SAFEWAY INC
Form 10-K
March 04, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 3, 2015
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 1-00041
SAFEWAY INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 94-3019135 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 5918 Stoneridge Mall Road<br>Pleasanton, California | 94588-3229 |
| (Address of principal executive offices) | (Zip Code) |
| Registrant's telephone number, including area code: | (925) 467-3000 |

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| None | None |

Securities registered pursuant to Section 12(g) of the Act:
(Title of class)
NONE
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes X No .
(Cover continued on following page)

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(Cover continued from previous page)
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No X.
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 X No .
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes X No .
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K X.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer X Accelerated filer Non-accelerated filer
Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes No X.
State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 14, 2014 was approximately $7.8 billion.
As of February 25, 2015, one share of the registrant's common stock at a par value of $0.01 per share was outstanding.
DOCUMENTS INCORPORATED BY REFERENCE
The following document is incorporated by reference to the extent specified herein:

| Document Description | 10-K Part |
|---|---|
| None | N/A |

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INTRODUCTORY NOTE
As previously announced, on March 6, 2014, Safeway Inc. (“Safeway” or the "Company"), AB Acquisition LLC (“AB Acquisition”), Albertson’s Holdings LLC (“Albertsons Holdings”), a subsidiary of AB Acquisition, Albertson’s LLC (“Albertson’s LLC”), a subsidiary of Albertsons Holdings, and Saturn Acquisition Merger Sub, Inc. (“Merger Sub” and together with AB Acquisition, Albertsons Holdings and Albertson’s LLC, “Albertsons”), a subsidiary of Albertsons Holdings, entered into an Agreement and Plan of Merger, which was subsequently amended on April 7, 2014 pursuant to Amendment No. 1 and on June 13, 2014 pursuant to Amendment No. 2 (as amended, the “Merger Agreement”). Pursuant to the Merger Agreement, on January 30, 2015, Merger Sub merged with and into Safeway with Safeway surviving as a wholly owned subsidiary of Albertsons Holdings (the “Merger”). Further, each share of common stock of Safeway issued and outstanding immediately prior to the effective time of the Merger was cancelled and converted automatically into the right to receive (i) $34.92 in cash (the “Per Share Cash Merger Consideration”) which consists of (x) $32.50 in initial cash consideration, (y) $2.412 in consideration relating to the sale of the assets of Safeway’s real-estate development subsidiary Property Development Centers, LLC (“PDC”) and (z) $0.008 in cash consideration relating to a dividend that Safeway received in December 2014 on its 49% interest in Mexico-based food and general merchandise retailer Casa Ley, S.A. de C.V. (“Casa Ley”), (ii) one contingent value right relating to Safeway’s interest in Casa Ley (a “Casa Ley CVR”) and (iii) one contingent value right relating to any deferred consideration relating to the sale of the PDC assets (a “PDC CVR,” and together with the Casa Ley CVR and the Per Share Cash Merger Consideration, the “Per Share Merger Consideration”).
In connection with the closing of the Merger and immediately prior to the effective time of the Merger, each outstanding, unexpired and unexercised option to purchase shares of Safeway common stock (each, a “Safeway Option”), that was granted under any equity incentive plan of Safeway, including the 1999 Amended and Restated Equity Participation Plan, the 2007 Equity and Incentive Award Plan and the 2011 Equity and Incentive Award Plan or any other plan, agreement or arrangement (collectively, the “Safeway Equity Incentive Plans”), whether or not then exercisable or vested, was accelerated, vested and cancelled and converted into the right to receive an amount in cash (subject to any applicable withholding taxes) equal to the product of (A) the total number of shares of Safeway common stock subject to such Safeway Option as of immediately prior to the effective time of the Merger and (B) the excess, if any, of the Per Share Cash Merger Consideration over the exercise price per share (the “Option Price”) of such Safeway Option (the “Option Payment”). In addition, each such Safeway Option that had an Option Price less than the Per Share Cash Merger Consideration received one Casa Ley CVR and one PDC CVR in respect of each share of Safeway common stock subject to such cancelled Safeway Option.
Immediately prior to the effective time of the Merger, each restricted share of Safeway common stock that was outstanding and that was granted pursuant to any Safeway Equity Incentive Plan, whether or not then exercisable or vested, automatically vested and all restrictions thereon lapsed, and all such restricted shares were cancelled and converted into the right to receive the Per Share Merger Consideration.
Immediately prior to the effective time of the Merger, each outstanding performance share award covering shares of Safeway common stock (each a “Performance Share Award”) that was granted under any Safeway Equity Incentive Plan vested at the target levels specified for each such award and was cancelled in exchange for (i) an amount in cash (subject to any applicable withholding taxes) equal to the product of (A) the number of vested shares of Safeway common stock subject to such Performance Share Award (after taking into account any vesting as a result of the Merger) and (B) the Per Share Cash Merger Consideration and (ii) one Casa Ley CVR and one PDC CVR in respect of each vested share of Safeway common stock subject to such Performance Share Award.
Immediately prior to the effective time of the Merger, each outstanding restricted stock unit covering shares of Safeway common stock (each a “Restricted Stock Unit”), that was granted under any Safeway Equity Incentive Plan, whether or not then vested, was accelerated, vested and cancelled in exchange for the right

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to receive (i) an amount in cash (subject to any applicable withholding taxes) equal to the product of (A) the number of vested shares of Safeway common stock subject to such Restricted Stock Unit and (B) the Per Share Cash Merger Consideration and (ii) one Casa Ley CVR and one PDC CVR in respect of each vested share of Safeway common stock subject to such Restricted Stock Unit.

The description of the Merger contained in this Introduction does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which is incorporated herein by reference to Exhibit 2.1 of Safeway’s Current Report on Form 8-K filed with the Securities and Exchange Commission (the “SEC”) on March 10, 2014, Exhibit 2.1 of Safeway’s Current Report on Form 8-K filed with the SEC on April 8, 2014 and Exhibit 2.1 of Safeway’s Current Report on Form 8-K filed with the SEC on June 16, 2014.

As a result of the Merger, Safeway's common stock is no longer publicly traded. In connection with the Merger, Safeway also filed a Form 15 to deregister its common stock, 7.45% Senior Debentures due 2017 and Preferred Stock Purchase Rights. Upon such filing, Safeway's obligations to file with the SEC periodic and current reports under the Exchange Act were suspended. Safeway has not filed and does not intend to file reports on Form 8-K, 10-Q or 10-K voluntarily.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements contain information about our future operating or financial performance. Forward-looking statements are based on our current expectations and involve risks and uncertainties, which may be beyond our control, as well as assumptions. If assumptions prove to be incorrect or if known or unknown risks and uncertainties materialize into actual events or circumstances, actual results could differ materially from those included in or contemplated or implied by these statements. Forward-looking statements do not strictly relate to historic or current facts. Forward-looking statements are indicated by words or phrases such as “continuing,” “ongoing,” “expects,” “estimates,” “anticipates,” “believes,” “guidance
similar words or phrases and the negative of such words or phrases.

