



***4<sup>th</sup> Quarter and Fiscal Year 2004  
Conference Call  
May 10, 2005***



## 4<sup>th</sup> Quarter and Year Fiscal 2004 Financial Review

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*This presentation may contain forward-looking statements about the future performance of the Company, which are based on Management's assumptions and beliefs in light of the information currently available to it. The Company assumes no obligation to update the information contained herein. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements including, but not limited to: competitive practices and pricing in the food industry generally and particularly in the Company's principal markets; the Company's relationships with its employees and the terms of future collective bargaining agreements; the costs and other effects of legal and administrative cases and proceedings; the nature and extent of continued consolidation in the food industry; changes in the financial markets which may affect the Company's cost of capital and the ability of the Company to access capital; supply or quality control problems with the Company's vendors; and changes in economic conditions which affect the buying patterns of the Company's customers.*

## 4<sup>th</sup> Quarter 2004 Highlights

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- Excellent results in Canada
- U.S. results improved
- Gross margin increased
- Lower SG&A
- Best quarterly EBITDA in three years

## 2004 Strategic Accomplishments

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- Positive results in Canada and U.S.
- Successful U.S. reorganization
- Resolution of franchisee class action in Canada
- \$75 million cost reduction initiative
- U.S. fresh stores launched
- Review of strategic alternatives
- Decision to restructure the Company

# The New A&P



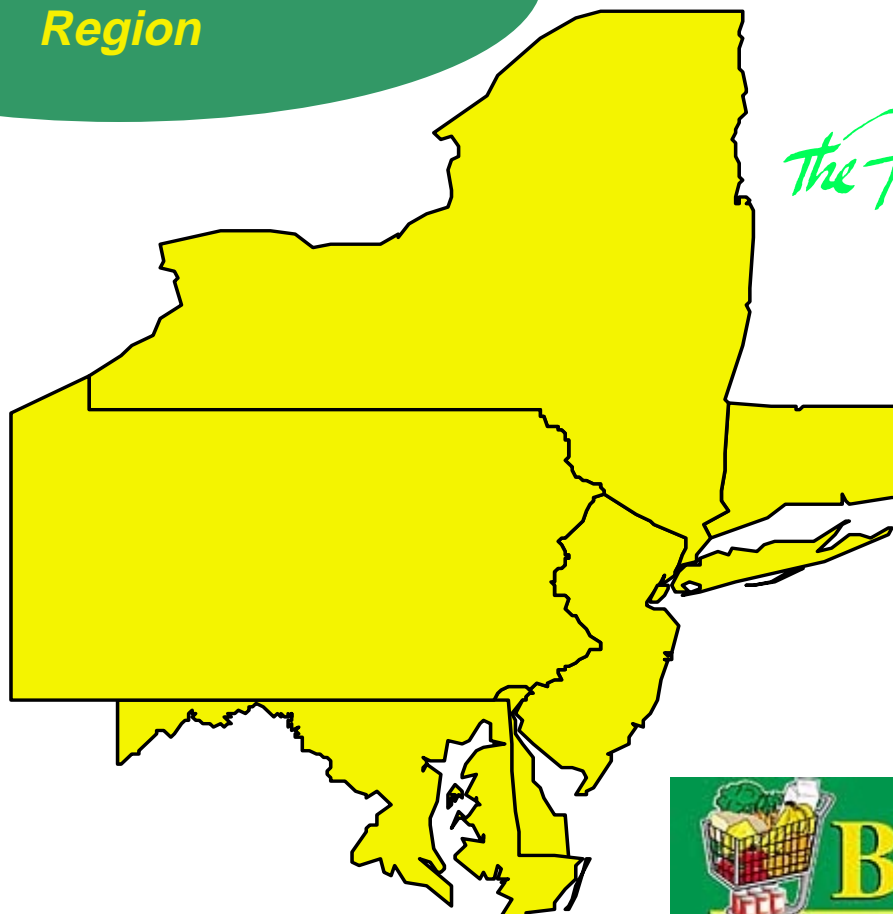
250 Stores in Metro NY  
75 Stores in Mid-Atlantic  
Region



*The Food Emporium™*

**waldbaums**

**SUPER** *fresh!*





***Financial Review***  
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## Lease Accounting Restatement<sup>(1)</sup>

- We have reviewed our lease accounting and determined that our accounting, primarily related to reimbursements from landlords during construction periods, was not in conformance with GAAP. We determined that the impact was material and that a restatement was required.
- Our restatement primarily reclassifies landlord reimbursements as follows:
  - On the Income Statement, the cumulative impact for F04 (all recorded in the 4<sup>th</sup> quarter) was negative \$.8 MM. The P&L impact on prior years was not material.
  - On the Balance Sheet, as of Feb 2005, an increase in Fixed Assets of \$134 MM, a net increase in real estate liabilities of \$104 MM
  - On the Statement of Cashflows, although no impact on cash, there are certain reclassifications between operating items, investing items and financing items.

