.3 million for the first quarter of fiscal 2022 from \$21,269.4 million for the first quarter of fiscal 2021. The increase in Net sales and other revenue was driven by our 6.8% increase in identical sales and higher fuel sales, with retail price inflation contributing to the identical sales increase.

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 digital 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 16 weeks ended June 18, 2022 and the 16 weeks ended June 19, 2021, respectively, were:

	16 weeks ended	
	June 18, 2022	June 19, 2021
Identical sales, excluding fuel	6.8%	(10.0)%

The following table represents Net sales and other revenue by product type (dollars in millions):

	16 weeks ended			
	June 18, 2022		June 19, 2021	
	Amount (1)	% of Total	Amount (1)	% of Total
Non-perishables (2)	\$ 11,446.0	49.1 %	\$ 10,742.7	50.5 %
Fresh (3)	7,881.5	33.8	7,412.5	34.9
Pharmacy	1,923.5	8.3	1,728.6	8.1
Fuel	1,654.7	7.1	1,049.3	4.9
Other (4)	404.6	1.7	336.3	1.6
Net sales and other revenue	\$ 23,310.3	100.0 %	\$ 21,269.4	100.0 %

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

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

(3) Consists primarily of produce, meat, deli and prepared foods, bakery, floral and seafood.

(4) Consists primarily of wholesale revenue to third parties, commissions and other miscellaneous revenue.

Gross Margin

Gross margin represents the portion of Net sales and other revenue remaining after deducting Cost of sales during the period, including purchase and distribution costs. These costs include, among other things, purchasing and sourcing costs, inbound freight costs, product quality testing costs, warehouse and distribution costs, Own Brands program costs and digital-related delivery and handling costs. Advertising, promotional expenses and vendor allowances are also components of Cost of sales.

Gross margin rate decreased to 28.1% during the first quarter of fiscal 2022 compared to 29.1% during the first quarter of fiscal 2021. Excluding the impact of fuel and LIFO expense, gross margin rate decreased 27 basis points compared to the first quarter of fiscal 2021. The decrease was driven by fewer COVID-19 vaccines in the first quarter of fiscal 2022 compared to 2021 as the gross margin rate benefits from our productivity initiatives offset inflationary increases in product and supply chain costs.

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 25.2% of Net sales and other revenue during the first quarter of fiscal 2022 compared to 25.9% during the first quarter of fiscal 2021. Excluding the impact of fuel, Selling and

administrative expenses as a percentage of Net sales and other revenue decreased 15 basis points. The decrease in Selling and administrative expenses was primarily attributable to lower COVID-19 related expenses and the execution of productivity initiatives, partially offset by expenses related to the Company's investments in its digital and omnichannel capabilities and other strategic priorities, increased employee costs and higher depreciation and amortization. The increase in employee costs was the result of market-driven wage rate increases and higher equity-based compensation expense.

(Gain) Loss on Property Dispositions and Impairment Losses, Net

For the first quarter of fiscal 2022, net gain on property dispositions and impairment losses was \$79.4 million, primarily driven by \$80.0 million of gains from the sale of real estate assets, partially offset by \$0.6 million of asset impairments. For the first quarter of fiscal 2021, net loss on property dispositions and impairment losses was \$0.3 million, primarily driven by \$9.9 million of asset impairments, primarily related to right-of-use assets, partially offset by \$9.6 million of gains from the sale of real estate assets.

Interest Expense, Net

Interest expense, net was \$138.9 million during the first quarter of fiscal 2022 compared to \$153.3 million during the first quarter of fiscal 2021. The decrease in interest expense was primarily attributable to lower average outstanding borrowings and lower average interest rates. The weighted average interest rate during the first quarter of fiscal 2022 was 5.4%, excluding deferred financing costs and original issue discount, compared to 5.6% during the first quarter of fiscal 2021.

Other Income, Net

For the first quarter of fiscal 2022, Other income, net was \$6.3 million compared to \$43.5 million for the first quarter of fiscal 2021. Other income, net during the first quarter of fiscal 2022 was primarily driven by non-service cost components of net pension and post-retirement expense and income related to our equity investment, partially offset by unrealized losses from non-operating investments. Other income, net during the first quarter of fiscal 2021 was primarily driven by realized gains from non-operating investments, non-service cost components of net pension and post-retirement expense and income related to our equity investment, partially offset by unrealized losses from non-operating investments.

Income Taxes

Income tax expense was \$143.3 million, representing a 22.8% effective tax rate, for the first quarter of fiscal 2022. Income tax expense was \$132.5 million, representing a 23.0% effective tax rate, for the first quarter of fiscal 2021.

We currently expect our annual effective tax rate for fiscal 2022 to be in the range of approximately 23% to 24%.

Net Income and Adjusted Net Income

Net income was \$484.2 million, or \$0.84 per Class A common share, during the first quarter of fiscal 2022 compared to \$444.8 million, or \$0.78 per Class A common share, during the first quarter of fiscal 2021. Adjusted net income was \$582.0 million, or \$1.00 per Class A common share, during the first quarter of fiscal 2022 compared to \$517.5 million, or \$0.89 per Class A common share, during the first quarter of fiscal 2021.

Adjusted EBITDA

For the first quarter of fiscal 2022, Adjusted EBITDA was \$1,420.3 million, or 6.1% of Net sales and other revenue, compared to \$1,308.1 million, or 6.2% of Net sales and other revenue, for the first quarter of fiscal 2021.

Reconciliation of Non-GAAP Measures

The following tables reconcile Net income to Adjusted net income, and Net income per Class A common share to Adjusted net income per Class A common share (in millions, except per share data):

	16 weeks ended	
	June 18, 2022	June 19, 2021
Numerator:		
Net income	\$ 484.2	\$ 444.8
Adjustments:		
Gain on interest rate swaps and energy hedges, net (d)	(18.5)	(6.3)
Business transformation (1)(b)	33.8	20.8
Equity-based compensation expense (b)	35.3	22.2
(Gain) loss on property dispositions and impairment losses, net	(79.4)	0.3
LIFO expense (a)	62.1	14.5
Government-mandated incremental COVID-19 pandemic related pay (2)(b)	5.9	29.1
Amortization of debt discount and deferred financing costs (c)	5.1	6.4
Amortization of intangible assets resulting from acquisitions (b)	15.4	16.1
Miscellaneous adjustments (3)(f)	67.0	(7.3)
Tax impact of adjustments to Adjusted net income	(28.9)	(23.1)
Adjusted net income	\$ 582.0	\$ 517.5
Denominator:		
Weighted average Class A common shares outstanding - diluted	576.3	571.4
Adjustments:		
Restricted stock units and awards (4)	6.9	9.4
Adjusted weighted average Class A common shares outstanding - diluted	583.2	580.8
Adjusted net income per Class A common share - diluted	\$ 1.00	\$ 0.89
16 weeks ended		
	June 18, 2022	June 19, 2021
Net income per Class A common share - diluted	\$ 0.84	\$ 0.78
Non-GAAP adjustments (5)	0.17	0.13
Restricted stock units and awards (4)	(0.01)	(0.02)
Adjusted net income per Class A common share - diluted	\$ 1.00	\$ 0.89

