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**NEW ALBERTSON'S BUSINESS OF SUPERVALU INC.  
AND SUBSIDIARIES**

**Notes to Combined Financial Statements**

**February 21, 2013 and February 23, 2012**

**(Dollars in millions)**

contains significant judgments and estimates related to such items as the weighted average cost of capital, future revenue, profitability, cash flows and fair values of assets and liabilities.

Amortization expense for intangible assets with definite useful lives of \$40, \$47 and \$48 was recorded in fiscal 2012, 2011, and 2010. Future amortization expense will average approximately \$22 per year for the next five years.

NAI had unfavorable operating lease intangibles, related to certain above-market leases acquired and pushed down by Parent, of \$110 and \$121 as of February 21, 2013 and February 23, 2012, respectively, included as a component of Other long-term liabilities within the Combined Balance Sheets. Amortization benefit relating to these unfavorable operating leases was \$11, \$15 and \$20 for fiscal 2012, 2011 and 2010, respectively.

**(4) Reserves for Closed Properties and Property, Plant and Equipment-Related Impairment Charges**

**Reserves for Closed Properties**

NAI maintains reserves for costs associated with closures of retail stores, distribution centers and other properties that are no longer being utilized in current operations. NAI provides for closed property operating lease liabilities based on the present value of the remaining noncancelable lease payments after the closing date, reduced by estimated subtenant rentals that could be reasonably obtained for the property. Adjustments to closed property reserves primarily relate to changes in expected subtenant income or actual exit costs differing from original estimates.

Changes in NAI's reserves for closed properties consisted of the following:

|                   | 2012         | 2011      | 2010      |
|-------------------|--------------|-----------|-----------|
| Beginning balance | \$ 79        | 92        | 74        |
| Additions         | 26           | 9         | 36        |
| Payments          | (21)         | (26)      | (22)      |
| Adjustments       | 1            | 4         | 4         |
| Ending balance    | <u>\$ 85</u> | <u>79</u> | <u>92</u> |

During fiscal 2010, NAI recorded additional reserves primarily related to the closure of nonstrategic stores in the fourth quarter of fiscal 2010, which resulted in increased payments during fiscal 2011.

During fiscal 2012, the closure of 35 nonstrategic stores was announced. Reserves for operating leases related to these closed properties were recorded at the time of closing and the majority of these store closings were completed in fiscal 2012. The calculation of the closed property charges requires significant judgments and estimates related to such items as future subtenant rentals, discount rates, and future cash flows based on Parent's experience and knowledge of the market in which the closed property is located, and previous efforts to dispose of similar assets and existing market conditions.