This Annual Report on Form 10-K includes forward-looking statements relating to, among other things: the potential monetization of our ownership interest in Casa Ley; changes to the total closed store reserve; uses of cash; ability to borrow funds; sufficiency of liquidity; repayment of borrowings and debt reduction; interest expense; indemnification obligations; outcomes of legal proceedings; the effect of new accounting standards; compliance with laws and regulations; amount of indebtedness; realization of deferred tax liability; expansion of proprietary private-label brands; ability to reduce unproductive capital expenditures and unproductive spending; multiemployer pension plan withdrawal liability; pension plan expense and contributions; obligations and contributions under benefit plans; the rate of return on pension assets; incremental liability from distribution of Blackhawk shares; unrecognized tax benefits; and unrecognized compensation cost. The following are among the principal factors that could cause actual results to differ materially from those included in or contemplated or implied by the forward-looking statements:

- General business and economic conditions in our operating regions, including the rate of inflation or deflation, consumer spending levels, currency valuations, population, employment and job growth and/or losses in our markets;
- Sales volume levels and price per item trends;
- Pricing pressures and competitive factors, which could include pricing strategies, store openings, remodels or acquisitions by our competitors;
- Results of our programs to control or reduce costs, improve buying practices and control shrink;
- Failure to successfully integrate Safeway and Albertsons;
- Failure to achieve anticipated synergies from the Merger;

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- Results of our programs to increase sales;
- Results of our continuing efforts to expand our private-label brands;
- Results of our programs to improve our fresh and center of store departments;
- The impact of generic drugs on pharmacy sales and identical-store sales;
- Results of our promotional programs;
- Results of our capital program;
- Results of our efforts to improve working capital;
- Results of any ongoing litigation in which we are involved or any litigation in which we may become involved;
- The resolution of uncertain tax positions;
- The Company's ability to monetize its investment in Casa Ley;
- The ability to achieve satisfactory operating results in all geographic areas where we operate;
- Changes in the financial performance of our equity investments;
- Labor costs, including benefit plan costs and severance payments, or labor disputes that may arise from time to time and work stoppages that could occur in areas where certain collective bargaining agreements have expired or are on indefinite extensions or are scheduled to expire in the near future;
- Potential costs and risks associated with actual or potential cyber attacks;
- Data security or other information technology issues that may arise;
- Failure to fully realize or delay in realizing growth prospects for existing or new business ventures;
- Legislative, regulatory, tax, accounting or judicial developments;
- The cost and stability of fuel, energy and other power sources;
- The impact of the cost of fuel on gross margin and identical-store sales;
- Discount rates used in actuarial calculations for pension obligations and self-insurance reserves;
- The rate of return on our pension assets;
- The impact of the substantial leverage incurred to finance the Merger;
- Restrictions in our debt financing that may limit our flexibility in operating our business;
- The availability and terms of financing, including interest rates;
- Adverse developments with regard to food and drug safety and quality issues or concerns that may arise;
- Unanticipated events or changes in real estate matters, including acquisitions, dispositions and impairments;
- Adverse weather conditions and effects from natural disasters;
- Performance in new business ventures or other opportunities that we pursue; and
- The capital investment in and financial results from our retail stores.

We undertake no obligation to update forward-looking statements to reflect new information, events or developments after the date hereof. For additional information regarding these risks and uncertainties, see

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"Item 1A. Risk Factors." These are not intended to be a discussion of all potential risks or uncertainties, as it is not possible to predict or identify all risk factors.

PART I

Item 1. Business

General The Company began operations in 1926. In July 1986, Safeway was incorporated in the state of Delaware as SSI Holdings Corporation and, thereafter, its name was changed to Safeway Stores, Incorporated. In February 1990, the Company changed its name to Safeway Inc.

On January 30, 2015, Safeway was acquired by Albertson's, pursuant to the Merger Agreement. See the Introductory Note to this report and Note V to the consolidated financial statements set forth in Part II, Item 8 of this report for additional information.

On December 23, 2014, Safeway and PDC sold substantially all of the assets of PDC to Terramar Retail Centers, LLC ("Terramar") pursuant to an Asset Purchase Agreement dated as of December 22, 2014. PDC's assets were comprised of shopping centers that are completed or under development. See Note D to the consolidated financial statements set forth in Part II, Item 8 of this report for additional information.

On March 24, 2014, Safeway's Board of Directors declared a special stock dividend to its stockholders of all of the 37.8 million shares of Class B common stock of Blackhawk Network Holdings, Inc. ("Blackhawk")then owned by Safeway, representing approximately 94.2% of the total outstanding shares of Blackhawk's Class B common stock and approximately 72% of the total number of shares of Blackhawk common stock of all classes outstanding. On April 14, 2014, Safeway distributed the special stock dividend to all Safeway stockholders of record as of April 3, 2014 (the "Record Date"). The distribution took place in the form of a pro rata dividend of Blackhawk Class B common stock to each Safeway stockholder of record as of the Record Date. Safeway stockholders received 0.164291 of a share of Blackhawk Class B common stock for every share of Safeway common stock held as of the Record Date, less any shares withheld in respect of applicable withholding taxes. No fractional shares of Blackhawk stock were distributed. Instead, Safeway stockholders received cash in lieu of any fraction of a share of Blackhawk stock. See Note B to the consolidated financial statements set forth in Part II, Item 8 of this report for additional information.

During the fourth quarter of 2013, the Company exited the Chicago market, where it operated 72 Dominick's stores. See Note B to the consolidated financial statements set forth in Part II, Item 8 of this report for additional information.

On November 3, 2013, Safeway completed the sale of substantially all of the net assets of Canada Safeway Limited ("CSL" and now known as CSL IT Services ULC) to Sobeys Inc., a wholly owned subsidiary of Empire Company Limited. See Note B to the consolidated financial statements set forth in Part II, Item 8 of this report for additional information.

Safeway owns 49% of Casa Ley, the fifth largest food and general merchandise retailer in Mexico based on sales. Pursuant to the Merger Agreement and the contingent value rights agreement with respect to the Casa Ley CVRs, a Casa Ley CVR will entitle the holder to a pro rata share of the net proceeds from the sale of Safeway's interest in Casa Ley, but there can be no assurance as to whether the Company will be able to sell its interest in Casa Ley. In the event that the interest in Casa Ley is not sold prior to January 30, 2018, holders of the Casa Ley CVRs will be entitled to receive their pro rata portion of the fair market value of such remaining interest minus certain fees, expenses and assumed taxes (based on a 39.25% rate) that would have been deducted from the proceeds of a sale of the Casa Ley interest. See Note V to the consolidated financial statements set forth in Part II, Item 8 of this report for additional information.