The following table is a reconciliation of Adjusted net income to Adjusted EBITDA:

	16 weeks ended	
	June 18, 2022	June 19, 2021
Adjusted net income (6)	\$ 582.0	\$ 517.5
Tax impact of adjustments to Adjusted net income	28.9	23.1
Income tax expense	143.3	132.5
Amortization of debt discount and deferred financing costs (c)	(5.1)	(6.4)
Interest expense, net	138.9	153.3
Amortization of intangible assets resulting from acquisitions (b)	(15.4)	(16.1)
Depreciation and amortization (e)	547.7	504.2
Adjusted EBITDA	<u>\$ 1,420.3</u>	<u>\$ 1,308.1</u>

(1) Includes costs associated with third-party consulting fees related to our strategic priorities and associated business transformation, as well as closures of operating facilities.

(2) Represents incremental pay that is legislatively required in certain municipalities in which we operate.

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

	16 weeks ended	
	June 18, 2022	June 19, 2021
Non-cash lease-related adjustments	\$ 1.2	\$ 2.1
Lease and lease-related costs for surplus and closed stores	7.3	10.2
Net realized and unrealized loss (gain) on non-operating investments	14.0	(22.5)
Certain legal and regulatory accruals and settlements, net	32.8	—
Acquisition and integration costs	0.5	3.5
Other (i)	11.2	(0.6)
Total miscellaneous adjustments	<u>\$ 67.0</u>	<u>\$ (7.3)</u>

(i) Primarily includes adjustments for unconsolidated equity investments and other costs not considered in our core performance.

(4) Represents incremental unvested RSUs and unvested RSAs to adjust the diluted weighted average Class A common shares outstanding during each respective period to the fully outstanding RSUs and RSAs as of the end of each respective period.

(5) Reflects the per share impact of Non-GAAP adjustments for each period. See the reconciliation of Net income to Adjusted net income above for further details.

(6) See the reconciliation of Net income to Adjusted net income above for further details.

Non-GAAP adjustment classifications within the Consolidated Statement of Operations:

(a) Cost of sales

(b) Selling and administrative expenses

(c) Interest expense, net

(d) Gain on interest rate swaps and energy hedges, net:

	16 weeks ended	
	June 18, 2022	June 19, 2021
Cost of sales	\$ (8.9)	\$ (5.2)
Selling and administrative expenses	(2.9)	(1.4)
Other income, net	(6.7)	0.3
Total Gain on interest rate swaps and energy hedges, net	\$ (18.5)	\$ (6.3)

(e) Depreciation and amortization:

	16 weeks ended	
	June 18, 2022	June 19, 2021
Cost of sales	\$ 51.5	\$ 50.8
Selling and administrative expenses	496.2	453.4
Total Depreciation and amortization	\$ 547.7	\$ 504.2

(f) Miscellaneous adjustments:

	16 weeks ended	
	June 18, 2022	June 19, 2021
Selling and administrative expenses	\$ 47.8	\$ 10.3
Other income, net	19.2	(17.6)
Total Miscellaneous adjustments	\$ 67.0	\$ (7.3)

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):

	16 weeks ended	
	June 18, 2022	June 19, 2021
Cash and cash equivalents and restricted cash at end of period	\$ 3,263.6	\$ 2,224.4
Cash flows provided by operating activities	991.9	1,059.0
Cash flows used in investing activities	(551.4)	(493.0)
Cash flows used in financing activities	(129.5)	(109.2)

Net Cash Provided by Operating Activities

Net cash provided by operating activities was \$991.9 million for the first quarter of fiscal 2022 compared to \$1,059.0 million for the first quarter of fiscal 2021. The decrease in cash flow from operations compared to the first quarter of fiscal 2021 was due to changes in working capital primarily related to inventory and accounts payable and accrued salaries and wages. These decreases were partially offset by an increase in Adjusted EBITDA and less cash paid for interest and income taxes during the first quarter of fiscal 2022.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$551.4 million for the first quarter of fiscal 2022 compared to \$493.0 million for the first quarter of fiscal 2021.

For the first quarter of fiscal 2022, cash used in investing activities consisted primarily of payments for property, equipment and intangibles of \$613.8 million partially offset by proceeds from the sale of long-lived assets of \$71.8 million. Payments for property, equipment and intangibles in the first quarter of fiscal 2022 included continued investment in our digital and technology platforms and the completion of 27 remodels. For the first quarter of fiscal 2021, cash used in investing activities consisted primarily of payments for property, equipment and intangibles, including lease buyouts, of \$513.4 million and payments for business acquisitions of \$23.5 million, partially offset by proceeds from the sale of long-lived assets of \$15.2 million. Payments for property, equipment and intangibles in the first quarter of fiscal 2021 included continued investment in our digital and technology platforms, the opening of five new stores and the completion of 33 remodels.

For the full fiscal year of 2022, we expect capital expenditures to be in the range of \$2.0 billion to \$2.1 billion.

Net Cash Used in Financing Activities

Net cash used in financing activities was \$129.5 million during the first quarter of fiscal 2022 compared to \$109.2 million during the first quarter of fiscal 2021.

Net cash used in financing activities during the first quarter of fiscal 2022 and the first quarter of fiscal 2021 consisted primarily of dividends paid on our Class A common stock and Convertible Preferred Stock, as well as tax withholding payments on vesting of restricted stock units.

Dividends

The holders of Convertible Preferred Stock are entitled to a quarterly dividend at a rate per annum of 6.75% of the liquidation preference per share of the Convertible Preferred Stock. In addition, the holders of Convertible Preferred Stock will participate in cash dividends that we pay on our common stock to the extent that such cash dividends exceed \$206.25 million per fiscal year. Cash dividends paid to holders of the Convertible Preferred Stock were \$22.8 million and \$29.5 million during the first quarter of fiscal 2022 and first quarter of fiscal 2021, respectively. On June 15, 2022, we declared a quarterly cash dividend of \$11.7 million to holders of Convertible Preferred Stock, which was paid on June 30, 2022.

We have established a dividend policy pursuant to which we intend to pay a quarterly dividend on our Class A common stock. Cash dividends paid on our Class A common stock were \$63.0 million (\$0.12 per common share) and \$46.5 million (\$0.10 per common share) during the first quarter of fiscal 2022 and first quarter of fiscal 2021, respectively. On July 14, 2022, we announced the next quarterly dividend payment of \$0.12 per share of Class A common stock to be paid on August 10, 2022 to stockholders of record as of the close of business on July 26, 2022.

