

Table of Contents**AB ACQUISITION LLC AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements (unaudited)****NOTE 1—DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****Basis of Presentation***

The accompanying interim Condensed Consolidated Financial Statements include the accounts of AB Acquisition LLC and Subsidiaries (the "Company"). All significant intercompany balances and transactions were eliminated. The Condensed Consolidated Balance Sheet as of February 28, 2015 is derived from the Company's annual audited Consolidated Financial Statements for the fiscal year ended February 28, 2015, included within this Form S-1, which should be read in conjunction with these Condensed Consolidated Financial Statements. These Condensed Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information in footnote disclosures normally included in annual financial statements was condensed or omitted for the interim periods presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The interim results of operations and cash flows are not necessarily indicative of those results and cash flows expected for the year. The Company's first quarters ended June 20, 2015 and June 12, 2014 consisted of 16 weeks.

Significant Accounting Policies

Restricted cash: Restricted cash primarily relates to collateralized surety bonds and letters of credit. During the 16 weeks ended June 20, 2015, restricted cash was reduced by \$254.4 million primarily due to collateral requirements that were eliminated. The Company had \$15.8 million and \$270.2 million of restricted cash as of June 20, 2015 and February 28, 2015, respectively, included in Other assets within the Condensed Consolidated Balance Sheets.

Inventories, net: Substantially all of the Company's inventories consist of finished goods valued at the lower of cost or market and net of vendor allowances.

The Company uses either item-cost or the retail inventory method to value discrete inventory items at lower of cost or market before application of any last-in, first-out ("LIFO") reserve. Interim LIFO inventory costs are based on management's estimates of expected year-end inventory levels and inflation rates. LIFO expense was \$6.2 million and \$7.2 million for the 16 weeks ended June 20, 2015 and June 12, 2014, respectively.

Company-Owned life insurance policies ("COLI"): The Company has COLI policies that have a cash surrender value. The Company has loans against these policies and has no intention of repaying the loans prior to maturity or cancellation of the policies. Therefore, the Company offsets the cash surrender value by the related loans. As of June 20, 2015 and February 28, 2015, the cash surrender values of the policies were \$196.1 million and \$194.7 million, and the balance of the policy loans were \$120.7 million and \$120.0 million, respectively. The net balance of the COLI policies is included in Other assets.

Segments: The Company and its subsidiaries operate food and drug retail stores that offer grocery products, general merchandise, health and beauty care products, pharmacy, fuel, and other items and services. The Company's retail operating divisions are geographically based, have similar economic characteristics and similar expected long-term financial performance and are reported in one reportable segment. The Company's operating segments and reporting units are its 14 divisions, which