

PUBLIC VERSION

May 10, 2024

VIA EMAIL

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Re: Kroger/Albertsons - Supplemental Information Requests Issued to Kroger on February 23, 2024

Dear Jenny:

We write with responses to the supplemental information requests issued by the Oregon Health Authority (“OHA”) to Kroger on February 23, 2024 regarding Kroger’s proposed acquisition of Albertsons (“Proposed Transaction”) and Kroger’s and Albertsons’ proposed divestiture to C&S in conjunction with the Proposed Transaction (“Proposed Divestiture”).

RFI #1: Current full (nationwide) list of divested stores including all store-level information provided in *Divestiture Proposal - Additional Store List (11.17.2023) - CONFIDENTIAL(175037460.1).pdf* in Microsoft Excel format.

In response to RFI #1, Kroger is providing KR-OHA-000001896, which lists the stores divested under the Amended and Restated Asset Purchase Agreement by and among Kroger, Albertsons, and C&S Wholesale Grocers, LLC, dated April 22, 2024, and provides the store-level information requested.

RFI #2: Documentation and supporting quantitative analysis for the full purchase price of the divested stores based on the most current list of proposed divested stores to be provided in response to request 1 above. Documentation needs to include.

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a. Deal model used to develop purchase price.

C&S provided the deal model (CS-00001457) in response to OHA's December 2023 RFIs.

b. Pro-forma income statements for 2024 – 2028 by store or the most granular level developed for the divested stores.

C&S has not created pro-forma income statements for each divested store. Instead, the deal model incorporates the projected earnings and cash flows of all of the stores, including store-specific re-bannering sales impacts, which can then be viewed in the aggregate over time.

c. Documentation related to any significant planned changes in store services underlying the pro-forma statements, including any plans to close divested stores or pharmacies in divested stores, or open pharmacies in divested stores currently without a pharmacy.

As described in our response to OHA's December 2023 RFIs, C&S has no plans to close any divested stores or pharmacies and no plans to make any significant changes in store services. [REDACTED]

RFI #3: Nationwide list of Albertsons, Kroger, and C&S owned stores as of the date of the Divestiture Agreement that includes:

- a. Parent.**
- b. Branding/banner name.**
- c. Store ID.**
- d. State.**
- e. Indicator for if a store has pharmacy sales.**
- f. Indicator for if a store has fuel sales.**

In response to RFI #3, Kroger is providing KR-OHA-000001897, which provides an extract of Nielsen TDLinX data showing the Albertsons, Kroger, and C&S-owned stores and indicating which of these stores contain pharmacies or fuel stations according to TDLinX as of March 8, 2024.

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RFI #4: Provide the following information relating to *Exhibit 2-1 - CONFIDENTIAL.xls*:

a. The dates (or months and years) involved for each period.

In response to RFI #4 subpart a, Kroger is providing KR-OHA-00001898, which shows the dates covered by each period in Kroger fiscal years 2017 to 2024.

b. Corresponding data (all line items in Exhibit 2-1, by department) for all nationwide stores operating during fiscal years 2021 and 2022.

c. Corresponding data (all line items in Exhibit 2-1, by department) for all nationwide and Oregon stores for fiscal years 2018 – 2020 and year-to-date 2023 through the third fiscal quarter.

In response to RFI #4 subparts b-c, Kroger is providing KR-OHA-000001899 to -1904, which provide annual snapshots of the corresponding data for each Kroger store nationwide for Kroger fiscal years 2018 to 2023.

Kroger data were recorded in Kroger's KAS financial system through fiscal year 2020 ("KAS_data" tabs) and in its Oracle financial system for fiscal year 2021 forward ("Oracle_data" tabs). KR-OHA-000001903 and -1904 contain data for all Kroger retail grocery divisions for fiscal years 2022 and 2023. Data for Kroger's Harris Teeter division prior to fiscal year 2022 is provided separately in the "HT_data" tabs of KR-OHA-000001899 through -1902. The line items differ among the KAS, Oracle, and pre-fiscal year 2022 Harris Teeter data.

d. Average employee count by store and fiscal year for all nationwide and Oregon stores. Average employee count should be separated by pharmacy employees and all other store employees.