Liquidity

We estimate our liquidity needs over the next 12 months to be approximately \$6,000 million, which includes anticipated requirements for incremental working capital, capital expenditures, pension obligations, interest payments and scheduled principal payments of debt, dividends on Class A common stock and Convertible Preferred Stock, operating leases and finance leases. 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 maintain our current debt ratings and 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.

As of June 18, 2022, we had no borrowings outstanding under our ABL Facility and total availability of \$3,750.4 million (net of letter of credit usage).

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 26, 2022, filed with the SEC on April 26, 2022, for a 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 26, 2022, filed with the SEC on April 26, 2022.

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 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 SEC'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 first quarter of fiscal 2022 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 and other matters. Some of these claims or 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 overall financial condition. See the matters under the caption *Legal Proceedings* in Note 5 - Commitments and Contingencies and Off Balance Sheet Arrangements in the unaudited interim Condensed Consolidated Financial Statements located elsewhere in this Form 10-Q.

Environmental Matters

As previously disclosed, we have been in negotiations to resolve an investigation being conducted by the Office of the Attorney General of the State of California, as well as the District Attorneys' offices of the counties of Contra Costa, Placer, Sacramento, San Joaquin, and Solano. The investigation has focused on whether or not we violated California regulations that govern the maintenance and operation of underground storage tanks located at our fueling stations within the state. In lieu of litigating the matter, we have agreed to implement certain enhancements to improve our compliance with the applicable regulations. We have reached an agreement in principle under which the Company will pay \$6.9 million to settle the matter.

Item 1A - Risk Factors

There have been no material changes to the risk factors previously included in our Annual Report on Form 10-K for the fiscal year ended February 26, 2022, filed with the SEC on April 26, 2022, under the heading "Risk Factors."

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

(a) Unregistered Sales of Equity Securities

On July 6, 2022, the Company received notices from certain holders of Convertible Preferred Stock to convert approximately 4,411 shares of Convertible Preferred Stock into shares of common stock. Each share of Convertible Preferred Stock is convertible at a rate of 58.064 shares of common stock (with cash delivered in lieu of any fractional shares of common stock). The Company issued 256,162 shares of common stock to such holders of Convertible Preferred Stock. As of the filing date of this Quarterly Report, including the shares of common stock as reported herein, the Company has issued, in the aggregate, approximately 61,489,721 shares of common stock to holders of Convertible Preferred Stock. The shares of common stock were issued in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Act"), under Section 3(a)(9) of the Act.

(b) Use of Proceeds

None.

(c) Purchases of Equity Securities

None.

Item 3 - Defaults Upon Senior Securities

None.

Item 4 - Mine Safety Disclosures

Not Applicable.

Item 5 - Other Information

The Compensation Committee of the Board of Directors approved a form employment agreement for senior Company executives, as applicable, except for the Chief Executive Officer and Chief Financial Officer. Accordingly, effective July 20, 2022 (the "Effective Date"), the Company entered into respective employment agreements with Susan Morris, Executive Vice President and Chief Operations Officer, and Anuj Dhanda, Executive Vice President and Chief Technology Officer (each, a "New Employment Agreement" and collectively, the "New Employment Agreements"). The New Employment Agreements amend and restate the respective employment agreements of Ms. Morris and Mr. Dhanda dated May 1, 2019 (collectively, the "Original Employment Agreements") which were due to expire January 30, 2023.

The New Employment Agreements amend the Original Employment Agreements to, among others, make the following changes:

Term: The term of the New Employment Agreements shall continue until termination of the executive's employment.

Termination provisions and benefits: The executive can terminate employment, subject to certain notice and cure provisions, on the basis of Good Reason (as defined in the New Employment Agreement) in the event of (i) a material reduction in the executive's base salary or target bonus opportunity, unless such decrease is part of a temporary, uniform reduction in salary for all executive officers of the Company that is undertaken in the reasonable business judgment of the Board of Directors, based on the Company's financial performance or a reasonably anticipated economic downturn; (ii) relocation of the executive's principal location of work to any location that is in excess of thirty (30) miles from the executive's principal work location on the Effective Date; or (iii) a material diminution in the executive's authority, responsibilities or duties. The executive shall also be entitled to receive the bonus (on a pro-rata basis) upon termination for Good Reason or without Cause (as defined in the New Employment Agreement).

In the event the executive's employment terminates due to death or Disability (as defined in the New Employment Agreement), the executive or the executive's estate (in the case of the executive's death), shall be entitled to receive a lump sum payment equal to the earned but unpaid portion of any bonus earned in respect of any performance period that is completed prior to the executive's death or Disability.

The New Employment Agreements contain various covenants, including covenants related to confidentiality, non-competition and non-solicitation.

Item 6 - Exhibits

[10.1 Lock-Up Agreement by and among Albertsons Companies, Inc. and the other parties thereto \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 22, 2022\)](#)

[10.2 Employment Agreement, dated July 20, 2022, between Albertsons Companies, Inc. and Anuj Dhanda](#)

[10.3 Employment Agreement, dated July 20, 2022, between Albertsons Companies, Inc. and Susan Morris](#)

[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 - Inline XBRL Instance Document

EXHIBIT 101.SCH - Inline XBRL Taxonomy Extension Schema Document

EXHIBIT 101.CAL - Inline XBRL Taxonomy Extension Calculation Linkbase Document

EXHIBIT 101.DEF - Inline XBRL Taxonomy Extension Definition Linkbase Document

EXHIBIT 101.LAB - Inline XBRL Taxonomy Extension Label Linkbase Document

EXHIBIT 101.PRE - Inline XBRL Taxonomy Extension Presentation Linkbase Document

EXHIBIT 104 - Cover Page Interactive Data File (embedded within the Inline XBRL document)

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: July 26, 2022

By: /s/ Vivek Sankaran
Vivek Sankaran
Chief Executive Officer and Director
(Principal Executive Officer)

Date: July 26, 2022

By: /s/ Sharon McCollam
Sharon McCollam
President and Chief Financial Officer
(Principal Financial Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) dated as of July 20, 2022 (the “Effective Date”), is between Albertsons Companies, Inc., a Delaware corporation (the “Company”), and **Anuj Dhanda** (the “Executive,” and together with the Company, the “Parties”).

WHEREAS, the Executive is currently employed by the Company pursuant to an Amended and Restated Employment Agreement dated as of May 1, 2019; and

WHEREAS, the Executive desires to continue to serve as an employee of the Company in exchange for the protection and other considerations set forth in this Agreement, and

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

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 agrees to employ the Executive and the Executive hereby accepts such employment with the Company upon the terms and conditions set forth in this Agreement. Either the Company or a subsidiary may be Executive's legal employer. For purposes of this Agreement, any reference to Executive's termination of employment with the Company means termination of employment with the Company and all subsidiaries and does not include a transfer of employment between any of them. The obligations created under this Agreement are obligations of the Company.

