EXHIBIT A

Albertsons Service Level Deductions by Week

	4/11/03	4/18/03	4/25/03	5/2/03	5/9/03	5/16/03	5/23/03	5/30/03	6/6/03	6/13/03	6/20/03	6/27/03	7/4/03	7/11/03	7/18/03	7/25/03	8/1/03	8/8/03	Total
Service Level Support Costs																			
Transportation Costs	20,795	20,889	17,784	23,793	22,286	22,834	37,785	53,367	96,329	69,909	68,279	67,872	68,127	71,227	73,368	70,706	76,608	82,228	964,185
Direct Labor and Miscellaneous Costs	8,736	7,962	5,052	4,993	3,522	2,800	1,834	4,109	4,322	4,315	4,239	3,979	3,969	4,049	4,037	3,895	3,860	3,556	79,229
Ponca Distribution Labor & Transportation Costs		7,164	N/A																
Total Support Costs	**29,531**	**36,015**	**22,836**	**28,786**	**25,808**	**25,634**	**39,619**	**57,476**	**100,651**	**74,225**	**72,518**	**71,851**	**72,095**	**75,276**	**77,405**	**74,601**	**80,467**	**85,784**	**1,050,578**
Store and Division Office Costs																			
Store Labor Costs		13,640	15,200	6,720	13,575	10,860	9,170	31,450	28,665	27,565	24,925	26,130	28,440	28,440	25,905	25,905	25,900	25,900	368,390
Division Office Labor Costs		8,062	3,200	4,224	3,163	3,655	2,882	4,385	2,660	3,203	3,080	2,980	1,920	1,920	2,410	2,410	2,654	2,654	55,460
Total Store and Division Office Costs		**21,702**	**18,400**	**10,944**	**16,738**	**14,515**	**12,052**	**35,835**	**31,325**	**30,768**	**28,005**	**29,110**	**30,360**	**30,360**	**28,315**	**28,315**	**28,554**	**28,554**	**423,850**
Total Distribution and Retail Costs	**29,531**	**57,717**	**41,236**	**39,730**	**42,545**	**40,149**	**51,671**	**93,311**	**131,976**	**104,992**	**100,523**	**100,961**	**102,455**	**105,636**	**105,720**	**102,916**	**109,021**	**114,338**	**1,474,428**

EXHIBIT B

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

IN RE:	*	
	*	
FLEMING COMPANIES, INC., et al,	*	CASE NO. 03-10945 (MFW)
	*	
Debtor	*	

ORAL DEPOSITION OF

MARTIN TEALL

JULY 24, 2003

ORAL DEPOSITION OF MARTIN TEALL, produced as a witness at the instance of the Debtor, and duly sworn, was taken in the above-styled and -numbered cause on the 24th day of July, 2003, from 9:04 a.m. to 2:21 p.m., before Lynn Brooks, CSR in and for the state of Texas, reported by computerized transcription, at the offices of Jones, Day, Reavis & Pogue, 2727 North Harwood, Fifth Floor, Dallas, Texas, pursuant to the federal rules of civil procedure.

Q. Did Fleming during any relevant time -- withdrawn.

Between September 2002 and April 1st, 2003, did Fleming ever provide service levels -- contractual service levels below 95 percent for any single four-week period?

A. Don't know that.

MR. BLEDSOE: Let's take a break here.

MR. WESELKA: Okay.

(Off the record 9:50-10:11)

Q. Is it true, Mr. Teall, that all of the service level numbers that were put in your weekly memos and other documents that you wrote were numbers that were actually received from Fleming?

A. Yes.

Q. They were not numbers that were calculated by Albertsons?

A. No.

Q. And so it's true that if Fleming was not reporting for whatever reason the contractual service levels, then the service level numbers that are in documents you authored are not the same as the contractual service levels?

A. Assuming that those were not the contractual service level numbers, yes.

so.

Q. At any time prior to April 1st, 2003, did Albertsons ever tell Fleming that it had breached its facility standby agreements with Albertsons?

A. Not that I know of.

Q. And --

A. I would say that in -- if I can have a moment. In one of those earlier letters to their CEO, we did call out that they were below their service level thresholds three out of four periods.

MR. BLEDSOE: Move to strike everything after -- or everything beginning with I would say as nonresponsive.

Q. It's true that at no time prior to April 1st, 2003, did Albertsons -- withdrawn. It is true, Mr. Teall, that no time prior to April 1st, 2003 -- withdrawn. I'm struggling with this one. Withdrawn.

Is it true, Mr. Teall, that at no time prior to April 1st, 2003, did Albertsons ever tell Fleming it was in breach of the facility standby agreements?

MR. WESELKA: Objection to the form.

A. What date did you say?

Q. April 1st, 2003.

A. That would be true, because on April 1st,

2003, they were not in breach of the contract.

Q. Let me show you a document which has been previously marked as Exhibit 32. I'm also going to mark another document which I'll mark as Exhibit 35.

(Exhibit No. 35 marked)

Q. If you'll take a moment to review Exhibit 32 and Exhibit 35.

Let's start with Exhibit 35. Have you ever seen this document before?

A. I haven't had a chance to look at that one yet.

Q. Sure.

MR. WESELKA: Steve, I don't see a Bates number on it. Has that been produced, do you know?

MR. BLEDSOE: You know, I got it yesterday. I, quite frankly, don't know if this is a Fleming-created document or an Albertsons-created document, so I was going to ask the witness about it.

