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AB ACQUISITION LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements

in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015 for publicly traded companies and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The Company early adopted ASU 2015-03 as of March 1, 2015. As a result of the adoption, the Company retrospectively reclassified \$187.8 million and \$47.7 million of unamortized debt issuance costs as of February 28, 2015 and February 20, 2014, respectively, from Other assets to a reduction in long-term debt. The adoption did not have an impact on the Company's Condensed Consolidated Statement of Operations or the Condensed Consolidated Statement of Cash Flows.

Recently Issued Accounting Standards: In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: 1) identify the contract(s) with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue when (or as) the entity satisfies a performance obligation. For public entities, this pronouncement is effective for annual reporting periods beginning after December 15, 2016. Early application is not permitted. The Company is currently evaluating the impact of this pronouncement.

In April 2015, the FASB issued ASU 2015-04, "Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets." This ASU gives an employer whose fiscal year-end does not coincide with a calendar month-end (e.g., an entity that has a 52- or 53-week fiscal year) the ability, as a practical expedient, to measure defined benefit retirement obligations and related plan assets as of the month-end that is closest to its fiscal year-end. This amendment is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early application is permitted. The Company is currently evaluating the impact of this ASU.

Note 2—Acquisitions**Safeway acquisition**

On January 30, 2015, the Company completed its acquisition of Safeway by acquiring all of the outstanding shares of Safeway for cash consideration of \$34.92 per share, or \$8,263.5 million, and issuing contingent value rights of \$1.0266 and \$0.0488 per share relating to Safeway's 49% interest in Casa Ley and deferred consideration related to Safeway's previous sale of the Property Development Centers, LLC ("PDC") assets, respectively, for an aggregate fair value of \$270.9 million. The Casa Ley contingent value right will entitle the holder to a pro rata share of the net proceeds from the sale of Casa Ley. In the event that Casa Ley is not sold prior to January 30, 2018, holders of the Casa Ley contingent value rights will be entitled to receive their pro rata portion of the fair market value of such remaining interest minus certain fees, expenses and assumed taxes that would have been deducted from the proceeds of a sale of Casa Ley. The PDC contingent value right will entitle the holder to a pro rata share of the net proceeds from any deferred consideration relating to the previous sale of the PDC assets. At the time of the acquisition, Safeway operated 1,325 supermarkets under the banners Safeway, Vons, Pavilions, Randalls, Tom Thumb and Carrs Quality Centers, with an extensive network of distribution, manufacturing and food processing facilities. Safeway also owned and operated GroceryWorks.com Operating Company, LLC an online grocery channel. The acquisition was financed through a combination of debt financing and equity contributions from existing members.