2. Term. The Company will employ the Executive and the Executive accepts employment by the Company on the terms and conditions contained herein for a period of time (the “Term”). The Term shall commence on the Effective Date and shall continue until the Executive’s employment is terminated. The Executive’s employment relationship with the Company is at-will. Accordingly, the Executive may terminate employment with the Company at any time and for any reason by notifying the Company; and the Company may terminate the Executive’s employment at any time, with or without cause or advance notice.

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 Executive Vice President and Chief Information Officer.

3.2 Duties. The Executive shall have the 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 such duties and responsibilities as may be assigned to the Executive by the Chief Executive Officer of the Company (the “CEO”) from time to time. The Executive shall devote all 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, and subject to disclosure to, and approval by the Board of Directors of the Company (the “Board”) or the CEO, the Executive may (a) continue to serve on any boards of directors upon which the Executive serves as of the Effective Date (as listed in

Addendum A), and (b) serve on other corporate, industry, civic or charitable boards and committees, provided that with respect to (a) and (b), (i) such activities, in the Board's or CEO's discretion, do not materially interfere with and are not inconsistent with the Executive's performance of the Executive's duties under this Agreement and (ii) any such entity does not engage in the retail and/or e-commerce grocery or supermarket business (the "Business").

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 \$750,000 payable in accordance with the customary payroll practices of the Company ("Base Salary"). The Executive's Base Salary may be increased as may be determined from time to time by the Board or the Compensation Committee of the Board (the "Compensation Committee") in its sole discretion, and may be decreased as part of a temporary, uniform reduction in salary for all executive officers of the Company that is undertaken in the Board's reasonable business judgment, based on the Company's financial performance or a reasonably anticipated economic downturn.

4.2 Bonuses. During the Term, the Executive may be eligible to receive a bonus or bonuses (collectively, the "Bonus") subject to a plan or program established by the Company (the "Bonus Plan") in an amount determined by the Board or Compensation Committee in its discretion 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 no less than 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. Subject to any deferral program established by the Company, annual Bonuses shall be payable in the first 2½ months of the fiscal year following the performance year.

4.3 Equity Awards. During the Term, the Company shall award the Executive with an annual equity grant (which may include phantom equity) valued at \$2,500,000, as determined by the Board or the Compensation Committee, subject to increases or decreases in the equity grant value as determined by the Board or Compensation Committee, and subject to the terms and conditions of the Company's equity program and the award agreement applicable to each grant. The first such grant shall be awarded at the Company's customary grant date following the Effective Date.

4.4 Participation in Employee Benefit Plans. During the Term, the Executive shall be entitled, if and to the extent eligible, to participate in all of the applicable Company-sponsored retirement, life, health, accident and disability, and other benefit plans (the "Employee Benefit Plans") that 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. Any benefits to which Executive may be entitled under any Employee Benefit Plan will be governed by the terms and conditions of the applicable plan, as in effect and amended from time to time.

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

5. Termination of Employment.

5.1 Termination 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 resigns without "Good Reason" (as defined below), the Executive shall only 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 any vested benefits (determined in accordance with applicable plan terms), through the termination date; and
- (c) expenses reimbursable under Section 4.5 incurred but not yet reimbursed to the Executive through the termination date. (Sections 5.1(a), 5.1(b), and 5.1(c) collectively, the "Accrued Benefits").

For the purposes of this Agreement, "Cause" means, subject to the notice and cure provisions below and with respect to conduct during the Term, one or more of the following: (i) the Executive has been convicted of a felony; (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) personal conduct by the Executive which would reasonably be expected to seriously discredit or damage the Company, its subsidiaries or its affiliates (including, but not limited, to employee harassment or discrimination under the Company's policies, or the use or possession at work of any illegal controlled substance); (vi) the Executive's 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 existence of a condition constituting "Cause" shall be determined exclusively by the Board or its designee. The Executive shall not be deemed to have been terminated for Cause unless and until the Executive has been given written notice detailing the specific Cause event and a period of fifteen (15) business days following receipt of such notice from the Company to cure the deficiency leading to the Cause determination (except with respect to (i) above), if curable. Any act, or failure to act, based upon and performed in accordance with authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interest of the Company.

For the purposes of this Agreement, "Good Reason" means, subject to the notice and cure provisions below, the occurrence of one or more of the following (regardless of whether any other reason, other than Cause, for such termination exists or has occurred), without the Executive's prior written consent: (i) a material reduction in the Executive's Base Salary or Target Bonus opportunity, unless such decrease is part of a temporary, uniform reduction in salary for all executive officers of the Company that is undertaken in the Board's reasonable business judgment, based on the Company's financial performance or a reasonably anticipated economic downturn; (ii) relocation of the Executive's principal location of work to any location that is in excess of thirty (30) miles from the Executive's principal work location on the Effective Date; or (iii) a material diminution in the Executive's authority, responsibilities or duties.

A resignation by the Executive shall not be treated as for Good Reason unless: (a) the Executive provides written notice to the Company of the circumstances(s) giving rise to a Good Reason condition within sixty (60) days of Executive having knowledge of the initial existence of such circumstance(s), and (b) the Company fails to cure the applicable circumstance(s) within thirty (30) days after receipt of such written notice, and (c) the Executive terminates employment with the Company no later than thirty (30) days following the end of such cure period.

5.2 Termination Due to Death or Disability. This Agreement and the Executive's employment shall terminate automatically upon the death or Disability (as defined below). Upon termination due to the Executive's death or Disability, the Executive or the Executive's estate (in the case of the Executive's death), shall be entitled to receive:

(d) the Accrued Benefits;

(e) subject to Section 5.4, a lump sum payment equal to the Bonus that would otherwise have been earned, based on actual performance metrics for the fiscal year of the Company in which the termination date occurs, with such Bonus to be paid at the same time it would otherwise be paid, but the amount thereof pro-rated based on the number of days of service during the applicable fiscal year through the termination date; and

(f) a lump sum payment equal to the earned but unpaid portion of any Bonus earned in respect of any performance period that is completed prior to the Executive's death or Disability.

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, impairment, 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. Any payment due to death or Disability under this Section 5.2 shall be in addition to, and shall not be offset by, any disability-related payments due to Executive under any Employee Benefit Plan.

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.