If you want, we can take a break and have somebody copy it right now.

A. I don't know if I've seen the most current version of this document, but I have seen this document in earlier forms.

Q. Is this a document that's kept by

we could say that we have captured everything that we may have lost in -- to the company.

You know, we feel that even with the support out of Fort Worth, our service levels were still very poor in our stores. Even when Fleming's service levels were down in the 50 and 60 percent rating, we were supplementing product out of Fort Worth, that we still had many, many items that we didn't carry in Fort Worth, that we didn't have inventory to support in Fort Worth, so we've estimated, depending on the day or the week, that the combined service levels out of both Fort Worth and Fleming were probably somewhere in the mid 80s to low 90 range, so even while we were doing this, we feel that we've lost sales and gross profit dollars.

Q. Is it true that for purposes of these deductions that Albertsons is taking, Albertsons attempted to capture all of the out-of-pocket costs it was incurring because Fleming was not providing the requisite contractual service levels after it filed for bankruptcy on April 1st, 2003?

MR. WESELKA: Objection to the form.

A. Yes.

Q. And is it also true that as of -- I'm referring now to the second to the last column -- or

associated activities with calls to Fleming, calls to the Fort Worth distribution center, trying to arrange product from secondary sources, going down to the Wal-Mart store and buying product off the shelf.

I think Bart has captured that as best he can, but I would say that's almost an impossible task to capture all of that time and hours spent.

Q. But it's true that Exhibit 35 reflects Albertsons' efforts to capture all of the out-of-pocket costs it has incurred based on Fleming's lower service levels since the bankruptcy and --

A. That was our intention.

MR. WESELKA: Objection to the form. Sorry. I didn't know he was finished.

Q. Can you show me what provision in the -- withdrawn.

Can you show me any provision in the facility standby agreements that allows Albertsons to deduct incremental costs it incurs if Fleming does not provide contractual service levels?

MR. WESELKA: Objection to the form.

Q. Contractual required service levels.

MR. WESELKA: Same objection.

A. No, I can't, but we discussed these deductions with Fleming before we started deducting

lower service levels since the bankruptcy?

A. I don't recall.

Q. Did Albertsons ever request approval from the bankruptcy court to deduct amounts from the money it owes to Fleming?

MR. WESELKA: Objection to form.

A. Not that I know of.

Q. And as far as you sit here today, you can't tell me any specific person at Fleming that said it was okay for Albertsons to make these deductions?

A. You know, I don't recall specifically, but I know I had a conversation with Scott Nicholson when we made the decision to start supplementing our stores out of Fort Worth. You know, that was a big decision, required some systems help in order to route orders down to our Fort Worth distribution center.

We talked about, you know, the fact that there was going to be certainly incremental transportation cost, and I would suspect during that conversation we talked about whether or not Albertsons was going to deduct that. Do I remember if Scott said go ahead and deduct that? I don't.

Q. That's part of my point. Is it true that Albertsons informed Fleming it was going to deduct

that was potentially cross contaminated?

A. Not specifically, no.

Q. Have you ever seen any pictures taken at the store level by someone at the store?

A. From the Fort Worth distribution center?

Q. Withdrawn. Let me finish my question. It may have been an awkward question. Have you ever seen any pictures taken by someone in an Albertsons' store where they claimed that product shipped from the Albertsons Fort Worth facility had problems with cross contamination?

A. Yes.

Q. Do you know who took those pictures?

A. No.

Q. Is it fair to say that in the wholesale distribution business, it's unavoidable there would be some problems with cross contamination or out-of-date or short-dated product because you're talking about people shipping millions of different boxes?

MR. WESELKA: Objection to the form.

A. Yes, it does happen occasionally. Does it happen -- well, save that for another answer.

Q. What are your current job responsibilities -- in fact, let's take a step backward. Can you describe for me briefly your

to minimize the impact of the problems you foresee?

A. Yes.

Q. Is it true that as early as February of 2003, Albertsons foresaw that it needed to make contingency plans in case Fleming experienced lower than expected or contractually required service levels?

MR. WESELKA: Objection to the form.

A. February of 2003?

Q. Yes.

A. Yes.

Q. What were those plans?

A. We made plans that if something were to happen to Fleming, that we would self-distribute out of our Fort Worth distribution center.

Q. When you say if something were to happen to Fleming, what caused you to believe as of February 2003 that there might be a problem with Fleming going forward?

A. Well, there was lots of noise on the street from the vendor community about Fleming's solvency. There was -- you know, Fleming -- Fleming was struggling. I don't exactly remember when they lost the Kmart business, but Kmart pulled out. They knew that was going to have a significant impact on them.

Fleming had been struggling as a corporation for really quite some time and so we were preparing in case something happened to Fleming.

Q. So is it true that as of April 1st, 2003, when Fleming did file bankruptcy, Albertsons already had a contingency plan in place on how it would distribute product to the 40 stores that were previously serviced by Fleming?

MR. WESELKA: Objection to the form.

A. Yes.

Q. Did Albertsons execute that plan?

A. No.

Q. Why not?

A. Fleming was still servicing our stores.

Q. Did Albertsons have a contingency plan concerning how it would supply its stores if Fleming was only able to supply part of the product called for under the facility standby agreements?

