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AB ACQUISITION LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements

On December 13, 2013, American Stores commenced a tender offer to purchase for cash all of its outstanding 2017 Debentures and 2026 Debentures, and 2028 Notes, culminating in the repurchase and retirement of substantially all the related debt for \$619.9 million. As a result of the debt repurchase, the Company recorded a loss on extinguishment of debt of \$49.1 million. As of February 28, 2015, the non-repurchased balance of \$5.0 million continues to be guaranteed by SuperValu and continues to be cash collateralized.

The Company's debentures and medium-term notes are unsecured and interest is payable semi-annually in accordance with their respective underlying terms.

As of February 28, 2015 the future maturities of long-term debt, excluding deferred financing costs, consisted of the following (in millions):

| | |
|--------------|--------------------------|
| 2015 | \$ 503.4 |
| 2016 | 217.1 |
| 2017 | 324.3 |
| 2018 | 219.1 |
| 2019 | 2,286.5 |
| Thereafter | 8,608.1 |
| Total | <u>\$12,158.5</u> |

Deferred Financing Costs and Interest Expense

Financing costs incurred to obtain all financing other than ABL financing are recognized as a direct reduction from the carrying amount of the debt liability. Deferred financing costs recorded as a reduction of debt were \$187.8 million and \$47.7 million as of February 28, 2015 and February 20, 2014, respectively.

Financing costs incurred to obtain ABL financing are capitalized and amortized over the term of the related debt facilities, using the effective interest method. Deferred financing costs associated with ABL financing are included in Other assets and were \$75.0 million and \$51.0 million as of February 28, 2015 and February 20, 2014, respectively. For fiscal 2014, total amortization expense of \$65.3 million included \$36.8 million of deferred financing costs written off in connection with Term Loan amendments and reductions. For fiscal 2013, total amortization expense of \$25.1 million included \$9.0 million of deferred financing costs written off in connection with Term Loan amendments. For fiscal 2012, amortization expense of deferred financing costs was \$1.3 million.

Interest expense, net consisted of the following (in millions):

| | Fiscal 2014 | Fiscal 2013 | Fiscal 2012 |
|--|------------------------|------------------------|----------------------|
| ABL facility, senior secured notes, term loans, notes and debentures | \$ 454.1 | \$ 246.0 | \$ 2.8 |
| Capital lease obligations | 77.5 | 63.3 | 1.4 |
| Amortization and write off of deferred financing costs | 65.3 | 25.1 | 1.2 |
| Amortization and write off of debt discount | 6.8 | 1.3 | — |
| Loss on extinguishment of debt | — | 49.1 | — |
| Other | 29.5 | 5.3 | 1.8 |
| Total interest expense | <u>\$ 633.2</u> | <u>\$ 390.1</u> | <u>\$ 7.2</u> |