In response to RFI #4 subparts d, Kroger is providing KR-OHA-000001905, which provide the average employee count for each Kroger store nationwide for Kroger fiscal years 2018 to 2022. The "KR HR info" tab covers the stores in all Kroger divisions except for Harris Teeter; the "HT HR Info" tab covers Kroger's Harris Teeter stores.

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- e. Banner name in a column attached to each line of data, or a store listing with branding name on a separate tab.**

In response to RFI #4 subpart e, Kroger is providing KR-OHA-000001906, which provides a crosswalk of the banner name most recently associate with each Kroger store number. Kroger's banner change over time, so a different banner may have been associated with a given store number at an earlier date.

RFI #5: Please identify the calendar dates and/or time frames corresponding to columns B through AA in *Exhibit 2-2 - CONFIDENTIAL.xls*.

In response to RFI #5, Kroger is providing KR-OHA-000001898, which shows the dates covered by each period in Kroger fiscal years 2017 to 2024.

RFI #6: Provide the following information relating to *Exhibit 2-4 - CONFIDENTIAL.xls*:

- a. Dates and/or time periods involved for each quarter.**

In response to RFI #6 subpart a, Kroger is providing KR-OHA-000001898, which shows the dates covered by each period in Kroger fiscal years 2017 to 2024.

- b. Corresponding data (all line items in Exhibit 2-4) for all nationwide and Oregon QFC stores for fiscal years 2018 – 2020 and year-to-date 2023 through the third fiscal quarter.**

In response to RFI #6 subpart b, Kroger is providing KR-OHA-000001907 and KR-OHA-00001908, which provide the data requested for all QFC stores for fiscal years 2019 through 2022 and 2023, respectively. Kroger's data for 2018 are not reasonably available.

- c. Identify the signs associated with positive and negative values of Assets, Liabilities, and Shareholders Equity (i.e., is a \$100 cash balance shown as a positive or negative number?).**

For assets, positive numbers reflect inflows (debits) and negative numbers reflect outflows (credits). For liabilities and shareholder equity, negative numbers reflect increases in liabilities and shareholder equity (credits) and positive numbers reflect reductions in liabilities and shareholder equity (debits). In the "FinStore" tabs, the same principles apply, except that the sign is flipped for items that roll up under gross profit (e.g., total shrink, selling gross, total adjustments). For items that roll up under gross profit,

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revenue is reflected as a positive number and expenses are reflected as negative numbers; for items outside of gross profit, expenses are reflected as positive numbers.

- d. Income statement items shown in the FinStore_Oracle_Ret tab separated into Pharmacy-related sales and expenses and non-Pharmacy-related sales and expenses.**

The breakdown requested in RFI# 6 subpart d is not available in Kroger's ordinary course data.

- e. Are balance sheet items captured at a store level? If so, please provide balance sheet balances at the end of each fiscal quarter.**

Kroger does not create store-level balance sheets.

RFI #7: Provide the following information relating to *Exhibit 2-5 - CONFIDENTIAL.xls*:

- a. Dates and/or time periods involved for each quarter.**

In response to RFI #7 subpart a, Kroger is providing KR-OHA-000001898, which shows the dates covered by each period in Kroger fiscal years 2017 to 2024.

- b. Corresponding data (all line items in Exhibit 2-5) for all nationwide and Oregon Fred Meyer stores for fiscal years 2018 – 2020 and year-to-date 2023 through the third fiscal quarter.**

In response to RFI #7 subpart b, Kroger is providing KR-OHA-000001909 and KR-OHA-000001910, which provide the data requested for all Fred Meyer stores for fiscal years 2019 through 2022 and 2023, respectively. Kroger's data for 2018 are not reasonably available.