A. On April the 1st?

Q. On April the 1st.

A. No.

Q. Did Albertsons ever develop a plan concerning how it would supply the 40 stores that were previously supplied by Fleming if Fleming wasn't able to provide the contractual required service

April 2003, Fleming began to experience severe service level problems?

MR. WESELKA: Objection to the form.

A. Yeah, around that date. I mean, it didn't happen probably overnight, but shortly thereafter it became very significant.

Q. And did Albertsons put a plan into place how it would make up for the shortfall in the product that was not being delivered by Fleming?

A. Yes.

Q. When did Albertsons develop that plan?

A. Probably within the first couple of weeks of April when we saw that the service levels were going to drop significantly and were dropping significantly, that sort of the short-term plan that we had put into place was to supplement full-pallet shipments out of our Fort Worth DC into Fleming to help them with their service levels but realized it was going to get bigger and worse than that.

At that time we made a decision to systematically take Fleming orders, capture their out-of-stocks electronically, push those orders down to Fort Worth, and actually start making deliveries to our stores out of Fort Worth.

Q. So it's fair to say that since the filing

of the bankruptcy, Albertsons has executed a plan to make up for the shortfall in the goods it was not receiving from Fleming?

A. We put together a plan to make it up as best we could.

Q. And that plan is being carried out by Albertsons as we speak?

A. Yes.

Q. And as a result of planning and work by Albertsons, the 40 stores serviced by Fleming are up and operating today?

A. But they're not operating at the same level of service level or customer satisfaction that they were operating at before.

MR. BLEDSOE: Move to strike as nonresponsive.

Q. I'll ask you about that. You'll get your fair chance later to tell me all the problems because I need to know all the problems, but right now I'm asking something a little bit different. If you'll listen to my question -- withdrawn.

Is it true that as a result of Albertsons' planning and your foresight, the 40 stores that are being serviced by Fleming, even though they're having problems with Fleming, are up

and running today?

MR. WESELKA: Objection to the form.

A. They are in much better condition today than they would have been if we had not put a contingency plan in place.

Q. And you don't have any current plans to shut down any of those 40 stores?

A. Not that I'm aware of. That's not something I'm involved in.

MR. WESELKA: Can we take a short break?

MR. BLEDSOE: Let's finish the contingency plan issue and then we'll take a break.

Q. Mr. Teall, if you'll take a moment to review the document which has been previously marked as Exhibit 31.

MR. BLEDSOE: Off the record.

(Off the record 11:01-11:02)

Q. Have you seen this document before?

A. Yes, I have.

Q. What is Exhibit 31?

A. 31 is a recap of our DFW contingency plan that we put together in the event of Fleming failure.

Q. Have you been able to use portions of this contingency plan, even though there hasn't been a

the press release that's on page two. First sentence says, "Albertsons is one of the world's largest food and drug retailers with annual revenues of approximately $36 billion." Do you see that?

A. Yes.

Q. Is it true that Albertsons is one of the world's largest food and drug retailers and that it has annual revenues of approximately $36 billion?

A. Yes.

Q. Is it also true that Albertsons has approximately 2300 retail stores across the United States?

A. Yes.

Q. Let me show you a document we'll mark as Exhibit 37.

(Exhibit No. 37 marked)

MR. BLEDSOE: We're still going to use that press release, but you're welcome to --

MR. WESELKA: We'll return it.

Q. Exhibit 37 is entitled objection of Albertsons, Inc. to debtor's notice and supplemental notice regarding potential assumption and assignment of certain executory contracts and unexpired leases in connection with sale motion, and it's dated July 22nd, 2003. Do you see that?

mistaken, but didn't you testify earlier that you thought that the amount of damage -- at least dollar amount of damage, that had been caused by Fleming's lower service level since the bankruptcy started was around $4 million?

MR. WESELKA: Objection to the form.

A. I don't think I said that at all.

Q. Did you have any role in putting together the $4,050,000 figure contained in paragraph 11 of Exhibit 37?

A. No.

Q. Would you agree with me that the $4 million figure contained in paragraph 11 of Exhibit 37 accounts for approximately only .0011 percent of Albertsons' gross revenues?

MR. WESELKA: Objection to the form.

A. I would have to take your word for that. Did you calculate that out?

Q. Let me give you a calculator.

A. Does it go that many decimal points?

Q. Would you agree with me that $4 million is approximately one-tenth of one percent of $36 billion?

A. Yes.

Q. It is true that the problems that

you -- this is Fleming's chance to ask you questions in your deposition, right?

A. Yes.

Q. So all I'm going to ask you to do is answer my question and then save the things that you would like to get out there that aren't relevant to my question, aren't responsive to my question for your lawyer when he asks you questions. You understand that?

A. Yes.

Q. Okay. Here's my question. Has Albertsons disclosed to the public at large and its shareholders any belief or claim that the problems it is experiencing with Fleming's lower service levels since April 1st, 2003, are having an adverse, material impact on the financial health of Albertsons?

MR. WESELKA: I'm going to object to the form of the question as compound. It calls for a legal conclusion; it's vague and ambiguous.

A. I have not seen that disclosure. I don't know that it -- if that has been disclosed anywhere.

Q. And you believe that if Albertsons -- if the problems Albertsons was having with Fleming rose to the level of causing an adverse, material impact

on the company that required it to be disclosed to the SEC or shareholders or the public, Albertsons would have made such a disclosure; is that correct?

MR. WESELKA: Objection to the form of the question.

A. Repeat the question.

MR. BLEDSOE: Read it back.