The Company’s fiscal year ended on the Saturday nearest December 31. The last three fiscal years consist of the 53-week period ended January 3, 2015 (“fiscal 2014” or “2014”), the 52-week period ended December 28, 2013 (“fiscal 2013” or “2013”) and the 52-week period ended December 29, 2012 (“fiscal 2012” or “2012”).
Safeway Inc. is one of the largest food and drug retailers in the United States, with 1,326 stores at year-end 2014, located principally in California, Hawaii, Oregon, Washington, Alaska, Colorado, Arizona, Texas and the Mid-Atlantic region. In support of its U.S. retail operations, the Company has an extensive network of distribution, manufacturing and food-processing facilities. In connection with the Merger, we agreed to divest 57 stores for antitrust clearance and sold our Mid-Atlantic stores to New Albertson's, Inc., an affiliate of our parent company.
Safeway owns and operates GroceryWorks.com Operating Company, LLC (“GroceryWorks”), an online grocery channel doing business under the names Safeway.com and Vons.com (collectively “Safeway.com”).
Stores  Safeway’s average store size is approximately 47,600 square feet. The Company determines the size of a new store based on a number of considerations, including the needs of the community the store serves, the location and site plan and the estimated return on capital invested. Safeway’s “Lifestyle” store showcases the Company’s commitment to quality with an expanded perishables offering. It features an earth-toned décor package that is warm and inviting with special lighting to highlight products and departments, custom flooring and unique display features. The Company believes this warm ambiance significantly enhances the shopping experience.
Safeway’s stores provide a full array of grocery items with a portion tailored to local preferences. Most stores offer a wide selection of food and general merchandise and feature a variety of specialty departments such as bakery, delicatessen, floral, seafood and pharmacy. In addition, the majority of stores offer Starbucks coffee shops, and some offer adjacent fuel centers.
Safeway continues to operate a number of smaller stores that also offer an extensive selection of food and general merchandise and that generally include one or more specialty departments. These stores remain an important part of the Company’s store network in smaller communities and certain other locations where larger stores may not be feasible because of space limitations and/or community needs or restrictions.
The following table summarizes Safeway’s stores by size at year-end 2014:

| Square footage | Number of stores | Percent of total | |
|---|---|---|---|
| Less than 30,000 | 142 | 10.7 | % |
| 30,000 to 50,000 | 534 | 40.3 | |
| More than 50,000 | 650 | 49.0 | |
| Total stores | 1,326 | 100.0 | % |

Store Ownership  At year-end 2014, Safeway owned 47% of its stores and leased its remaining stores.
Decentralized Operating Model  We intend to implement primarily a decentralized organization, in which divisions determine product assortment, pricing, placement and promotional plans for all departments.  Division and store-level management teams will be accountable and incentivized through a quarterly bonus plan for improving sales, EBITDA and free cash flow.  We believe division-level management will reduce unproductive capital expenditures and unproductive spending.  We will augment the local division teams with national corporate resources focused on leveraging scale, providing expertise and sharing best practices.  The corporate teams will support the divisions through strategic guidance and drive key areas of the business including pharmacy, general merchandise and private-label brands.

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Private-Label/Merchandise Safeway's operating strategy is to provide value to its customers by maintaining high store standards and a wide selection of high-quality products at competitive prices. To provide one-stop shopping for today's busy shoppers, the Company emphasizes high-quality produce and meat and offers many unique items through its various specialty departments.

Safeway is focused on differentiating its offering with high-quality perishables. The Company believes it has developed a reputation for having the best produce in the market, through high-quality specifications and precise handling procedures, and the most tender and flavorful meat and poultry, through both the Company's Rancher's Reserve Tender Beef offering and Open Nature all natural beef, chicken and sausages. Safeway's deli/food service department has developed a variety of solutions for today's busy shoppers, including Signature Café sandwiches, soups and salads as well as Primo Taglio deli meats and cheeses. Many Safeway bakeries offer freshly made bread, and the floral department is recognized by its signature gazebo.

Safeway has continued to develop its portfolio of Consumer Brands private-label products. The Company has focused its brands into three areas: Health & Wellness, Premium and Core. The prices in each category are generally lower than those of comparable products from national brands.

The Health & Wellness portfolio includes the O Organics, Eating Right, Open Nature and Bright Green brands. These offerings address consumers' specific health needs or preferences. O Organics is an exclusively organic brand. Eating Right offers products created for specific eating needs such as high protein, gluten free, low calorie and general health maintenance. Open Nature is a line of products that are 100% natural. Bright Green is an environmentally friendly household product line.

The Premium portfolio includes the Safeway SELECT, Signature Café, Rancher's Reserve, Primo Taglio, waterfront BISTRO and Debi Lilly offerings. Safeway SELECT is a line of quality products that the Company believes are unique to the category. Waterfront BISTRO is a seafood brand designed to make preparing a restaurant-quality meal at home easy. Debi Lilly is a line of unique bouquets, candles, vases and gifts.

In the Core portfolio are the Safeway brands Lucerne, Refreshe, the Snack Artist and Pantry Essentials. The Safeway brand is a family of four brands: Safeway Farms, Safeway Kitchens, Safeway Home and Safeway Care. The Lucerne brand has been producing quality dairy products for over 100 years. The Snack Artist offers high-quality and great value snacks in a variety of categories such as chips, snacking nuts and frozen categories in whimsical, resealable packaging, a unique feature in the category. Pantry Essentials was launched in 2011 as a value line, offering basic items across several categories, including dairy, meat, canned vegetables and paper goods.

During 2012, Safeway completed the roll out of the just for U™ personalized pricing and digital marketing program in U.S. markets. This program allows a customer to download personalized pricing and digital coupons to the Safeway Club Card.

Manufacturing and Wholesale The principal function of manufacturing operations is to manufacture and process private-label merchandise sold in stores operated by Safeway. As measured by sales dollars, 13% of Safeway’s private-label merchandise is manufactured in Company-owned plants, and the remainder is purchased from third parties.

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Safeway operated the following manufacturing and processing facilities in the United States at year-end 2014:

| | |
|---|---|
| Milk plants | 6 |
| Bakery plants | 5 |
| Ice cream plants | 2 |
| Soft drink bottling plants | 4 |
| Fruit and vegetable processing plants | 1 |
| Cake commissary | 1 |
| Total | 19 |

In addition, the Company operates laboratory facilities for quality assurance and research and development in certain plants and at its corporate offices.

Distribution  Safeway has 13 distribution/warehousing centers in the United States, which collectively provide the majority of all products to Safeway's retail operating areas. The distribution center in Maryland is operated by a third party.

