SUPERVALU INC
Form 10-Q
October 16, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period (12 weeks) ended September 6, 2008.

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______.

Commission File Number: 1-5418

SUPERVALU INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**41-0617000**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
11840 VALLEY VIEW ROAD EDEN PRAIRIE, MINNESOTA	**55344**
(Address of principal executive offices)	**(Zip Code)**

(952) 828-4000

(Registrant s telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of October 10, 2008, there were 211,752,176 shares of the issuer s common stock outstanding.

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SUPERVALU INC. and Subsidiaries

Quarterly Report on Form 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SUPERVALU INC. and Subsidiaries

CONDENSED CONSOLIDATED COMPOSITION OF NET SALES AND OPERATING EARNINGS

(Unaudited)

(In millions, except percent data)

	Second Quarter Ended		Year-to-Date Ended	
	September 6, 2008	September 8, 2007	September 6, 2008	September 8, 2007
Net sales				
Retail food	$ 7,961	$ 7,977	$ 18,307	$ 18,400
% of total	77.9%	78.5%	77.7%	78.5%
Supply chain services	2,265	2,182	5,266	5,050
% of total	22.1%	21.5%	22.3%	21.5%
Total net sales	$ 10,226	$ 10,159	$ 23,573	$ 23,450
	100.0%	100.0%	100.0%	100.0%
Operating earnings				
Retail food	$ 284	$ 385	$ 683	$ 834
% of sales	3.6%	4.8%	3.7%	4.5%
Supply chain services	77	63	163	130
% of sales	3.4%	2.9%	3.1%	2.6%
Corporate	(19)	(42)	(48)	(92)
Total operating earnings	342	406	798	872
% of sales	3.3%	4.0%	3.4%	3.7%
Interest expense, net	141	163	331	386
Earnings before income taxes	201	243	467	486
Provision for income taxes	73	95	177	190
Net earnings	$ 128	$ 148	$ 290	$ 296

The Company s business is classified by management into two reportable segments: Retail food and Supply chain services. These reportable segments are two distinct businesses, one retail and one wholesale, each with a different customer base, marketing strategy and management structure. The Retail food reportable segment, which is an aggregation of the Company s retail operating segments, includes results of the Company s own stores and results of sales to food stores licensed by the Company. The Supply chain services reportable segment includes results of wholesale distribution to third party affiliated food stores, mass merchants and other customers and logistics support services. Substantially all of the Company s operations are domestic.

See Notes to Condensed Consolidated Financial Statements.

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SUPERVALU INC. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In millions, except percent and per share data)

	Second Quarter Ended			
	September 6, 2008	% of Net sales	September 8, 2007	% of Net sales
Net sales	$ 10,226	100.0%	$ 10,159	100.0%
Cost of sales	7,937	77.6	7,826	77.0
Gross profit	2,289	22.4	2,333	23.0
Selling and administrative expenses	1,947	19.0	1,927	19.0
Operating earnings	342	3.3	406	4.0
Interest expense, net	141	1.4	163	1.6
Earnings before income taxes	201	2.0	243	2.4
Provision for income taxes	73	0.7	95	0.9
Net earnings	$ 128	1.3%	$ 148	1.5%
Net earnings per share basic	$ 0.60		$ 0.70	
Net earnings per share diluted	$ 0.60		$ 0.69	
Dividends declared per share	$ 0.1725		$ 0.1700	
Weighted average number of shares outstanding:				
Basic	211		212	
Diluted	213		216	

See Notes to Condensed Consolidated Financial Statements.

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SUPERVALU INC. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In millions, except percent and per share data)

	Year-to-Date Ended			
	September 6, 2008	% of Net sales	September 8, 2007	% of Net sales
Net sales	$ 23,573	100.0%	$ 23,450	100.0%
Cost of sales	18,219	77.3	18,034	76.9
Gross profit	5,354	22.7	5,416	23.1
Selling and administrative expenses	4,556	19.3	4,544	19.4
Operating earnings	798	3.4	872	3.7
Interest expense, net	331	1.4	386	1.6
Earnings before income taxes	467	2.0	486	2.1
Provision for income taxes	177	0.8	190	0.8
Net earnings	$ 290	1.2%	$ 296	1.3%
Net earnings per share basic	$ 1.37		$ 1.40	
Net earnings per share diluted	$ 1.36		$ 1.37	
Dividends declared per share	$ 0.3425		$ 0.3350	
Weighted average number of shares outstanding:				
Basic	211		211	
Diluted	213		216	

See Notes to Condensed Consolidated Financial Statements.

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SUPERVALU INC. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except par value data)

	September 6, 2008 (Unaudited)	February 23, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 273	$ 243
Receivables, less allowances for doubtful accounts of $11 and $14, respectively	898	951
Inventories	2,938	2,776
Other current assets	264	177
Total current assets	4,373	4,147
Property, plant and equipment, less accumulated depreciation and amortization of $4,038 and $3,579, respectively	7,542	7,533
Goodwill	6,959	6,957
Intangible assets, net	1,921	1,952
Other assets	459	473
Total assets	$ 21,254	$ 21,062
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,347	$ 3,354
Current maturities of long-term debt and capital lease obligations	531	331
Other current liabilities	942	922
Total current liabilities	4,820	4,607
Long-term debt and obligations under capital leases	8,268	8,502
Other liabilities	1,972	2,000
Commitments and contingencies		
Stockholders equity		
Common stock, $1.00 par value: 400 shares authorized; 230 and 230 shares issued, respectively	230	230
Capital in excess of par value	2,841	2,822
Accumulated other comprehensive losses	(95)	(95)
Retained earnings	3,760	3,543
Treasury stock, at cost, 18 shares	(542)	(547)
Total stockholders equity	6,194	5,953
Total liabilities and stockholders equity	$ 21,254	$ 21,062

See Notes to Condensed Consolidated Financial Statements.