5.1 Termination by the Company Without Cause or by the Executive for Good Reason. If the Company terminates the Executive's employment without Cause, or if the Executive voluntarily resigns for Good Reason, the Executive shall be entitled to receive the Accrued Benefits and, subject to Section 5.4, the following:

(g) 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 Base Salary then in effect (not taking into account any temporary reductions in Base Salary);

(h) the earned but unpaid portion of any Bonus earned in respect of any completed performance period that is completed prior to the termination date;

(i) the Bonus that would otherwise have been earned, based on actual performance metrics for the fiscal year of the Company in which the termination date occurs, with such Bonus to be paid at the same time it would otherwise be paid, but the amount thereof pro-rated based on the number of days of service during the applicable fiscal year through the termination date; and

(j) if the Executive timely and properly elects health continuation coverage pursuant to the Executive's benefit continuation rights under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), monthly reimbursement of the cost of continued group health coverage (including family coverage) for eighteen (18) months (payable by the Company in a lump sum). The eighteen (18) 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(d) 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 of such benefits to the Executive, the Executive's dependents, eligible family members and beneficiaries, along with, in the case of any benefit described in this Section 5.3(d) 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 the net amount payable to the Executive after withholding equals the intended reimbursement amount. Notwithstanding the foregoing, benefits under this Section 5.3(d) shall cease when the Executive or the Executive's dependents are covered under another group health plan.

5.3 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") unless (a) the Executive signs, and does not revoke, a valid release agreement in substantially the same form as Exhibit A hereto (the "Release"), no later than sixty (60) days following the termination date, and (b) the Executive complies with all obligations under the Release and this Agreement (including, but not limited to, Section 6 hereof). The 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; the first payment shall include a make-up, without interest, for each payment that would have been made before the first payment date had payment started on the first pay period following the termination date. For the avoidance of doubt, the Executive shall not be entitled to any payments after termination of employment other than as required by Section 5.1, 5.2, or 5.3 of this Agreement; without limiting the generality of the foregoing, the Executive receiving Severance Benefits under this Section 5.4 shall not be eligible to receive benefits under any Company-sponsored severance plan or policy.

5.4 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.

5.5 Removal from any Boards and Positions. 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 or board of directors of 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.

5.6 Compensation Recovery. The Executive agrees that, to the extent permissible under applicable state law, the compensation described in Sections 4.2 (Bonuses) and 4.3 (Equity Awards) will always be subject to recoupment or clawback under the Company's clawback and recoupment policies (if any), as may be in effect from time to time, or as may be required by law or any applicable stock exchange rule.

6. Restrictions and Obligations of the Executive.

6.1 Confidentiality.

(a) During the Executive's employment (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 have 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. The Parties agree that nothing in this Agreement precludes the Executive from disclosing unlawful acts in the workplace.

(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. As set forth in Section 9.7 below, this Agreement is governed by Delaware law; provided however that, if a court determines that California Labor Code Section 2872 or any other similar invention assignment law applies, this Section 6.1(c) shall not apply to any invention that qualifies fully under the provisions of Section 2870 of the California Labor Code or any other similar invention assignment law, as explained in the Invention Assignment Notice attached hereto as Addendum B. Further, the Executive acknowledges that all unpatented inventions, discoveries, improvements, and works of authorship, if any, which were owned and controlled by the Executive on the initial date of Executive's performance of services for Company have been listed on Addendum C.

(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. 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 the twelve (12) months following the termination of Executive’s employment for any reason.

6.3 Non-Competition. During the Term and for the Restricted Period following the termination of the Executive’s employment (for any reason, including non-renewal of the Agreement), the Executive shall not, directly or indirectly (a) own, manage, operate or control a Competitor (as defined below), or (b) hold any position for a Competitor or engage in any activities for a Competitor as an owner, employee, manager, director, agent, consultant, independent contractor, or in any other capacity, if such position or activity involves one or more of the following: (i) responsibilities that are the same as or similar to the responsibilities you performed for the Company, or any subsidiary or affiliate of the Company, within the twenty-four (24) month period prior to termination of Executive’s employment; (ii) supervising or directing employees or other personnel in the provision of services that are the same as or competitive with those offered or provided by the Company or any subsidiary or affiliate of the Company; (iii) developing or implementing business plans, strategies or methodologies related to, the same as, or competitive with the business plans, strategies, or methodologies of the Company or any subsidiary or affiliate of the Company; or (iv) responsibilities or activities in which the Executive would utilize or disclose Confidential Information of the Protected Parties. As used in this Agreement, “Competitor” means any business, firm, corporation, partnership or any other entity engaged in the Business, or any other type of business developed or conducted by the Company or any subsidiary or affiliate of the Company, during the twenty-four (24) month period prior to the termination of the Executive’s employment, that operates within ten (10) miles of a store or e-commerce delivery location in which the Company or any subsidiary or affiliate of the Company serves customers or plans to serve customers under the Business during the Restricted Period. Before accepting employment with any other person, organization or entity during the Restricted Period, the Executive agrees to inform such person, organization or entity of the restrictions contained in this Section 6.3. In addition, during the Restricted Period, Executive consents to the Company’s notification of such person, organization or entity of the Executive’s obligations under this Agreement.

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”). 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 Non-disparagement. The Executive agrees that the Executive shall not at any time knowingly make to any person or entity any material “Disparaging” (as defined below) remarks, comments or statements concerning the Company, its subsidiaries and affiliates, and its

directors, officers, shareholders, employees, agents, 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; provided that nothing in this Agreement shall prevent the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful. Neither the Company nor any director or executive officer of the Company shall at any time knowingly make any material Disparaging 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 shall result in irreparable and continuing damage to the Protected Parties for which there may be no adequate remedy at law and that the Protected Parties 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 hereby consents to the grant of an injunction (temporary or otherwise) against the Executive or the entry of any other court order against the Executive prohibiting and enjoining the Executive from violating, or directing the Executive to comply with, any provision of Section 6. The Executive also agrees that such remedies shall be in addition to all remedies, including damages, available to the Protected Parties against the Executive 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 the Company’s bylaws, 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.

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, sent via electronic mail, 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, sent via electronic mail, 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 provided to the Company, to:

Albertsons Companies, Inc.
250 E. Parkcenter Boulevard Boise, Idaho 83706
Attention: Executive Vice President, General Counsel
Telephone: (208) 395-6200
Email: general.counsel@albertsons.com

- (b) If provided to the Executive, to the Executive's home address reflected in the Company's records, unless otherwise directed in writing by Executive.

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 Internal Revenue Code of 1986, as amended (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). All determinations to be made under this Section 9.3 shall be made by an independent accounting firm, consulting firm or other independent service provider selected by the Company immediately prior to a "change in ownership or control" within the meaning of Section 280G of the Code (the "Firm"), which shall provide its determinations and any supporting calculations both to the Company and the Executive within ten (10) days of the "change in ownership or control." Any such determination by the Firm shall be binding upon the Company and the Executive. All of the fees and expenses of the Firm in performing the determinations referred to in this Section 9.3 shall be borne solely by the Company. 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. Any reduction required by this Section 9.3 shall apply in reverse chronological order, with amounts due farthest in the future being reduced first.