Capital Expenditure Program  A key component of the Company's long-term growth strategy is its capital expenditure program. The Company's capital expenditure program funds, among other things, new stores, remodels, retail shopping center development, manufacturing plants, distribution facilities and information technology. Safeway's management has maintained a rigorous program to select and approve new capital investments.

As previously reported, Safeway completed the sale of the net assets of CSL to Sobeys Inc. on November 3, 2013. Additionally, in the fourth quarter of 2013, the Company exited the Chicago market where it operated 72 Dominick's stores. On April 14, 2014, Safeway completed the distribution of the remaining 37.8 million shares of Blackhawk stock that it owned to its stockholders. CSL, Dominick's and Blackhawk are reported as discontinued operations. All information in the table below excludes discontinued operations. It details changes in the Company's store base and presents the Company's cash capital expenditures over the last five years (dollars in millions):

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Total stores at beginning of year | 1,335 | 1,346 | 1,377 | 1,392 | 1,422 |
| Stores opened: | | | | | |
| New | 3 | 3 | 3 | 4 | 3 |
| Replacement | 5 | 4 | 5 | 18 | 9 |
| | 8 | 7 | 8 | 22 | 12 |
| Stores closed or sold | 17 | 18 | 39 | 37 | 42 |
| Total stores at year end | 1,326 | 1,335 | 1,346 | 1,377 | 1,392 |
| Number of fuel stations at year end | 354 | 349 | 340 | 334 | 326 |
| Total retail square footage at year end (in millions) | 63.1 | 63.4 | 63.8 | 65.1 | 65.1 |
| Cash paid for property additions | 711.2 | 738.2 | 800.1 | 959.2 | 674.0 |
| Cash paid for property additions as a percentage of sales and other revenue | 2.0 % | 2.1 % | 2.3 % | 2.8 % | 2.0 % |

The decline in the store count over the last five years is due to a focus on completing Lifestyle remodels rather than opening new stores while, at the same time, selling or closing underperforming stores. In 2012, the Company disposed of 25 of its Genuardi's stores. See Note B to the consolidated financial statements set forth in Part II, Item 8 of this report.

In connection with the Merger, we agreed to divest 57 stores for antitrust clearance and sold our Mid-Atlantic stores to New Albertson's, Inc., an affiliate of our parent company.

Financial Information about Segments, Geographic Areas and Sales Revenue by Type of Similar Product Note R to the consolidated financial statements set forth in Part II, Item 8 of this report provides financial information about the Company’s segments, geographic areas and sales revenue by type of similar product.

Trade Names and Trademarks Safeway has invested significantly in the development and protection of “Safeway” both as a trade name and a trademark and considers it to be an important business asset. Safeway also owns more than 450 other trademarks registered and/or pending in the United States Patent and Trademark Office and other jurisdictions, including trademarks for its products and services such as Safeway, Safeway SELECT, Rancher’s Reserve, O Organics, Lucerne, Primo Taglio, Deli Counter, Eating Right, mom to mom, waterfront BISTRO, Bright Green, Pantry Essentials, Open Nature, Refreshe, Snack Artist, Signature Café, Priority, just for U™, My Simple Nutrition, Ingredients for Life, and other trademarks such as Pak’N Save Foods, Vons, Pavilions, Randalls, Tom Thumb, and Carrs Quality Centers. Each trademark registration is for an initial period of 10 or 20 years, depending on the registration date, and may be renewed so long as it is in continued use in commerce.

Safeway considers its trademarks to be of material importance to its business and actively defends and enforces its rights.

Working Capital At year-end 2014, working capital consisted of $5.6 billion in current assets and $2.8 billion in current liabilities. Normal operating fluctuations in these substantial balances can result in changes to cash flow from operations presented in the consolidated statements of cash flows that are not necessarily indicative of long-term operating trends. There are no unusual industry practices or requirements relating to working capital items. See Management’s Discussion and Analysis of Financial Condition and Results of Operations, under the caption "Liquidity and Financial Resources" set forth in Part II, Item 7 of this report for a discussion of the effect of the Merger on Safeway's cash.

Seasonality Safeway's first three fiscal quarters contain 12 weeks. The fourth quarter of 2014 contained 17 weeks. The fourth quarters of 2013 and 2012 contained 16 weeks. See Note W to the consolidated financial statements set forth in Part II, Item 8 of this report.

Competition Food retailing is very competitive. The principal competitive factors that affect the Company’s business are location, quality, price, service, selection and condition of assets.

We face intense competition from traditional grocery retailers, non-traditional competitors such as supercenters and club stores, as well as from specialty and niche supermarkets, drug stores, dollar stores, convenience stores and restaurants. Safeway and its competitors engage in price competition which, from time to time, has adversely affected operating margins in the Company’s markets.

Raw Materials Various agricultural commodities constitute the principal raw materials used by the Company in the manufacture of its food products. Management believes that raw materials for its products are not in short supply, and all are readily available from a wide variety of independent suppliers.

Compliance with Environmental Laws The Company’s compliance with federal, state, local and foreign laws and regulations that have been enacted or adopted regulating the discharge of materials into the environment or otherwise related to the protection of the environment has not had and is not expected to have a material adverse effect upon the Company’s financial position or results of operations.

Employees At year-end 2014, Safeway had more than 137,000 full- and part-time employees. Approximately 77% of Safeway's employees are covered by collective bargaining agreements negotiated with union locals affiliated with one of seven different international unions. There are almost 400 such agreements, typically having three- to five-year terms. Accordingly, Safeway renegotiates a significant number of these agreements every year.

During 2014, contracts covering approximately 35,000 employees were ratified, excluding Canadian operations and Dominick's. In particular, United Food and Commercial Workers International Union ("UFCW") collective bargaining agreements which covered approximately 33,000 employees, primarily in stores in the Company's Vons and Phoenix divisions, were ratified.

Available Information Safeway's investor Web site is located at https://investor.safeway.com. You may access our SEC filings free of charge at our corporate Web site promptly after such material is electronically filed with, or furnished to, the SEC. We do not intend for information found on the Company's Web site to be part of this document.

Item 1A. Risk Factors

We wish to caution you that there are risks and uncertainties that could affect our business. These risks and uncertainties include, but are not limited to, the risks described below and elsewhere in this report, particularly in "Forward-Looking Statements." The following is not intended to be a complete discussion of all potential risks or uncertainties, as it is not possible to predict or identify all risk factors.

Competitive Industry Conditions We face strong competition from traditional grocery retailers, non-traditional competitors such as supercenters and club stores, as well as from specialty and niche supermarkets, drug stores, dollar stores, convenience stores and restaurants. Increased competition may have an adverse effect on profitability as the result of lower sales, lower gross profits and/or greater operating costs.