(Record read)

MR. WESELKA: Objection to the form of the question.

A. If it had risen to the level that it was required by Albertsons to report it to the SEC, we would have reported it, yes.

Q. And if it had risen to the level of Albertsons reporting it to its shareholders, Albertsons would have reported it; is that right?

MR. WESELKA: Objection to the form of the question.

A. If it had risen to the level that Albertsons would have been required to report it to their shareholders, we would have reported it, yes.

Q. Let me show you a document that's been marked as Exhibit 37 for identification purposes. The document's entitled Form 10-Q -- the big title but includes Form 10-Q Albertsons for 13 weeks ended

you get this document, so I gave you the courtesy of responding. Excuse me.

Q. Mr. Teall, have you ever seen any of Albertsons' Form 10-Q reports to the SEC before?

A. No.

Q. Well, I'm not going to ask you any questions about that then.

What is Albertsons' current plan to deal with the lower service levels that are being provided by Fleming if Albertsons is not let out of the FSA agreements with Fleming?

MR. WESELKA: Objection to the form.

A. We would continue to supplement product out of our Fort Worth distribution center until such a time that Fleming could prove to us that they could service our stores acceptably in terms of service level, code dating, quality of product, and acquisition cost.

Q. Do you know what the combined service levels are for the 40 Albertsons stores that are subject to the Fleming FSA agreements? And when I say combined service levels, I'm talking about service levels from Dallas -- from the Albertsons Dallas-Fort Worth facility and from Fleming.

MR. WESELKA: I'm going to object to

Fleming wasn't able to provide adequate service levels?

A. Hard for me to remember exactly. I mean, you know, the Fleming organization was -- had been struggling for quite awhile, so there was always some concern on our part probably in the fall of 2002 that something could go wrong with Fleming and we might have to have a backup plan if Fleming were to not be able to provide our stores with product, so I would say we probably started talking amongst ourselves in the fall of 2002, you know, what if Fleming -- something happens to Fleming.

Q. Let me refer you down to number 10 on your list, page two of Exhibit 22, which reads, "Financial impact on company would have to be calculated, but buyout of existing supply agreement would be costly due to asset purchase component of deal. Currently paying $210,000 per week in fixed costs." Did I read that correctly?

A. Yes, you did.

Q. What did you mean by the buyout of existing supply agreement would be costly due to asset purchase component of deal?

A. I think it goes sort of back to an earlier question regarding the legal implications of the

fixed-asset portion of the standby agreement.

Q. You understand that when Albertsons and Fleming entered into the facility standby agreements, Fleming also agreed to buy the Albertsons Tulsa facility?

A. Yes.

Q. And you also understand that part of the compensation that Albertsons was paying Fleming under the Tulsa facility standby agreement was a result of that -- the asset component of that transaction?

MR. WESELKA: Objection to the form.

A. Yes.

Q. And you understand that the $210,000 per week that Albertsons was paying to Fleming was in part due to the fact that Fleming had acquired the Albertsons Tulsa facility?

MR. WESELKA: Objection to the form.

A. Yeah, I -- I don't know exactly how that was calculated or what the -- sort of the background of the calculation was. You know, in other Fleming supply agreements there are different components of what the fee structure is.

This one happens to be called a per-week fixed-cost structure, but in other places they have add-ons to their fee structure to cover

Were we satisfied that the Fleming deal afforded us an opportunity to dispose of an asset that large and make an agreement with a third-party supplier to supply our stores? Yes, we were happy with that arrangement and it was -- at the time appeared to be a good financial decision on our part to make that deal with Fleming.

Q. Is it true that part of the compensation that Albertsons agreed to pay Fleming for Fleming acquiring Albertsons' Tulsa facility was some or all of the $2010 per week in fixed costs that Fleming would incur to operate that facility?

MR. WESELKA: Objection to the form: Asked and answered.

A. Could you repeat that question?

MR. BLEDSOE: Read it back, please.

(Record read)

Q. I'll withdraw the question and I'll ask it again, because it's important that I get the figure right.

Is it true, Mr. Teall, that a portion of the compensation that Albertsons agreed to pay Fleming for Fleming acquiring Albertsons' Tulsa facility was some or all of the approximately $210,000 per week that Fleming incurred to operate

the facility?

MR. WESELKA: Objection to the form.

A. Not all but some.

Q. Okay. What portion of the $210,000 a week in fixed costs that Albertsons is paying Fleming under the Tulsa facility standby agreement is attributable to the asset purchase component of the deal? When I say the deal, I mean Fleming acquiring the Tulsa facility.

A. You know, I --

MR. WESELKA: Objection to the form of the question.

A. I don't think I can answer that question, because I wasn't part of the group that formulated that $210,000 payment and so I don't think I would feel comfortable trying to answer that.

Q. Who at Albertsons would know the answer to that question?

A. Bob Schuler.

Q. But you agree that a portion of the $210,000 weekly fixed fee paid by Albertsons to Fleming was due to the asset purchase component of the Fleming-Albertsons deal to buy -- for Fleming to buy the Tulsa facility?

MR. WESELKA: Objection to the form:

Q. What is the method you're using to figure out how much money Albertsons is going to deduct from its weekly payments to Fleming?

MR. WESELKA: Objection to the form: Asked and answered.