*(1) - Please refer to details shown in Note 2 to the Company's Fiscal Year 2004 Form 10-K*



## EBITDA Results<sup>(1)</sup> - \$MM

	<u>4Q2004</u>	<u>4Q2003</u>	<u>Full Year 2004</u>	<u>Full Year 2003</u>
<b>Reported EBITDA (see Schedule 1 of Press Release)</b>	<b><u>\$76</u></b>	<b><u>\$14</u></b>	<b><u>\$195</u></b>	<b><u>\$132</u></b>
Restructuring charges	8	39	10	34
Canadian Litigation	1	0	35	0
Impairment charges	<u>0</u>	<u>0</u>	<u>35</u>	<u>60</u>
Total Non-operating items	<u>9</u>	<u>39</u>	<u>80</u>	<u>94</u>
<b>Subtotal</b>	<b>\$85</b>	<b>\$53</b>	<b>\$275</b>	<b>\$226</b>
Impact of FIN 46	<u>(\$4)</u>	<u>(\$2)</u>	<u>(\$19)</u>	<u>(\$10)</u>
<b>Adjusted EBITDA (after Restatement )</b>	<b>\$81</b>	<b>\$51</b>	<b>\$256</b>	<b>\$216</b>
<b>Year over Year Increase</b>		<b>+ 59%</b>		<b>+ 19%</b>
Lease Accounting Restatement	<u>(\$5)</u>	<u>(\$6)</u>	<u>(\$24)</u>	<u>(\$24)</u>
<b>Adjusted EBITDA (before Restatement )</b>	<b>\$76</b>	<b>\$45</b>	<b>\$232</b>	<b>\$192</b>

(1) Results shown are adjusted for items considered to be of a non-operating nature, such as goodwill impairments, restructuring charges and settlement of Canadian litigation.

## Operating Results - \$MM



	<b><u>4Q2004</u></b>	<b><u>4Q2003</u></b>	<b><u>3Q2004</u></b>	<b><u>Full Year</u></b> <b><u>2004</u></b>	<b><u>Full Year</u></b> <b><u>2003</u></b>
	<i>(12 weeks)</i>	<i>(13 weeks)</i>	<i>(12 weeks)</i>	<i>(52 weeks)</i>	<i>(53 weeks)</i>
Net Sales	\$2,560	\$2,721	\$2,524	\$10,855	\$10,899
<i>Total Comps</i>	+0.0%	+1.5%	-1.0%	+0.1%	+0.9%
<i>US</i>	-0.5%	+1.2%	-1.9%	-0.6%	+0.5%
<i>Canada</i>	+1.2%	+2.7%	+1.7%	+2.3%	+2.0%
Gross Margin %	28.48%	28.25%	27.60%	28.02%	28.19%
SG&A % <sup>(1)</sup>	27.61%	28.51%	28.20%	27.95%	28.64%

(1) Results shown are adjusted for items considered to be of a non-operating nature, including goodwill and asset impairments, restructuring charges and settlement of Canadian litigation.

## Cashflow and Leverage - \$MM



	Before		After	
	Restatement		Restatement	
	F2004	F2003	F2004	F2003
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$232</b>	<b>\$192</b>	<b>\$256</b>	<b>\$216</b>
<u>Min. Rent</u>	<u>\$250</u>	<u>\$274</u>	<u>\$226</u>	<u>\$250</u>
<b>Adjusted EBITDAR <sup>(1)</sup></b>	<b>\$482</b>	<b>\$466</b>	<b>\$482</b>	<b>\$466</b>
<b>Total Debt <sup>(2)</sup></b>	\$921	\$916	\$1,025	\$1,005
<u>Invested Cash</u>	<u>\$104</u>	<u>\$158</u>	<u>\$104</u>	<u>\$158</u>
<b>Net Debt</b>	<b>\$817</b>	<b>\$758</b>	<b>\$921</b>	<b>\$847</b>
<u>Capitalized Rent (at 8x)</u>	<u>\$2,000</u>	<u>\$2,192</u>	<u>\$1,808</u>	<u>\$2,000</u>
<b>Adjusted Net Debt</b>	<b>\$2,817</b>	<b>\$2,950</b>	<b>\$2,729</b>	<b>\$2,847</b>
<i>Debt:EBITDA</i>	<i>3.5 x</i>	<i>3.9 x</i>	<i>3.6 x</i>	<i>3.9 x</i>
<i>Adj Debt:EBITDAR</i>	<i>5.8 x</i>	<i>6.3 x</i>	<i>5.7 x</i>	<i>6.1 x</i>

(1) Results shown exclude FIN46R and items considered to be of a non-operating nature as shown on page 7 of this presentation.

(2) Total debt includes Debt plus Capital Leases plus Real Estate Liabilities.

## The New A&P<sup>(1)</sup> - \$MM



Sale of Canada and Midwest should delever the balance sheet

	F2004 Actual	A&P Canada	Midwest U.S.	The New A&P
<b>Reported Sales ( \$Bn )</b>	<b>\$10.9</b>	<b>(\$3.5)</b>	<b>(\$1.5)</b>	<b>\$5.8</b>
<i>Comparable Store Sales Growth</i>	+0.1%	+2.3%	-5.3%	+0.7%
<b>Adjusted EBITDA <sup>(2)</sup></b>	<b>\$256</b>	<b>(\$147)</b>	<b>\$20</b>	<b>\$129</b>
<i>Adjusted EBITDA % Sales</i>	2.4%			2.2%
<b>Adjusted EBITDAR <sup>(2)</sup></b>	<b>\$482</b>	<b>(\$169)</b>	<b>(\$34)</b>	<b>\$279</b>
<b>Ending Net Debt <sup>(3)</sup></b>	<b>\$921</b>			
<b>Ending Debt: Adj. EBITDA</b>	<b>3.6 x</b>			
<b>End Adj Debt: Adj. EBITDAR</b>	<b>5.7 x</b>			

(1) This calculation assumes the Company is successful in selling both A&P Canada and its Midwest US businesses. There can be no assurance that the Company will consummate such transactions.

(2) Excluding FIN 46R and items considered to be of a non-operating nature as shown on page 7 of this presentation. Canadian and Midwest U.S. results exclude allocated administrative charges that the Company believes may continue after the divestitures.

(3) Net debt includes Debt plus Capital Leases plus Real Estate Liabilities less Cash Investments.



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