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. Unless otherwise provided herein, 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 and the regulations, rules and other guidance promulgated thereunder, or be provided in a manner that complies with the requirements to avoid tax under 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. For purposes of Section 409A, each installment in a series shall be treated as a separate payment. Notwithstanding anything contained herein to the contrary, Severance Benefits that are not exempt from Section 409A under the “short-term deferral” rule described in Treas. Reg. Section. 1.409A-1(b)(4) 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)); and with respect to such Severance Benefits, references to termination of employment and similar terms shall be interpreted to mean “separation from service”. Further, if as of the Executive’s separation from service, 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 any payments or benefits is necessary in order avoid tax under Section 409A of the Code, then the Company shall defer each such payment and/or benefit 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, without interest. Thereafter, payments shall resume in accordance with this Agreement.

Notwithstanding anything to the contrary in this Agreement, the following special rules apply to in-kind benefits and reimbursements that are includible in wages for tax purposes: (i) 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; (ii) no reimbursement or in-kind benefit shall be subject to liquidation or exchange for another benefit; and (iii) 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 next calendar year following the calendar year in which the expense was incurred.

If the Company or the Executive reasonably determines that any provision of this Agreement might not comply with the requirements to be exempt from or avoid taxes under Section 409A of the Code, the Company and the Executive shall work together to correct the issue.

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

9.8 Survival of Provisions. Sections 5, 6, 7, 8 and 9 of this Agreement shall survive any termination of this Agreement or the termination of the Executive’s employment under Section 5.

9.9 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.

9.10 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.

9.11 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.

9.12 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.

9.13 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.

9.14 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. Regardless of the amount withheld or reported, the Executive is solely responsible for all taxes in respect of compensation and benefits from employment (including imputed income) except the employer's share of employment taxes.

9.15 Representation by Counsel. The Executive acknowledges, represents and agrees that the Executive has had the opportunity to retain and be individually represented by counsel with respect to negotiating the terms of this Agreement. In accordance with the Company's expense reimbursement policies, upon receipt of proper documentation showing attorney fees incurred, the Company will reimburse the Executive for reasonable out of pocket costs, not to exceed \$10,000, incurred to engage legal counsel for this purpose.

[Signature Page Follows]

WHEREOF, the Parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day and year first above mentioned.

EXECUTIVE

/s/ Anuj Dhanda

Anuj Dhanda

ALBERTSONS COMPANIES, INC.

By: /s/ Juliette W. Pryor
Name: Juliette W. Pryor

Title: Executive Vice President and General Counsel

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") dated as of (the "Effective Date"), July 20, 2022 is between Albertsons Companies, Inc., a Delaware corporation (the "Company"), and **Susan Morris** (the "Executive," and together with the Company, the "Parties").

WHEREAS, the Executive is currently employed by the Company pursuant to an Amended and Restated Employment Agreement dated as of May 1, 2020; and

WHEREAS, the Executive desires to continue to serve as an employee of the Company in exchange for the protection and other considerations set forth in this Agreement, and

WHEREAS, the Parties desire to set forth the terms and conditions of the Executive's employment with the Company.

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 agrees to employ the Executive and the Executive hereby accepts such employment with the Company upon the terms and conditions set forth in this Agreement. Either the Company or a subsidiary may be Executive's legal employer. For purposes of this Agreement, any reference to Executive's termination of employment with the Company means termination of employment with the Company and all subsidiaries and does not include a transfer of employment between any of them. The obligations created under this Agreement are obligations of the Company.

2. Term. The Company will employ the Executive and the Executive accepts employment by the Company on the terms and conditions contained herein for a period of time (the "Term"). The Term shall commence on the Effective Date and shall continue until the Executive's employment is terminated. The Executive's employment relationship with the Company is at-will. Accordingly, the Executive may terminate employment with the Company at any time and for any reason by notifying the Company; and the Company may terminate the Executive's employment at any time, with or without cause or advance notice.

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 Executive Vice President & Chief Operations Officer.

3.2 Duties. The Executive shall have the 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 such duties and responsibilities as may be assigned to the Executive by the Chief Executive Officer of the Company (the "CEO") from time to time. The Executive shall devote all 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, and subject to disclosure to, and approval by the Board of Directors of the Company (the "Board") or the CEO, the Executive may (a) continue to serve on any boards of directors upon which the Executive serves as of the Effective Date (as listed in

Addendum A), and (b) serve on other corporate, industry, civic or charitable boards and committees, provided that with respect to (a) and (b), (i) such activities, in the Board's or CEO's discretion, do not materially interfere with and are not inconsistent with the Executive's performance of the Executive's duties under this Agreement and (ii) any such entity does not engage in the retail and/or e-commerce grocery or supermarket business (the "Business").

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 \$1,000,000 payable in accordance with the customary payroll practices of the Company ("Base Salary"). The Executive's Base Salary may be increased as may be determined from time to time by the Board or the Compensation Committee of the Board (the "Compensation Committee") in its sole discretion, and may be decreased as part of a temporary, uniform reduction in salary for all executive officers of the Company that is undertaken in the Board's reasonable business judgment, based on the Company's financial performance or a reasonably anticipated economic downturn.

4.2 Bonuses. During the Term, the Executive may be eligible to receive a bonus or bonuses (collectively, the "Bonus") subject to a plan or program established by the Company (the "Bonus Plan") in an amount determined by the Board or Compensation Committee in its discretion 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 no less than 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. Subject to any deferral program established by the Company, annual Bonuses shall be payable in the first 2½ months of the fiscal year following the performance year.

4.3 Equity Awards. During the Term, the Company shall award the Executive with an annual equity grant (which may include phantom equity) valued at \$4,000,000, as determined by the Board or the Compensation Committee, subject to increases or decreases in the equity grant value as determined by the Board or Compensation Committee, and subject to the terms and conditions of the Company's equity program and the award agreement applicable to each grant. The first such grant shall be awarded at the Company's customary grant date following the Effective Date.

4.4 Participation in Employee Benefit Plans. During the Term, the Executive shall be entitled, if and to the extent eligible, to participate in all of the applicable Company-sponsored retirement, life, health, accident and disability, and other benefit plans (the "Employee Benefit Plans") that 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. Any benefits to which Executive may be entitled under any Employee Benefit Plan will be governed by the terms and conditions of the applicable plan, as in effect and amended from time to time.

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

5. Termination of Employment.

5.1 Termination 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 resigns without "Good Reason" (as defined below), the Executive shall only 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 any vested benefits (determined in accordance with applicable plan terms), through the termination date; and
- (c) expenses reimbursable under Section 4.5 incurred but not yet reimbursed to the Executive through the termination date. (Sections 5.1(a), 5.1(b), and 5.1(c) collectively, the "Accrued Benefits").

