

Table of Contents

**AB ACQUISITION LLC AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**Note 1—Description of Business, Basis of Presentation and Summary of Significant Accounting Policies****Description of Business**

AB Acquisition LLC and its subsidiaries ("the Company") is a food and drug retailer that, as of February 28, 2015, operated 2,382 retail food and drug stores together with 390 associated fuel centers, 30 dedicated distribution centers and 21 manufacturing facilities. The Company is composed of retail food businesses and in-store pharmacies with operations primarily located throughout the United States under the banners Albertsons, Safeway, Vons, Pavilions, Randalls, Tom Thumb, Carrs Quality Centers, United Supermarkets, Market Street, Amigos, United Express, Sav-On, Jewel-Osco, ACME, Shaw's and Star Market. The Company also owns and operates GroceryWorks.com Operating Company, LLC, an online grocery channel, doing business under the names Safeway.com and Vons.com. The Company also has a 49% ownership in Casa Ley, S.A. de C.V. ("Casa Ley"), which operates 206 food and general merchandise stores in Western Mexico. AB Acquisition LLC has no separate assets or liabilities other than the investments in its subsidiaries and all its business operations are conducted through its operating subsidiaries. The Company is owned by a consortium of investors led by Cerberus Capital Management, L.P. ("Cerberus").

On January 30, 2015, the Company, through a subsidiary, Albertson's Holdings LLC ("Albertson's"), acquired Safeway Inc. ("Safeway") pursuant to an Agreement and Plan of Merger dated as of March 6, 2014, as amended April 7, 2014 and June 13, 2014 (the "Merger Agreement"), under which Albertson's acquired all of the outstanding shares of Safeway (the "Safeway acquisition"). Safeway operated 1,325 supermarkets under the banners Safeway, Vons, Pavilions, Randalls, Tom Thumb and Carrs Quality Centers.

On December 29, 2013, the Company acquired United Supermarkets, LLC ("United"). United operated 51 supermarkets under the banners United Supermarkets, Market Street, Amigos and United Express. On March 21, 2013, the Company acquired from SUPERVALU INC. ("SuperValu") all of the issued and outstanding shares of New Albertson's, Inc. ("NAI") through a newly formed subsidiary of the Company, NAI Holdings LLC (the "NAI acquisition"). NAI operated 871 supermarkets under the banners Jewel-Osco, ACME, Shaw's, Star Market and Albertsons. Prior to the NAI acquisition, the Company owned 192 supermarkets under the Albertsons banner and two distribution centers operating within certain geographical markets.

**Basis of Presentation**

The Company's Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Intercompany transactions and accounts have been eliminated in consolidation for all periods presented. The Company's investment in Casa Ley is reported using the equity method.

**Significant Accounting Policies**

**Fiscal year:** In connection with the Safeway acquisition, the Company elected to change its fiscal year from the Thursday before the last Saturday in February to the last Saturday in February. Unless the context otherwise indicates, reference to a fiscal year of the Company refers to the calendar year in which such fiscal year commences. The Company's first quarter consists of 16 weeks, and the second, third and fourth quarters generally each consist of 12 weeks. For the fiscal year ended February 28, 2015, the fourth quarter consisted of 13 weeks, and the fiscal year consisted of 53 weeks. For each of the prior years presented, the fiscal year consisted of 52 weeks.