A. I can speak to a couple specifically. Some I don't review nor do I have that information available. Transportation cost I believe is the cost of transportation to those stores from Fort Worth to the stores in Oklahoma and Nebraska. We ship those on a third-party carrier and so it's very easy to track and calculate those costs.

Direct labor and miscellaneous costs. The direct labor is really the cost of handling that product plus the amount Fleming would have charged us for handling that product, so it's really a -- probably a penny a case or something like that. I'm not sure exactly what it is, but it's very minor. We recognize that if Fleming had shipped that case, there would have been a 28-and-a-half-cent charge applied to that, so we figured what our cost is and tried to net those out.

Ponca distribution, labor, and transportation cost was a one-time event that happened the middle of April where a vendor refused

EXHIBIT C

Fleming Status Update
2/8/2003

Current Performance:

- Service Levels W/E 2/6

Lincoln	(13% of cases)	97.43%
Tulsa	(87% of cases)	97.01%
Total		97.06%

Service Levels have improved 6 straight weeks. 4 weeks in a row over 96%. Average for 2003 is 95.97% Vs 94.26% during 6 months on 2002. Feedback from Bart Bohlen is that store conditions are good. Still some issues surrounding schematic changes result of ACBP, but close to resolution.

- Delivery Performance W/E 2/6

Lincoln	90.00%
Tulsa	94.00%

Local Operators continue to fine tune delivery schedules to balance store service and cost management. Good partnership with ABS and Fleming in this regard.

- Accuracy – Continue to do 2-3 joint load check-ins per week using procedures developed last Qtr. Based on load counts off invoice credit is adjusted monthly. Load credit was reduced for February to .23% from .30%. Operators are developing same process for Lincoln.

- Code Dating/Quality issues-Current issues are minimal as reported by Retail Operations on weekly conference call. Fleming is recapping all reported dating/quality issues reported by stores and providing that information to Bart Bohlen.

Retail/Distribution Challenges

Any Third Party/DSD relationship requires a different level of involvement and Fleming has been particularly challenging. Many reasons why this relationship has taken so long to stabilize, but the current requirements are:

1. Additional communication requirement surrounding Ad/Promo activity. Each Category group conducts weekly conference calls to discuss upcoming activity. ABS also provides estimates on all ad items to assist Fleming Procurement.
2. Collection of Vendor Funds and Corporate Pricing is handled by DFW Procurement and Accounting.
3. Monitoring acquisition costs and verification of billing. Currently using system-generated reports to compare Fleming Vs DFW product cost. Only dept that appears to be high is Produce. Currently working with ABS Corporate procurement (Dan Sutton) to identify and understand cost differences. Internal Controls has performed one random audit to verify Fleming vendor cost back to ABS billed costs. Follow-up audit scheduled 1st Qtr.
4. PCRA (Product Cost Reduction Account)-Fleming did a horrible job of managing and communicating account balance. Produce billings were the primary source of variances. 4th Qtr activity under control result of change in billing process.
5. 2002/2003 Retail Annual Plan impacts were underestimated and have resulted in Profit pressure on Retail Operations. Two components-Tulsa/Lincoln Freight costs were under-estimated by about $.15 per case. The fixed cost component of $210,000 per week was estimated based on average weekly case sales of 219,000 at time of deal. Average weekly case volume has been considerable less than this (except during November and December) resulting in a higher per case charge to offset. Bob Schuler is reworking original estimated numbers, using actual numbers through January so we can restate impact on Retail Plan. Should have those numbers Monday or Tuesday.
6. Corporate Distribution/IT, DFW Procurement, and DFW Division office support and distraction levels were high during start-up, but have stabilized a great deal during last 5 weeks.

ALB 001009
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Distribution Plan if Fleming Fails

We can transfer business to our DFW DC quickly. Impact on DC

1. 17% increase in volume
2. Increase Inventory requirements by $8,400,000
3. Increase headcount in WH operations by 43
4. No impact on indirect headcount
5. No additional material handling or transportation equipment
6. 500-600 unique items not currently carried in DFW
7. All Transportation on Third party. Estimate incremental Transportation cost to be $2.5 to 3.0 million per year.
8. Sizing (attached) shows Grocery OK next three years, but some pressure points in Fresh.
9. May be some one-time cost associated with start-up depending on circumstances. Private Label/Unique item inventory transfers, Training and Productivity costs for new hires, Short term service level issues.
10. Financial impact on Company would have to be calculated, but buy out of existing Supply Agreement would be costly due to Asset Purchase component of deal. Currently paying $210,000 per week in fixed cost.
11. If Fleming fails, possibility that we could end up with building. With small store base would be costly to operate and procure product at best price, but would need to evaluate.

