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AB ACQUISITION LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Safeway acquisition allows the Company to expand into various new and existing markets and provides the Company access to a broad range of brands and own brand products. The acquisition was accounted for under the acquisition method of accounting. In a business combination, the purchase price is allocated to the fair values of the identifiable assets and liabilities, with any excess of purchase price over the fair value recognized as goodwill. The fair values of the identifiable assets and liabilities assumed were based on the Company's estimates and assumptions using various market, income and cost valuation approaches. The following table summarizes the assets acquired and liabilities assumed at the date of the Safeway acquisition (in millions):

	<u>January 30, 2015</u>
Cash	\$ 2,202.9
Receivables	348.4
Inventories	2,493.7
Other current assets	614.1
Property and equipment	8,078.2
Intangible assets	3,102.2
Other assets	<u>719.6</u>
Total assets acquired	17,559.1
Current liabilities	3,009.9
Long-term capital lease obligations	514.2
Long-term debt	2,470.3
Long-term deferred taxes	1,782.6
Other long-term liabilities	<u>2,204.9</u>
Total liabilities assumed	9,981.9
Net assets purchased	7,577.2
Goodwill	<u>957.2</u>
Total purchase consideration	<u>\$ 8,534.4</u>

The identifiable intangible assets acquired consisted of the following as of the date of the Safeway acquisition (in millions):

Trade names	\$ 1,458.0
Beneficial lease rights	367.2
Customer lists, including prescription files and licenses	865.2
Internally developed software and loyalty program technology	<u>375.3</u>
Total finite intangible assets	3,065.7
Liquor licenses	<u>36.5</u>
Total identifiable intangible assets	<u>\$ 3,102.2</u>

The above amounts represent the Company's allocation of purchase price. The goodwill recorded of \$957.2 million is primarily attributable to the operational and administrative synergies expected to arise from the acquisition. The acquisition is treated as a stock purchase for income tax purposes, and the assets acquired and liabilities assumed as part of the acquisition did not result in a step up of tax basis, and goodwill is not deductible for tax purposes. Third-party acquisition-related costs of \$110.5 million in fiscal 2014 and \$5.9 million in fiscal 2013 were expensed as incurred as a component of Selling and administrative expenses.