For the purposes of this Agreement, "Cause" means, subject to the notice and cure provisions below and with respect to conduct during the Term, one or more of the following: (i) the Executive has been convicted of a felony; (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) personal conduct by the Executive which would reasonably be expected to seriously discredit or damage the Company, its subsidiaries or its affiliates (including, but not limited, to employee harassment or discrimination under the Company's policies, or the use or possession at work of any illegal controlled substance); (vi) the Executive's 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 existence of a condition constituting "Cause" shall be determined exclusively by the Board or its designee. The Executive shall not be deemed to have been terminated for Cause unless and until the Executive has been given written notice detailing the specific Cause event and a period of fifteen (15) business days following receipt of such notice from the Company to cure the deficiency leading to the Cause determination (except with respect to (i) above), if curable. Any act, or failure to act, based upon and performed in accordance with authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interest of the Company.

For the purposes of this Agreement, "Good Reason" means, subject to the notice and cure provisions below, the occurrence of one or more of the following (regardless of whether any other reason, other than Cause, for such termination exists or has occurred), without the Executive's prior written consent: (i) a material reduction in the Executive's Base Salary or Target Bonus opportunity, unless such decrease is part of a temporary, uniform reduction in salary for all executive officers of the Company that is undertaken in the Board's reasonable business judgment, based on the Company's financial performance or a reasonably anticipated economic downturn; (ii) relocation of the Executive's principal location of work to any location that is in excess of thirty (30) miles from the Executive's principal work location on the Effective Date; or (iii) a material diminution in the Executive's authority, responsibilities or duties.

A resignation by the Executive shall not be treated as for Good Reason unless: (a) the Executive provides written notice to the Company of the circumstances(s) giving rise to a Good Reason condition within sixty (60) days of Executive having knowledge of the initial existence of such circumstance(s), and (b) the Company fails to cure the applicable circumstance(s) within thirty (30) days after receipt of such written notice, and (c) the Executive terminates employment with the Company no later than thirty (30) days following the end of such cure period.

5.2 Termination Due to Death or Disability. This Agreement and the Executive's employment shall terminate automatically upon the death or Disability (as defined below). Upon termination due to the Executive's death or Disability, the Executive or the Executive's estate (in the case of the Executive's death), shall be entitled to receive:

(d) the Accrued Benefits;

(e) subject to Section 5.4, a lump sum payment equal to the Bonus that would otherwise have been earned, based on actual performance metrics for the fiscal year of the Company in which the termination date occurs, with such Bonus to be paid at the same time it would otherwise be paid, but the amount thereof pro-rated based on the number of days of service during the applicable fiscal year through the termination date; and

(f) a lump sum payment equal to the earned but unpaid portion of any Bonus earned in respect of any performance period that is completed prior to the Executive's death or Disability.

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, impairment, 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. Any payment due to death or Disability under this Section 5.2 shall be in addition to, and shall not be offset by, any disability-related payments due to Executive under any Employee Benefit Plan.

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.

5.1 Termination by the Company Without Cause or by the Executive for Good Reason. If the Company terminates the Executive's employment without Cause, or if the Executive voluntarily resigns for Good Reason, the Executive shall be entitled to receive the Accrued Benefits and, subject to Section 5.4, the following:

(g) 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 Base Salary then in effect (not taking into account any temporary reductions in Base Salary);

(h) the earned but unpaid portion of any Bonus earned in respect of any completed performance period that is completed prior to the termination date;

(i) the Bonus that would otherwise have been earned, based on actual performance metrics for the fiscal year of the Company in which the termination date occurs, with such Bonus to be paid at the same time it would otherwise be paid, but the amount thereof pro-rated based on the number of days of service during the applicable fiscal year through the termination date; and

(j) if the Executive timely and properly elects health continuation coverage pursuant to the Executive's benefit continuation rights under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), monthly reimbursement of the cost of continued group health coverage (including family coverage) for eighteen (18) months (payable by the Company in a lump sum). The eighteen (18) 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(d) 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 of such benefits to the Executive, the Executive's dependents, eligible family members and beneficiaries, along with, in the case of any benefit described in this Section 5.3(d) 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 the net amount payable to the Executive after withholding equals the intended reimbursement amount. Notwithstanding the foregoing, benefits under this Section 5.3(d) shall cease when the Executive or the Executive's dependents are covered under another group health plan.

5.3 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") unless (a) the Executive signs, and does not revoke, a valid release agreement in substantially the same form as Exhibit A hereto (the "Release"), no later than sixty (60) days following the termination date, and (b) the Executive complies with all obligations under the Release and this Agreement (including, but not limited to, Section 6 hereof). The 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; the first payment shall include a make-up, without interest, for each payment that would have been made before the first payment date had payment started on the first pay period following the termination date. For the avoidance of doubt, the Executive shall not be entitled to any payments after termination of employment other than as required by Section 5.1, 5.2, or 5.3 of this Agreement; without limiting the generality of the foregoing, the Executive receiving Severance Benefits under this Section 5.4 shall not be eligible to receive benefits under any Company-sponsored severance plan or policy.

5.4 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.

5.5 Removal from any Boards and Positions. 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 or board of directors of 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.

5.6 Compensation Recovery. The Executive agrees that, to the extent permissible under applicable state law, the compensation described in Sections 4.2 (Bonuses) and 4.3 (Equity Awards) will always be subject to recoupment or clawback under the Company's clawback and recoupment policies (if any), as may be in effect from time to time, or as may be required by law or any applicable stock exchange rule.

6. Restrictions and Obligations of the Executive.

6.1 Confidentiality.

(a) During the Executive's employment (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 have 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. The Parties agree that nothing in this Agreement precludes the Executive from disclosing unlawful acts in the workplace.

(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. As set forth in Section 9.7 below, this Agreement is governed by Delaware law; provided however that, if a court determines that California Labor Code Section 2872 or any other similar invention assignment law applies, this Section 6.1(c) shall not apply to any invention that qualifies fully under the provisions of Section 2870 of the California Labor Code or any other similar invention assignment law, as explained in the Invention Assignment Notice attached hereto as Addendum B. Further, the Executive acknowledges that all unpatented inventions, discoveries, improvements, and works of authorship, if any, which were owned and controlled by the Executive on the initial date of Executive's performance of services for Company have been listed on Addendum C.

(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. 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 the twelve (12) months following the termination of Executive’s employment for any reason.