Our ability to attract customers is dependent, in large part, upon a combination of location, quality, price, service, selection and condition of assets. In each of these areas, traditional and non-traditional competitors compete with us and may successfully attract our customers to their stores by aggressively matching or exceeding what we offer. In recent years, many of our competitors have increased their presence in our markets. Our responses to competitive pressure, such as additional promotions and increased advertising, could adversely affect our profitability. We cannot guarantee that our actions will succeed in gaining or maintaining market share. Additionally, we cannot predict how our customers will react to the entrance of certain non-traditional competitors into the grocery retailing business.

Because we face intense competition, we need to anticipate and respond to changing consumer demands more effectively than our competitors. We strive to achieve and maintain favorable recognition of our unique private-label brands, effectively market our products to consumers, competitively price our products and maintain and enhance a perception of value for consumers. Finally, we need to source and market our merchandise efficiently and creatively. Failure to accomplish these objectives could impair our ability to compete successfully and adversely affect our growth and profitability.

Labor Relations A significant majority of our employees are unionized, and our relationship with unions, including labor disputes or work stoppages, could have an adverse impact on our financial results. We are a party to almost 400 collective bargaining agreements, of which 125 are scheduled to expire in 2015. These expiring agreements cover approximately 13% of our union-affiliated employees, primarily the United Food and Commercial Workers union contracts in our Denver division. In future negotiations with labor unions, we expect that health care, pension and wage costs, among other issues, will be important topics for negotiation. If, upon the expiration of such collective bargaining agreements, we are unable to negotiate acceptable contracts with labor unions, it could result in strikes by the affected workers and thereby significantly disrupt our operations. Further, if we are unable to control health care and pension costs provided

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for in the collective bargaining agreements, we may experience increased operating costs and an adverse impact on future results of operations.
Profit Margins  Profit margins in the grocery retail industry are narrow.  In order to increase or maintain our profit margins, we develop strategies to increase revenues, reduce costs and increase gross margins, such as new marketing programs, new advertising campaigns, productivity improvements, shrink reduction, distribution center efficiencies, energy efficiency programs and other similar strategies.  Our failure to achieve forecasted cost reductions, revenue growth or gross margin improvement across the Company could have a material adverse effect on our business. Changes in our product mix also may negatively affect certain financial measures.
Opening and Remodeling Stores  Failure to open and remodel stores as planned could have a material adverse effect on our results. If, as a result of labor relations issues, supply issues or environmental and real estate delays, or other reasons, these capital projects do not stay within the time and financial budgets we have forecasted, our future financial performance could be materially adversely affected. Furthermore, we cannot ensure that the new or remodeled stores will achieve anticipated same-store sales or profit levels.
Food Safety, Quality and Health Concerns  We could be adversely affected if consumers lose confidence in the safety and quality of certain food products. Adverse publicity about these types of concerns, whether valid or not, may discourage consumers from buying our products or cause production and delivery disruptions. The real or perceived sale of contaminated food products by us could result in product liability claims, a loss of consumer confidence and product recalls, which could have a material adverse effect on our sales and operations.
Current Economic Conditions  Our operations and financial performance are affected by economic conditions. While economic conditions have recently improved, there is continued uncertainty about the strength of the economic recovery. If the current economic situation does not continue to improve or if it weakens, consumers may reduce spending, trade down to a less expensive mix of products or trade down to discounters for grocery items, all of which could impact our sales growth. We are unable to predict with certainty if the economy of the United States will continue to improve or the rate at which it will improve. If the economy does not continue to improve or if it weakens, Safeway’s business, results of operations and financial condition could be adversely affected.
Albertsons Integration Albertsons' acquisition of the Company is significant, and we may not be able to successfully integrate and combine the operations, management, personnel and technology of Albertsons with our operations. Because of the size and complexity of Albertsons' business, if integration is not managed successfully by our management, we may experience interruptions in our business activities, a deterioration in our employee and customer relationships, increased costs of integration and harm to our reputation with consumers, all of which could have a material adverse effect on our business, financial condition, prospects, results of operations and cash flow. We may also experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. In addition, the integration with Albertsons will impose substantial demands on the management of the combined companies. There is no assurance that the benefits of consolidation will be achieved as a result of the Merger or that our and Albertsons' businesses will be successfully integrated in a timely manner.
Integration Costs  We expect to incur a number of costs associated with completing the acquisition and integrating the operations of Albertsons and the Company to achieve expected synergies. The substantial majority of these costs will be non-recurring expenses resulting from the Merger and will consist of transaction costs related to the acquisition and related financing, Albertsons' transition to our IT systems, consolidation costs and employment-related costs. Additional unanticipated costs may be incurred in the integration of our business and Albertsons'. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction and Merger-related costs over time, this net benefit may not be achieved in the near term, or at all.

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New Business Initiatives and Strategies The introduction, implementation, success and timing of new business initiatives and strategies, including but not limited to, initiatives to increase revenue or enter into new areas of business may be less successful or may be different than anticipated, which could adversely affect our business.
Strategic Initiatives We are exploring alternatives to monetize our investment in Casa Ley. There can be no assurance that we will be able to sell our interest in Casa Ley. In the event that the interest in Casa Ley is not sold prior to January 30, 2018, holders of the Casa Ley CVRs will be entitled to receive their pro rata portion of the fair market value of our interest minus certain fees, expenses and assumed taxes (based on a 39.25% rate) that would have been deducted from the proceeds of a sale of the Casa Ley interest.
Pension and Post-Retirement Benefit Plans We maintain defined benefit retirement plans for substantially all employees not participating in multiemployer pension plans. The funded status of these plans (the difference between the fair value of the plan assets and the projected benefit obligation) is a significant factor in determining annual pension expense and cash contributions to fund the plans. The decline in the financial markets during 2008 resulted in a substantial reduction in the fair value of the retirement plan assets. As a result, cash contributions to U.S. pension and post-retirement plans increased from $7.1 million in 2010 to $151.2 million in 2011. In recent years, cash contributions have declined due to improved market conditions and the impact of the Pension Funding Stabilization legislation, which increased the discount rate used to determine pension funding. However, in 2015, in connection with the Merger closing, Safeway contributed $260 million to its largest pension plan. If financial markets do not continue to improve or if financial markets decline, increased pension expense and cash contributions may have an adverse impact on our financial results.
In addition, we participate in various multiemployer pension plans for substantially all employees represented by unions. We are required to make contributions to these plans in amounts established under collective bargaining agreements. Under the Pension Protection Act of 2006 (“PPA”), contributions in addition to those made pursuant to a collective bargaining agreement may be required in limited circumstances in the form of a surcharge that is equal to 5% of the contributions due in the first year and 10% each year thereafter until the applicable bargaining agreement expires. If surcharges are required, many of our bargaining agreements provide for an offset against contribution amounts otherwise required under those agreements.
Pension expense for multiemployer pension plans is recognized as contributions are made. Benefits generally are based on a fixed amount for each year of service. We contributed $277.1 million, $259.2 million and $248.7 million to these plans in 2014, 2013 and 2012, respectively, excluding Canadian operations and Dominick's. Based on the most recent information available to us, a number of these multiemployer plans are underfunded. As a result, contributions to these plans may increase. The amount of any increase or decrease in our required contributions to these multiemployer pension plans will depend upon the outcome of collective bargaining, actions taken by trustees who manage the plans, government regulations, the actual return on assets held in the plans and the potential payment of a withdrawal liability if we choose to exit a market, among other factors. Additionally, the benefit levels and related issues will continue to create collective bargaining challenges. Under current law, an employer that withdraws or partially withdraws from a multiemployer pension plan may incur withdrawal liability, which is related to the portion of the plan's underfunding, if any, that is allocable to the withdrawing employer under very complex actuarial and allocation rules. Multiemployer pension legislation passed in 2006, 2008, 2010 and 2014 will continue to apply to the funds in which we participate, which may have an impact on future pension contributions.