- c. Identify the signs associated with positive and negative values of Assets, Liabilities, and Shareholders Equity (i.e., is a \$100 cash balance shown as a positive or negative number?).**

For assets, positive numbers reflect inflows (debits) and negative numbers reflect outflows (credits). For liabilities and shareholder equity, negative numbers reflect increases in liabilities and shareholder equity (credits) and positive numbers reflect reductions in liabilities and shareholder equity (debits). In the "FinStore" tabs, the same

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principles apply, except that the sign is flipped for items that roll up under gross profit (e.g., total shrink, selling gross, total adjustments). For items that roll up under gross profit, revenue is shown as a positive number and expenses are shown as negative numbers; for items outside of gross profit, expenses are shown as positive numbers.

d. Income statement items shown in the FinStore_Oracle_Ret tab separated into Pharmacy-related sales and expenses and non-Pharmacy-related sales and expenses.

The breakdown requested in RFI# 6 subpart d is not available in Kroger's ordinary course data.

e. Are balance sheet items captured at a store level? If so, please provide balance sheet balances at the end of each fiscal quarter.

Kroger does not create store-level balance sheets.

RFI #8: Provide similar information as in Exhibit 2-4 - CONFIDENTIAL.xlsx and Exhibit 2-5 - CONFIDENTIAL.xlsx for all other Kroger banner names. Include the information requested in items 6 and 7 above.

In response to RFI #8, Kroger is providing KR-OHA-000001911 to -6116, which provide data similar to the information provided in Exhibit 2-4 and Exhibit 2-5 for Kroger's other grocery retail divisions for Kroger fiscal years 2019 to 2023. KR-OHA-000001911 to -6094 provide the data requested for 2019 to 2022; KR-OHA-000006095 to -6116 provide the data requested for 2023. Kroger's data for 2018 are not reasonably available.

Prior to May 2022, the Harris Teeter division operated on a different accounting system from Kroger, so the format of Harris Teeter's financial statements differs from other Kroger financial statements for 2019 to April 2022. In May 2022, Harris Teeter converted to the Kroger accounting system and began producing the same store financial reports as the rest of Kroger's grocery store divisions. For 2019 to April 2022, an abbreviated form of the financial information for each Harris Teeter store is provided in KR-OHA-000001933 to -6904. Harris Teeter's store-level financial statements for 2018 are not reasonably available.

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RFI #9: Provide the following information relating to *HIGHLY CONFIDENTIAL-ACI-ORHCMO-00000001.xlsx*.

- a. Income statement items shown in the Data tab separated into Pharmacy-related sales and expenses and non-Pharmacy-related sales and expenses.**
- b. Corresponding data (all line items in ACI-ORHCMO-00000001, including item 9a.) for all nationwide stores operating during fiscal years 2021 and 2022.**
- c. Corresponding data (all line items in ACI-ORHCMO-00000001, including item 9a.) for all nationwide and Oregon stores for fiscal years 2018 – 2020 and year-to-date 2023 through the third fiscal quarter.**
- d. Average employee count by store and fiscal year for all nationwide and Oregon stores. Average employee count should be separated by pharmacy employees and all other store employees.**
- e. Field definitions that describe what is in each column, including if any columns are the sum(s) of other columns.**

In response to RFI #9a-d, Albertsons is providing ACI-ORHCMO-00001032 and ACI-ORHCMO-00001033, which respectively provide the requested data for each store overall and separately by pharmacy and non-pharmacy departments. In these two documents, the “RFI #9(a)-(c)” tabs contain data for all line items in ACI-ORHCMO-00000001 for each Albertsons store nationwide for fiscal years 2018 and 2023. The “RFI #9(d)” tabs contains the average employee count for each Albertsons store nationwide in each calendar year between 2018 to 2023. Albertsons tracks store-level employee count monthly in the ordinary course of business; the data in the “RFI #9(d)” tabs reflects the average for all the months in each year. The employee count data is provided from Albertsons’ headcount data system, which may differ from previously provided data from Albertsons’ payroll system.