6.3 Non-Competition. During the Term and for the Restricted Period following the termination of the Executive’s employment (for any reason, including non-renewal of the Agreement), the Executive shall not, directly or indirectly (a) own, manage, operate or control a Competitor (as defined below), or (b) hold any position for a Competitor or engage in any activities for a Competitor as an owner, employee, manager, director, agent, consultant, independent contractor, or in any other capacity, if such position or activity involves one or more of the following: (i) responsibilities that are the same as or similar to the responsibilities you performed for the Company, or any subsidiary or affiliate of the Company, within the twenty-four (24) month period prior to termination of Executive’s employment; (ii) supervising or directing employees or other personnel in the provision of services that are the same as or competitive with those offered or provided by the Company or any subsidiary or affiliate of the Company; (iii) developing or implementing business plans, strategies or methodologies related to, the same as, or competitive with the business plans, strategies, or methodologies of the Company or any subsidiary or affiliate of the Company; or (iv) responsibilities or activities in which the Executive would utilize or disclose Confidential Information of the Protected Parties. As used in this Agreement, “Competitor” means any business, firm, corporation, partnership or any other entity engaged in the Business, or any other type of business developed or conducted by the Company or any subsidiary or affiliate of the Company, during the twenty-four (24) month period prior to the termination of the Executive’s employment, that operates within ten (10) miles of a store or e-commerce delivery location in which the Company or any subsidiary or affiliate of the Company serves customers or plans to serve customers under the Business during the Restricted Period. Before accepting employment with any other person, organization or entity during the Restricted Period, the Executive agrees to inform such person, organization or entity of the restrictions contained in this Section 6.3. In addition, during the Restricted Period, Executive consents to the Company’s notification of such person, organization or entity of the Executive’s obligations under this Agreement.

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”). 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 Non-disparagement. The Executive agrees that the Executive shall not at any time knowingly make to any person or entity any material “Disparaging” (as defined below) remarks, comments or statements concerning the Company, its subsidiaries and affiliates, and its

directors, officers, shareholders, employees, agents, 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; provided that nothing in this Agreement shall prevent the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful. Neither the Company nor any director or executive officer of the Company shall at any time knowingly make any material Disparaging 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 shall result in irreparable and continuing damage to the Protected Parties for which there may be no adequate remedy at law and that the Protected Parties 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 hereby consents to the grant of an injunction (temporary or otherwise) against the Executive or the entry of any other court order against the Executive prohibiting and enjoining the Executive from violating, or directing the Executive to comply with, any provision of Section 6. The Executive also agrees that such remedies shall be in addition to all remedies, including damages, available to the Protected Parties against the Executive 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 the Company’s bylaws, 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.

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, sent via electronic mail, 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, sent via electronic mail, 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 provided to the Company, to:

Albertsons Companies, Inc.
250 E. Parkcenter Boulevard Boise, Idaho 83706
Attention: Executive Vice President, General Counsel
Telephone: (208) 395-6200
Email: general.counsel@albertsons.com

- (b) If provided to the Executive, to the Executive's home address reflected in the Company's records, unless otherwise directed in writing by Executive.

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 Internal Revenue Code of 1986, as amended (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). All determinations to be made under this Section 9.3 shall be made by an independent accounting firm, consulting firm or other independent service provider selected by the Company immediately prior to a "change in ownership or control" within the meaning of Section 280G of the Code (the "Firm"), which shall provide its determinations and any supporting calculations both to the Company and the Executive within ten (10) days of the "change in ownership or control." Any such determination by the Firm shall be binding upon the Company and the Executive. All of the fees and expenses of the Firm in performing the determinations referred to in this Section 9.3 shall be borne solely by the Company. 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. Any reduction required by this Section 9.3 shall apply in reverse chronological order, with amounts due farthest in the future being reduced first.

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. Unless otherwise provided herein, 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 and the regulations, rules and other guidance promulgated thereunder, or be provided in a manner that complies with the requirements to avoid tax under 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. For purposes of Section 409A, each installment in a series shall be treated as a separate payment. Notwithstanding anything contained herein to the contrary, Severance Benefits that are not exempt from Section 409A under the “short-term deferral” rule described in Treas. Reg. Section. 1.409A-1(b)(4) 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)); and with respect to such Severance Benefits, references to termination of employment and similar terms shall be interpreted to mean “separation from service”. Further, if as of the Executive’s separation from service, 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 any payments or benefits is necessary in order avoid tax under Section 409A of the Code, then the Company shall defer each such payment and/or benefit 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, without interest. Thereafter, payments shall resume in accordance with this Agreement.

Notwithstanding anything to the contrary in this Agreement, the following special rules apply to in-kind benefits and reimbursements that are includible in wages for tax purposes: (i) 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; (ii) no reimbursement or in-kind benefit shall be subject to liquidation or exchange for another benefit; and (iii) 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 next calendar year following the calendar year in which the expense was incurred.

If the Company or the Executive reasonably determines that any provision of this Agreement might not comply with the requirements to be exempt from or avoid taxes under Section 409A of the Code, the Company and the Executive shall work together to correct the issue.

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

9.8 Survival of Provisions. Sections 5, 6, 7, 8 and 9 of this Agreement shall survive any termination of this Agreement or the termination of the Executive’s employment under Section 5.

9.9 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.

9.10 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.

9.11 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.

9.12 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.

9.13 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.

9.14 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. Regardless of the amount withheld or reported, the Executive is solely responsible for all taxes in respect of compensation and benefits from employment (including imputed income) except the employer's share of employment taxes.

9.15 Representation by Counsel. The Executive acknowledges, represents and agrees that the Executive has had the opportunity to retain and be individually represented by counsel with respect to negotiating the terms of this Agreement. In accordance with the Company's expense reimbursement policies, upon receipt of proper documentation showing attorney fees incurred, the Company will reimburse the Executive for reasonable out of pocket costs, not to exceed \$10,000 incurred to engage legal counsel for this purpose.

[Signature Page Follows]

WHEREOF, the Parties hereto, intending to be legally bound hereby, have executed this Agreement as of the day and year first above mentioned.

EXECUTIVE

/s/ Susan Morris

Susan Morris

ALBERTSONS COMPANIES, INC.

By: /s/ Juliette W. Pryor

Name: Juliette W. Pryor

Title: Executive Vice President and General Counsel

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

I, Vivek Sankaran, 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) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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: July 26, 2022

/s/ Vivek Sankaran

Vivek Sankaran

Chief Executive Officer and Director (Principal Executive Officer)

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

I, Sharon McCollam, 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) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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: July 26, 2022

/s/ Sharon McCollam

Sharon McCollam

President and Chief Financial Officer (Principal Financial Officer)

**Certification Pursuant to 18 U.S.C. Section 1350,
as adopted pursuant 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 June 18, 2022 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: July 26, 2022

/s/ Vivek Sankaran

Vivek Sankaran

Chief Executive Officer and Director (Principal Executive Officer)

/s/ Sharon McCollam

Sharon McCollam

President and Chief Financial Officer (Principal Financial Officer)