Dominick's multiemployer pension withdrawal liabilities In 2013, we sold or closed all stores in the Dominick’s division. As previously reported, Dominick’s participated in certain multiemployer pension plans on which withdrawal liabilities have been incurred due to the Dominick’s closure. Generally, the Company may pay such withdrawal liabilities in installment payments. Withdrawal liabilities are generally subject to a 20-year payment cap, but may extend into perpetuity if a mass withdrawal from the plan occurs. During the fourth quarter of 2013, Safeway recorded a liability of $310.8 million, which represented the present

value of estimated installment payments to be made to the plans based on the best information available at the time, without having yet received demand letters from the multiemployer pension plans. In April 2014 and September 2014, the Company received demand letters from three of the plans. These demand letters called for installment payments greater than Safeway's original actuarial estimate based on calculations Safeway disputes. The Company has requested a review by the plans' trustees of the demands made by the three plans. As a result of the demand letters and changes to interest rates, during 2014, the Company increased the liability to $474.4 million. Pending receipt of final demand letters or arbitration decision, any negotiated lump sum settlements or changes in the discount rate, the final amount of the withdrawal liability may be greater than or less than the amount recorded and this difference could be significant.
Substantial Indebtedness  We currently have, and expect to continue to have, a significant amount of debt, which could adversely affect our financial health. As of January 3, 2015, we had approximately $3.0 billion in total consolidated debt outstanding, including capital lease obligations. We incurred substantial additional indebtedness in connection with the consummation of the Merger. See Note V to the consolidated financial statements set forth in Part II, Item 8 of this report. This substantial indebtedness could increase our vulnerability to general adverse economic and industry conditions. If debt markets do not permit us to refinance certain maturing debt: (i) we may be required to dedicate an unplanned portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, development efforts and other general corporate purposes; (ii) our flexibility in planning for, or reacting to, changes in our business may be limited; (iii) we might be placed at a competitive disadvantage relative to our competitors that have less debt; and (iv) we may be limited by the financial and other restrictive covenants in the documents governing our indebtedness. Changes in our credit ratings may have an adverse impact on our financing costs and structure in future periods, such as higher interest costs on future financings. Additionally, interest expense could be materially and adversely affected by increases in interest rates, increases in the amount of outstanding debt, decisions to incur premiums on the early redemption of debt and any other factor that results in an increase in debt.

Risk in Providing Pharmacy Services  Pharmacies such as those operated in some of our stores are exposed to risks inherent in the packaging, distribution and disposal of pharmaceuticals and other health-care products, such as risks of liability for products which cause harm to consumers, as well as increased regulatory costs. Although we maintain insurance, we cannot guarantee that the coverage limits under our insurance programs will be adequate to protect us against future claims, or that we will be able to maintain this insurance on acceptable terms in the future, or at all. Our results of operations, financial condition or cash flows may be materially adversely affected if in the future our insurance coverage proves to be inadequate or unavailable, or there is an increase in the liability for which we self-insure, or we suffer harm to our reputation as a result of an error or omission.

Each of our in-store pharmacies must be licensed by the state government. The licensing requirements vary from state to state. An additional registration certificate must be granted by the U.S. Drug Enforcement Administration ("DEA"), and, in some states, a separate controlled substance license must be obtained to dispense Class II drugs. In addition, pharmacies selling Class II drugs are required to maintain extensive records and often report information to state agencies. If we fail to comply with existing or future laws and regulations, we could suffer substantial civil or criminal penalties, including the loss of our licenses to operate pharmacies and our ability to participate in federal and state health-care programs. As a consequence of the severe penalties we could face, we must devote significant operational and managerial resources to complying with these laws and regulations. We have received subpoenas from the DEA concerning our record keeping, reporting and related practices associated with the loss or theft of controlled substances. We are cooperating with the DEA on these matters. Different interpretations and enforcement policies of these laws and regulations could subject our current practices to allegations of impropriety or illegality, or could require us to make significant changes to our operations. In addition, we cannot predict the impact of future legislation and regulatory changes on our pharmacy business or assure that we will be able to obtain or maintain the regulatory approvals required to operate our business.

Unfavorable Changes in Government Regulation  Our stores are subject to various federal, state, local and foreign laws, regulations and administrative practices that affect our business. We must comply with numerous provisions regulating health and sanitation standards, food labeling, energy, equal employment opportunity, minimum wages and licensing for the sale of food, drugs and alcoholic beverages. We cannot predict either the nature of future laws, regulations, interpretations or applications, or the effect either additional government regulations or administrative orders, when and if promulgated, or disparate federal, state, local and foreign regulatory schemes would have on our future business. They could, however, require the reformulation of certain products to meet new standards, the recall or discontinuance of certain products not able to be reformulated, additional record keeping, expanded documentation of the properties of certain products, expanded or different labeling and/or scientific substantiation. Any or all of such requirements could have an adverse effect on our results of operations and financial condition.

Legal Proceedings  From time to time, we are a party to legal proceedings, including matters involving personnel and employment issues, personal injury, antitrust claims, intellectual property claims and other proceedings arising in the ordinary course of business. In addition, there is an increasing number of cases being filed against companies generally, which contain class-action allegations under federal and state wage and hour laws. We estimate our exposure to these legal proceedings and establish reserves for the estimated liabilities. Assessing and predicting the outcome of these matters involves substantial uncertainties. Although not currently anticipated by management, unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions, could have a material adverse impact on our financial results.