ALB 001010
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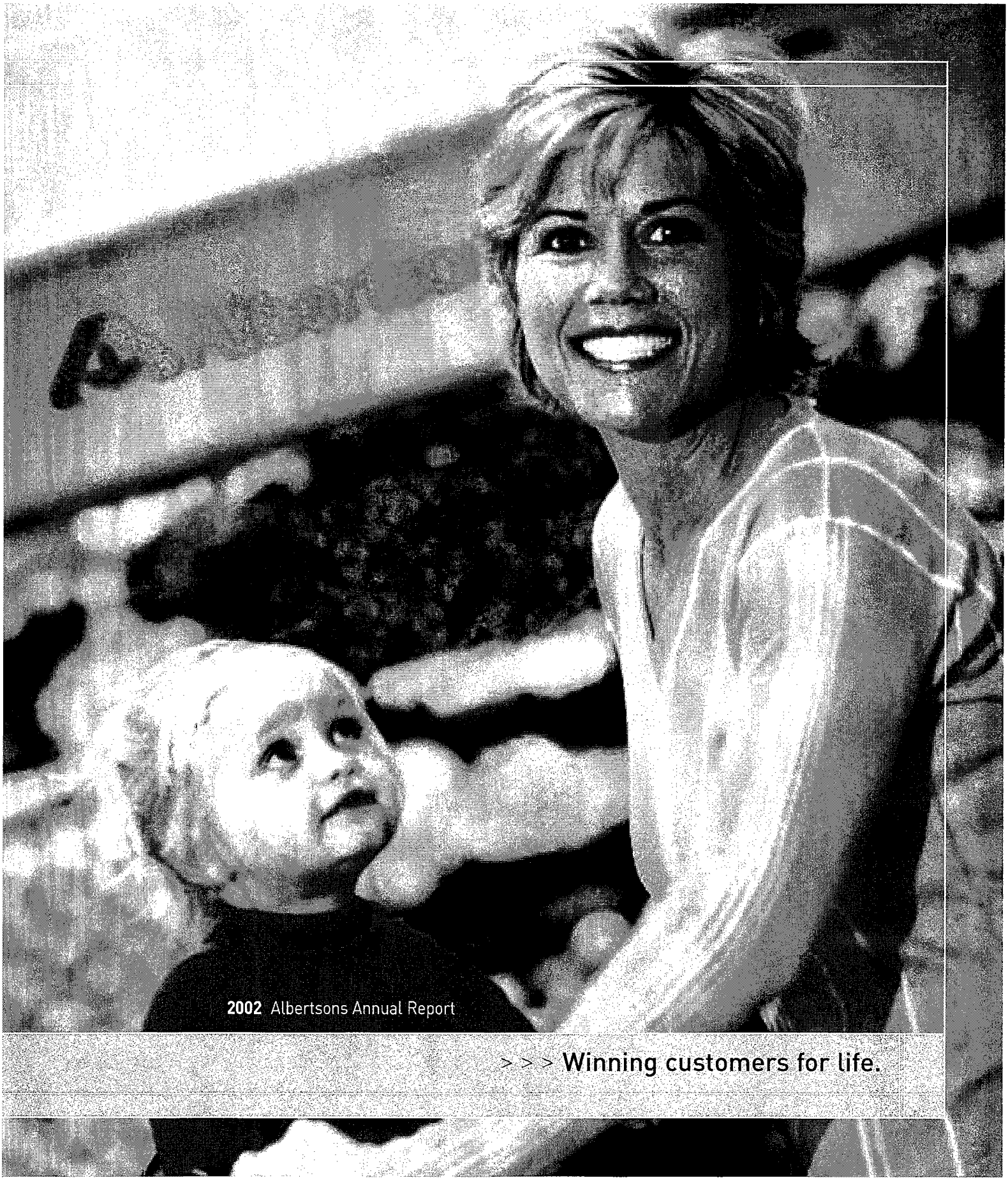
EXHIBIT D



> > > **Winning customers for life.**

> > > To Our Shareholders:

Albertsons is in the midst of an exciting transformation! At the core of that change is our passion to win customers for life by "working harder to make their lives easier." That simple promise is creating a new energy across our company. From our distribution centers, to our offices, to the 92 million square feet of retail selling space in our 2,300 stores, over 200,000 men and women come to work each day focused on creating the biggest and best food and drug retailer in the world!

2002 proved to be one of the most demanding years in business history. In that environment, some companies stumbled, most struggled and more than a few failed to survive. Proudly, Albertsons was able to deliver a solid business performance, while at the same time completing one of the largest restructurings in retailing history.

At the heart of that performance were our 10 Core Values coupled with a relentless focus on the five Strategic Imperatives we launched in 2001. In the pages that follow, you will see a progress report highlighting many of our achievements around each imperative as well as letters from shoppers that show our values are forming a new customer-focused DNA that delivers results. Those achievements were the catalyst for change that began to move our company forward in so many areas during the past year.

As proof of our progress, the following results were recorded during the year:

- Earnings from continuing operations grew to $865 million, up from $496 million in 2001
- Cash from operations grew to $2.1 billion, up from $2.0 billion in 2001. This cash allowed us to:
  - Open 92 new food and drug stores
  - Remodel 207 existing stores... a 100% increase
  - Return $862 million to shareowners via the repurchase of 35 million shares of our stock
  - Pay $307 million in dividends... a yield of nearly 4% for shareowners at year end
  - Reduce debt by $143 million
- Operating divisions were consolidated from 19 to 11

- The planned restructuring of the Company was completed. Since the turnaround began in April 2001, we have closed/sold 441 unprofitable or non-strategic stores and exited 4 major markets.

Out in the marketplace, we accelerated the rollout of several exciting marketing initiatives as we...

- Expanded the launch of our Preferred loyalty card into Oregon, Washington, Northern California, Utah, Texas, Idaho and Florida.
- Expanded our neighborhood marketing focus by launching Kosher, Organic, Asian, and Hispanic platforms to better serve the diverse needs of our consumers
- Launched a new, aggressive pricing and promotion campaign under the banners of "Extreme Value Buys" and "Knock Down Prices."
- Completed dual-branding the Phoenix, Arizona market under the Albertsons/Osco banner.