In response to RFI #9e, Albertsons is providing ACI-ORHCMO-00001034. The “P&L Items” tab provides the relationship between the line items in ACI-ORHCMO-00000001 and the “RFI# 9(a)-(c)” tabs of ACI-ORHCMO-00001032 and -1033. The tab “Definitions” tab lists the components of each line item. Some operating costs (e.g., utilities, rent, local taxes, depreciation, among others below line item 26 in the “P&L Items” tab) are not available at the department level. Additionally, certain line items are not consistently tracked with relevant departments (e.g., workers compensation, salaries and wages, packaging supplies). For these line items, data relevant to the pharmacy department may be tracked within the “Other Departments” category.

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RFI #10: C&S balance sheets for the fiscal years 2018 – 2022 and year-to-date 2023 through the third fiscal quarter:

a. At the corporate level.

C&S's financial statements include its corporate-level balance sheets. C&S provided its corporate-level financial statements for fiscal years 2020, 2021, and 2022 in response to OHA's December 2023 RFIs (FTC-CS-00000001, FTC-CS-00000286, and FTC-CS-00000161, respectively). In further response to RFI #10, C&S is providing FTC-CS-00000056, FTC-CS-00000408, and CS-00000001, which are C&S's corporate-level financial statements for fiscal years 2018, 2019, and 2023, respectively.

b. At the store level.

C&S does not maintain store-level balance sheets in the ordinary course of business.

RFI #11: C&S income statements at the corporate and store level for the fiscal years 2018 – 2022 and year-to-date 2023 through the third fiscal quarter. For store level income statements, include:

a. Revenue and expenses by department, where applicable.

b. Store ID number for each line item.

c. Average employee counts for each fiscal year.

C&S's financial statements include its corporate-level income statements. C&S provided its corporate-level financial statements for fiscal years 2020, 2021, and 2022 in response to OHA's December 2023 RFIs (FTC-CS-00000001, FTC-CS-00000286, and FTC-CS-00000161, respectively). In further response to RFI #11, C&S is providing FTC-CS-00000056, FTC-CS-00000408, and CS-00000001, which are C&S's corporate-level financial statements for fiscal years 2018, 2019, and 2023, respectively.

While C&S does not maintain store-level income statements in the requested format in the ordinary course of business, C&S is providing the following documents in further response to RFI #11:

- A spreadsheet summarizing the financial performance for Piggly Wiggly Midwest's retail business and listing both wholesale and retail profitability for 2021, 2022, and 2023 (FTC-CS-00006839); and

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- A spreadsheet summarizing the financial performance and budget for Grand Union's retail business and listing both wholesale and retail profitability for fiscal years 2022 and 2023, and the retail budget for 2024 (FTC-CS-00006838).

RFI #12: Store-level pro-forma financial projections for the 2024 – 2028 fiscal years. Projections should include, at a minimum, the following:

- a. Number of employees.**
- b. Significant revenue and expense categories by major service/department (such as grocery, pharmacy, and fuel).**

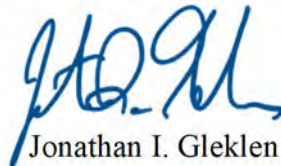
Kroger and Albertsons do not create forward-looking, store-level financial projections in the ordinary course of business.

C&S does not maintain store-level pro-forma financial projections in the ordinary course of business.

* * *

This response and all of the exhibits and documents identified in this response contain confidential business and financial information that qualifies as trade secrets. I am enclosing a confidentiality log that describes the confidential information in this submission per ORS 415.501 and ORS 192.345(2).

Sincerely,



Jonathan I. Gleklen

Enclosures