Information Technology Risks  We have large, complex information technology systems that are important to the successful operation of our business operations and marketing initiatives. If we were to experience difficulties accessing data stored in these systems, or in maintaining, expanding or upgrading existing systems or implementing new systems, we could incur significant losses due to disruptions in our systems and business.

Additionally, we gather and retain personal information that customers provide to us. We also receive and store personal information in connection with our human resources organization. Despite our considerable efforts to secure our computer network, security could be compromised, confidential information could be misappropriated or system disruptions could occur. This could cause significant damage to our reputation, affect our relationships with our customers and employees and lead to claims against us.

As a merchant who accepts debit and credit cards for payment, we are subject to the Payment Card Industry Data Security Standard ("PCI DSS"), issued by the PCI Council. PCI DSS contains compliance guidelines and standards with regard to our security surrounding the physical and electronic storage, processing and transmission of individual cardholder data. By accepting debit cards for payment, we are also subject to compliance with American National Standards Institute data encryption standards, and payment network security operating guidelines. We currently comply with PCI DSS version 2.0. Despite our compliance with these standards and other information security measures, we cannot be certain that all of our IT systems are able to prevent, contain or detect any cyber-attacks or security breaches from known malware or malware that may be developed in the future. To the extent that any disruption results in the loss, damage or misappropriation of information, we may be adversely affected by claims from customers, financial institutions, regulatory authorities, payment card associations and others. In addition, we are required to comply with the new PCI DSS version 3.0 for our 2015 assessment, and the cost of complying with stricter privacy and information security laws and standards, including PCI DSS version 3.0, could be significant to us.

Insurance Plan Claims  We use a combination of insurance and self-insurance to provide for potential liabilities for workers' compensation, automobile and general liability, property risk (including earthquake coverage), director and officers' liability, employment practices liability, cyber risks, terrorism and employee health care benefits.  We estimate the liabilities associated with the risks retained by us, in part, by considering historical claims experience, demographic and severity factors and other actuarial assumptions which, by their nature, are subject to a high degree of variability.  Among the causes of this variability are unpredictable

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external factors affecting future inflation rates, discount rates, litigation trends, legal interpretations, benefit level changes and claim settlement patterns.

The majority of our workers' compensation liability is from claims occurring in California. California workers' compensation has received intense scrutiny from the state's politicians, insurers, employers and providers, as well as the public in general. Recent years have seen escalation in the number of legislative reforms, judicial rulings and social phenomena affecting our business. Some of the many sources of uncertainty in our reserve estimates include changes in benefit levels, medical fee schedules, medical utilization guidelines and apportionment. Reversals of reforms by legislation or judicial action could have a material adverse impact on our financial results.

Impairment of Long-Lived Assets Our long-lived assets, primarily stores, are subject to periodic testing for impairment. Failure to achieve sufficient levels of cash flow at reporting units could result in impairment charges on long-lived assets. We have incurred significant impairment charges to earnings in the past, including in fiscal 2014, 2013 and 2012.

Energy and Fuel Safeway's operations are dependent upon the availability of a significant amount of energy and fuel to manufacture, store and transport products. Energy and fuel costs have experienced volatility over time. To reduce the impact of volatile energy costs, the Company has entered into contracts to purchase electricity and natural gas at fixed prices to satisfy a portion of its energy needs. This is discussed further in Part II, Item 7A of this report under the caption "Commodity Price Risk."

Safeway also sells fuel. Significant increases in wholesale fuel costs could result in retail price increases and in lower gross profit on fuel sales. Additionally, consumer demand for fuel may decline if retail prices increase. Such volatility and the impact to our operations and financial results are difficult to predict with certainty.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The information required by this item is set forth in Part I, Item 1 of this report.

Item 3. Legal Proceedings

Information about legal proceedings appears under the caption "Legal Matters" in Note Q to the consolidated financial statements set forth in Part II, Item 8 of this report.

Item 4. Mine Safety Disclosures

Not applicable.

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Executive Officers of the Registrant

The names and ages of the current executive officers of the Company and their positions as of February 25, 2015 are set forth below. Unless otherwise indicated, each of the executive officers served in various managerial capacities with the Company over the past five years. None of the executive officers named below is related to any other executive officer or director by blood, marriage or adoption. Officers serve at the discretion of the Board of Directors.

| Name and all positions with the Company | Age | Year first elected Officer | Present office |
|---|---|---|---|
| Robert L. Edwards [(1)]<br>President and Chief Executive Officer | 59 | 2004 | 2013 |
| Peter J. Bocian [(2)]<br>Executive Vice President and Chief Financial Officer | 60 | 2013 | 2013 |
| Robert A. Gordon [(3)]<br>Executive Vice President<br>General Counsel and Secretary | 63 | 1999 | 2015 |
| Kelly P. Griffith [(4)]<br>Executive Vice President and Chief Operating Officer, North Region | 51 | 2013 | 2015 |

(1) Robert L. Edwards joined the Company as Executive Vice President and Chief Financial Officer in 2004. In April 2012, Mr. Edwards was named President. He continued as Chief Financial Officer until Peter J. Bocian joined the Company on February 19, 2013. In May 2013, Mr. Edwards was appointed Chief Executive Officer and continued as President of the Company.

(2) Peter J. Bocian joined the Company as Executive Vice President and Chief Financial Officer effective February 19, 2013. Prior to that, Mr. Bocian served as Executive Vice President, Head of Corporate Services and Finance at JPMorgan Chase & Co. since 2011. From 2008 until 2011, he served as Executive Vice President and Chief Administrative Officer of Hewlett-Packard Company. Mr. Bocian intends to resign from his positions as an executive officer of the Company in March 2015.

(3) Robert A. Gordon has been a Senior Vice President since May 1999 and General Counsel since June 2000. In September 2005, he also became Secretary. In January 2015, Mr. Gordon was appointed Executive Vice President, General Counsel and Secretary.

(4) From 2013 until he was appointed to Executive Vice President and Chief Operating Officer, North Region in January 2015, Kelly P Griffith was Executive Vice President, Retail Operations. From 2010 to 2013, Mr. Griffith was President of Merchandising for Safeway. From 2008 until 2010, Mr. Griffith served as President, Perishables for the Company.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Prior to the closing of the Merger on January 30, 2015, the Company's common stock, $0.01 par value, was listed on the New York Stock Exchange. As a result of the Merger, the common stock of the Company is now privately held by Albertson's Holdings LLC and is no longer traded on The New York Stock Exchange or any other stock exchange or public market.