As these exciting programs kicked in, we began to see concrete proof of their effectiveness:

- Return on invested capital improved for the first time since the American Stores Merger.
- Average shopping basket size improved across the Company as the average sale per customer trip grew 4%.
- Our "Customer First, Second to None" customer service program showed progress across the company as Customer Service Scores improved steadily on a company-wide basis.
- In Phoenix, Arizona, under the new dual-branded banner Albertsons/Osco, total market share grew and sales in drugstore categories accelerated between +10% and +130%.

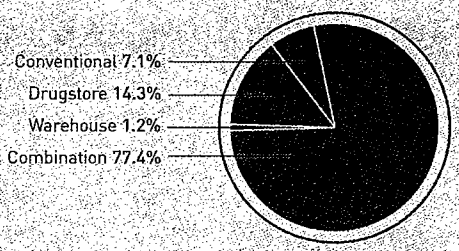
Also during the year, we continued our relentless focus on cost control. By mid-year 2002, we had reached our first $250 million cost-out plateau ahead of schedule. By year end 2002, we had increased those savings to over $440 million, allowing us to stay ahead of schedule on our path to eliminate $750 million in cost by year end 2004! A new Strategic Sourcing focus was also launched to drive the cost-out mindset deeper into the organization. This ongoing expense rigor is critical to curb rising costs in our industry. In the future as our sales grow, we will leverage this strong cost control program to reinvest in the marketplace and enhance profitability.

...we continue to be the only large traditional grocer to pay a significant dividend to shareowners

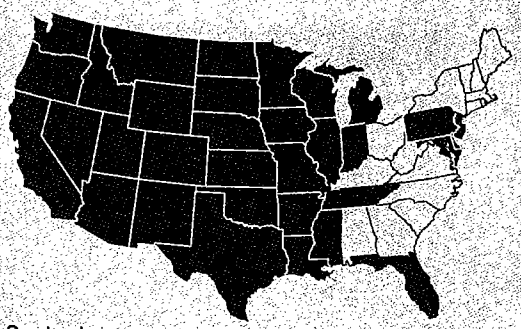
Financial Section

Albertson's, Inc. is one of the largest retail food and drug chains in the world. The Company operates 2,287 stores in 31 states across the country. Retail operations are supported by 17 Company-owned distribution centers. Albertsons is headquartered in Boise, Idaho, and employs 202,000 people. The Company's stock is traded on both the New York Stock Exchange and Pacific Stock Exchange under the symbol ABS.

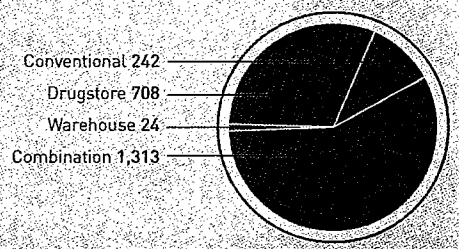
2002 Square Footage by Store Format



Operating Area



2002 Number of Stores by Store Format



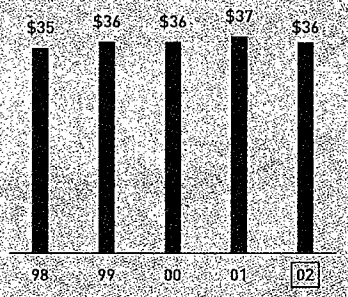
Contents

32 Financial Highlights
34 Management's Discussion and Analysis of Financial Condition and Results of Operations
47 Cautionary Statement
48 Consolidated Earnings
49 Consolidated Balance Sheets
50 Consolidated Cash Flows
51 Consolidated Stockholders' Equity
52 Notes to Consolidated Financial Statements
74 Independent Auditors' Report
75 Responsibility for Financial Reporting
76 Five-Year Summary of Selected Financial Data
78 Quarterly Financial Data
79 Executive Officers
80 Board of Directors
81 Officers
83 Shareholders' Information
84 Other Information
IBC In Memoriam: Kathryn McCurry Albertson

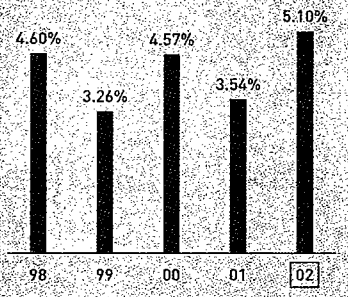
Financial Highlights

(dollars in millions, except per share data)	FISCAL YEAR 2002	FISCAL YEAR 2001	% CHANGE
Sales	$35,626	$36,605	-2.7
Net Earnings	$ 485	$ 501	-3.2
Net Earnings % to Sales	1.4	1.4	0.0
EPS — Basic	$ 1.22	$ 1.23	-0.8
EPS — Diluted	$ 1.22	$ 1.23	-0.8
Dividends Per Share	$ 0.76	$ 0.76	0.0
Total Assets	$15,211	$15,981	4.8
Stockholders' Equity	$ 5,197	$ 5,915	-12.1
Common Shares Outstanding at year end	372,115,000	406,553,000	-8.5
Number of Stores	2,287	2,421	-5.5
Number of Associates	202,000	220,000	-8.2
Average Store Size (square foot):			
Food and Drug Stores	50,000	50,000	0.0
Drug Stores	18,600	18,600	0.0
All Stores	40,300	40,600	-0.7