The following table presents quarterly high and low sales prices for the Company's common stock:

| 2014 | Low | High |
|---|---|---|
| Quarter 4 (17 weeks) | $32.85 | $35.25 |
| Quarter 3 (12 weeks) | 33.89 | 34.99 |
| Quarter 2 (12 weeks) | 33.69 | 38.19 |
| Quarter 1 (12 weeks) | 29.82 | 40.25 |
| | | |
| 2013 | | |
| Quarter 4 (16 weeks) | $25.85 | $36.90 |
| Quarter 3 (12 weeks) | 22.35 | 26.89 |
| Quarter 2 (12 weeks) | 22.26 | 28.42 |
| Quarter 1 (12 weeks) | 17.08 | 25.92 |

Information on dividends declared per common share is set forth in Part II, Item 7 of this report.

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Issuer Purchases of Equity Securities

| Fiscal period | Total number of shares purchased [1] | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions) [2] |
|---|---|---|---|---|
| September 7, 2014 - October 4, 2014 | 6,133 | $34.20 | — | $2,163.3 |
| October 5, 2014 - November 1, 2014 | 599 | 34.26 | — | 2,163.3 |
| November 2, 2014 - November 29, 2014 | 5,760 | 34.87 | — | 2,163.3 |
| November 30, 2014 - January 3, 2015 | 2,250 | 34.75 | — | 2,163.3 |
| Total | 14,742 | $34.55 | — | $2,163.3 |

(1) Shares withheld at the election of certain holders of restricted stock by the Company from the vested portion of restricted stock awards and restricted stock units with a market value equal to the minimum statutory withholding taxes due from such restricted stockholders.

(2) The Company's stock repurchase program was initiated in 1999. In October 2013, the Company's board of directors increased the authorized level of the Company's stock repurchase program from $9.0 billion to $11.0 billion. As a result of the Merger, the stock repurchase program is no longer in effect.

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Stock Performance Graph

The following graph compares the yearly percentage change in the Company's cumulative total stockholder return on its common stock for the period from the end of its 2009 fiscal year to the end of its 2014 fiscal year to that of the Standard & Poor's ("S&P") 500 and a group of peer companies[(*)] in the retail grocery industry and assumes reinvestment of dividends. As a result of the Merger on January 30, 2015, the common stock of the Company is now privately held by Albertson's Holdings LLC and is no longer traded on The New York Stock Exchange or any other stock exchange or public market.

(*) The peer group consists of Delhaize Group, The Kroger Co., Loblaw Companies Limited, SUPERVALU INC., and Whole Foods Market, Inc.

The performance graph above is being furnished solely to accompany this annual report on Form 10-K pursuant to Item 201(e) of Regulation S-K, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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Item 6. Selected Financial Data

As previously reported, Safeway completed the sale of the net assets of Canada Safeway Limited ("CSL" now known as CSL IT Services ULC) to Sobeys Inc. on November 3, 2013. Additionally, in the fourth quarter of 2013, the Company exited the Chicago market where it operated 72 Dominick's stores. On April 14, 2014, Safeway completed the distribution of the remaining 37.8 million shares of Blackhawk stock that it owned to its stockholders. CSL, Dominick's and Blackhawk are included in discontinued operations in the income statement information presented in the following two tables.

| (Dollars in millions, except per-share amounts) | 53 Weeks 2014 | 52 Weeks 2013 | 52 Weeks 2012 | 52 Weeks 2011 | 52 Weeks 2010 |
|---|---|---|---|---|---|
| Results of Operations | | | | | |
| Sales and other revenue | $36,330.2 | $35,064.9 | $35,161.5 | $34,655.7 | $33,011.3 |
| Gross profit | 9,682.0 | 9,231.5 | 9,229.1 | 9,277.7 | 9,261.1 |
| Operating & administrative expense | (9,147.5) | (8,680.0) | (8,593.7) | (8,628.8) | (8,508.4) |
| Operating profit | 534.5 | 551.5 | 635.4 | 648.9 | 752.7 |
| Interest expense | (198.9) | (273.0) | (300.6) | (268.1) | (295.0) |
| Loss on extinguishment of debt | (84.4) | (10.1) | — | — | — |
| Loss on foreign currency translation | (131.2) | (57.4) | — | — | — |
| Other income, net | 45.0 | 40.6 | 27.4 | 17.2 | 17.0 |
| Income before income taxes | 165.0 | 251.6 | 362.2 | 398.0 | 474.7 |
| Income taxes | (61.8) | (34.5) | (113.0) | (68.5) | (162.7) |
| Income from continuing operations, net of tax | 103.2 | 217.1 | 249.2 | 329.5 | 312.0 |
| Income from discontinued operations, net of tax | 9.3 | 3,305.1 | 348.9 | 188.7 | 278.6 |
| Net income before allocation to noncontrolling interests | 112.5 | 3,522.2 | 598.1 | 518.2 | 590.6 |
| Noncontrolling interests | 0.9 | (14.7) | (1.6) | (1.5) | (0.8) |
| Net income attributable to Safeway Inc. | $113.4 | $3,507.5 | $596.5 | $516.7 | $589.8 |
| | | | | | |
| Basic earnings per common share: | | | | | |
| Continuing operations | $0.44 | $0.90 | $1.01 | $0.95 | $0.82 |
| Discontinued operations | $0.04 | $13.63 | $1.40 | $0.54 | $0.74 |
| Total | $0.48 | $14.53 | $2.41 | $1.49 | $1.56 |
| | | | | | |
| Diluted earnings per common share: | | | | | |
| Continuing operations | $0.44 | $0.89 | $1.00 | $0.95 | $0.82 |
| Discontinued operations | $0.04 | $13.49 | $1.40 | $0.54 | $0.73 |
| Total | $0.48 | $14.38 | $2.40 | $1.49 | $1.55 |
| | | | | | |
| Weighted average shares outstanding (in millions): | | | | | |
| Basic | 228.8 | 239.1 | 245.6 | 343.4 | 378.3 |
| Diluted | 230.7 | 241.5 | 245.9 | 343.8 | 379.6 |
| Cash dividends declared per common share | $0.8900 | $0.7750 | $0.6700 | $0.5550 | $0.4600 |

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SAFEWAY INC. AND SUBSIDIARIES

Item 6. Selected Financial Data (continued)

| (Dollars in millions, except per-share amounts) | 53 Weeks 2014 | 52 Weeks 2013 | 52 Weeks 2012 | 52 Weeks 2011 | 52 Weeks 2010 |
|---|---|---|---|---|---|
| Financial Statistics | | | | | |
| Identical-store sales increases[1] | 1.7% | 0.2% | 1.6% | 4.9% | —% |
| Identical-store sales increases (decreases) without fuel[1] | 2.8% | 1.7% | 0.8% | 1.1% | (1.7)% |
| Gross profit margin | 26.65% | 26.33% | 26.25% | 26.77% | 28.05% |
| Operating & administrative expense as a percentage of sales[2] | 25.18% | 24.75% | 24.44% | 24.90% | 25.77% |
| Operating profit as a percentage of sales[2] | 1.47 | | | | |