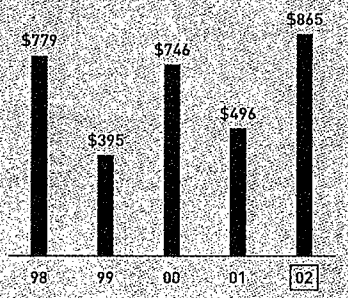
Sales
(dollars in billions)



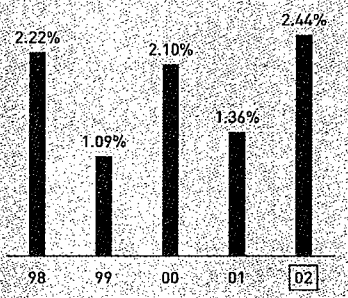
Operating Profit % to Sales



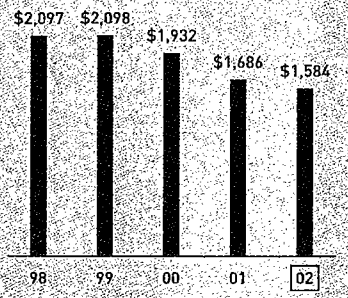
Earnings from Continuing Operations
(dollars in millions)



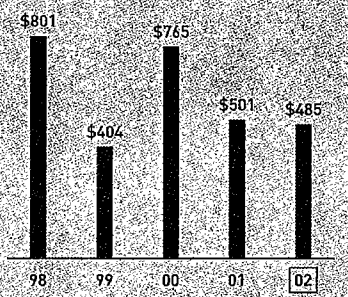
Earnings from Continuing Operations % to Sales



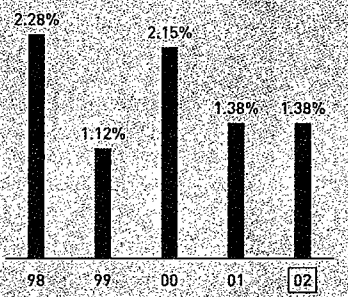
Capital Expenditures
(dollars in millions)



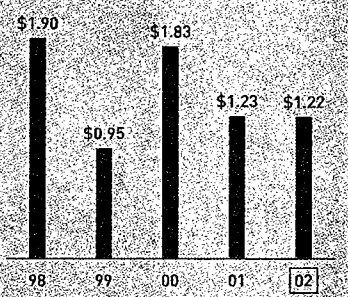
Net Earnings
(dollars in millions)



Net Earnings % to Sales



Diluted Earnings Per Share
(dollars)



Operating activity includes the impact of merger-related charges, restructurings, discontinued operations and the cumulative effect of a change in accounting principle.

Management's Discussion and Analysis

Of Financial Condition and Results of Operations

(dollars in millions, except per share data)

The New Albertsons

The Company's leadership team has identified many actions and programs with which to drive the Company's future competitiveness, profitability and return on invested capital. The Company continues to be focused on its five strategic imperatives that serve as a guide and a filter for all the Company's initiatives. These five imperatives, together with the major actions taken to date, follow:

1) Aggressive Cost and Process Control. Each main category of expense, including labor, is rigorously monitored by a member of executive management. By the end of 2002, the Company had achieved $446 of the $500 mid-2003 annual cost reduction goal. The Company is committed to achieve cost reductions of $750 by the end of 2004. In the third quarter of 2002, the Company expanded its existing strategic sourcing program to realize additional cost reductions by engaging A.T. Kearney to leverage their sourcing expertise to assist with this program.

2) Maximize Return on Invested Capital. The Company has implemented a formal process to review and measure all significant investments in corporate assets. The goal of the Company is to hold a number 1 or 2 market share in an area, or have a plan of action which provides a reasonable expectation of achieving this goal in order to continue to maintain an investment in that area. This process involves thorough review at both the individual asset or store level and at the market area level.

As a result of the review initiated in 2001, the Company closed or disposed of 162 underperforming stores in 2001 and 2002. In addition, the Company formulated plans to accelerate the disposal of surplus property through an auction process for owned properties and aggressive lease termination negotiations for leased properties. As a result of this initial restructuring, the Company reduced its divisions from 19 to 15.

- During the fourth quarter of 2001, the Company sold 80 non-core New England Osco drugstores.
- In the first quarter of 2002, the Company announced the second phase of its asset rationalization process. The Company exited four underperforming markets: Memphis, Tennessee; Nashville, Tennessee; Houston, Texas; and San Antonio, Texas. These market exits occurred through a combination of store closures and store sales and involved a total of 95 stores. In connection with this action, the Company reduced its divisions from 15 to 11 and the Tulsa, Oklahoma and Houston, Texas distribution facilities were sold.

3) Customer-focused Approach to Growth. The Company intends to invest many of the savings from the expense and process control programs back into the marketplace in order to drive sales and earnings growth. The Company's focus is on the following programs that are intended to drive customer loyalty and profitable sales growth. A company-wide "Service First, Second to None" program is reinvigorating the employees' focus on customer service. The "Focus on Fresh" initiative is improving the delivery of fresh foods throughout the Company's fresh departments. The Company's Jewel-Osco stores in Chicago, Illinois have a decade of experience operating a unique dual brand food and drugstore format. This unique format was rolled out to the Tucson, Arizona and Reno, Nevada markets during 2001 and was rolled out to the Phoenix, Arizona and Omaha, Nebraska markets during 2002. During the fourth quarter of 2001, the Company expanded its loyalty card program to