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SUPERVALU INC. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In millions, except per share data)

	Common Stock	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Losses	Retained Earnings	Total Stockholders Equity	Comprehensive Income
Balances as of February 24, 2007	$ 229	$ 2,708	$ (499)	$ (235)	$ 3,103	$ 5,306	
Effects of changing pension plan measurement date pursuant to SFAS No. 158 (net of tax of $20 and $7, respectively)				32	(10)	22	
Beginning balance, as adjusted	229	2,708	(499)	(203)	3,093	5,328	
Net earnings					593	593	$ 593
Pension and other postretirement activity (net of tax of $70)				108		108	108
Sales of common stock under option plans		3	141			144	
Cash dividends declared on common stock $0.6750 per share					(143)	(143)	
Compensation under employee incentive plans		49	(4)			45	
Shares issued in settlement of zero-coupon convertible debentures and mandatory convertible securities	1	62	33			96	
Purchase of shares for treasury			(218)			(218)	
Balances as of February 23, 2008	$ 230	$ 2,822	$ (547)	$ (95)	$ 3,543	$ 5,953	$ 701
(Unaudited)							
Net earnings					290	290	$ 290
Sales of common stock under option plans		4	12			16	
Cash dividends declared on common stock $0.3425 per share					(73)	(73)	
Compensation under employee incentive plans		15	16			31	
Purchase of shares for treasury			(23)			(23)	
Balances as of September 6, 2008	$ 230	$ 2,841	$ (542)	$ (95)	$ 3,760	$ 6,194	$ 290

See Notes to Condensed Consolidated Financial Statements.

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SUPERVALU INC. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)

	Year-to-Date Ended	
	September 6, 2008	September 8, 2007
Cash flows from operating activities		
Net earnings	$ 290	$ 296
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	569	552
LIFO charge	37	19
Gain on sale of assets	(11)	(3)
Deferred income taxes	59	(28)
Stock-based compensation	28	36
Other	(9)	(4)
Changes in operating assets and liabilities, net of effects from acquisition and dispositions of businesses	(218)	150
Net cash provided by operating activities	745	1,018
Cash flows from investing activities		
Proceeds from sale of assets	65	74
Purchases of property, plant and equipment	(665)	(488)
Other	15	19
Net cash used in investing activities	(585)	(395)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	276	13
Repayment of long-term debt	(282)	(525)
Proceeds from settlement of mandatory convertible securities		52
Payment of obligations under capital leases	(36)	(30)
Net proceeds from the sale of common stock under option plans and related tax benefits	8	147
Dividends paid	(73)	(70)
Payment for purchase of treasury shares	(23)	(218)
Net cash used in financing activities	(130)	(631)
Net increase (decrease) in cash and cash equivalents	30	(8)
Cash and cash equivalents at beginning of period	243	285
Cash and cash equivalents at the end of period	$ 273	$ 277

See Notes to Condensed Consolidated Financial Statements.

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SUPERVALU INC. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars and shares in millions, except per share data)

NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description

SUPERVALU INC. (SUPERVALU or the Company), a Delaware corporation, was organized in 1925 as the successor of two wholesale grocery firms established in the 1870 s. SUPERVALU is one of the largest companies in the United States grocery channel.

The Company conducts its retail operations throughout the United States under three retail food store formats: combination stores (defined as food and pharmacy), food stores and limited assortment food stores. Additionally, the Company provides supply chain services, primarily wholesale distribution, across the United States retail grocery channel. As of the close of the second quarter ended September 6, 2008, the Company conducted its retail food operations through a total of 2,459 retail stores, including 863 licensed limited assortment food stores.

Statement of Registrant

The accompanying condensed consolidated financial statements of the Company for the 12 weeks and 28 weeks ended September 6, 2008 and September 8, 2007 are unaudited and, in the opinion of management, contain all adjustments that are of a normal and recurring nature necessary to present fairly the financial condition and results of operations for such periods. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in the Company s Annual Report on Form 10-K for the fiscal year ended February 23, 2008. The results of operations for the 12 weeks and 28 weeks ended September 6, 2008 are not necessarily indicative of the results expected for the full year. The Condensed Consolidated Balance Sheet as of February 23, 2008 has been derived from the audited Consolidated Balance Sheet as of that date.

Accounting Policies

The summary of significant accounting policies is included in the Notes to Consolidated Financial Statements set forth in the Company s Annual Report on Form 10-K for the fiscal year ended February 23, 2008. References to SUPERVALU and the Company refer to SUPERVALU INC. and its subsidiaries.

Fiscal Year

The Company s fiscal year ends on the last Saturday in February. The Company s first quarter consists of 16 weeks, while the second, third and fourth quarters each consist of 12 weeks, except for the fourth quarter of fiscal 2009 which includes 13 weeks. Because of differences in the accounting calendars of the Company and its wholly-owned subsidiary, New Albertson s, Inc., the accompanying September 6, 2008 and February 23, 2008 Condensed Consolidated Balance Sheets include the assets and liabilities related to New Albertsons, Inc. as of September 4, 2008 and February 21, 2008, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company s banking arrangements allow the Company to fund outstanding checks when presented to the financial institution for payment, resulting in book overdrafts. Book overdrafts are recorded in Accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheets and are reflected as an operating activity in the Condensed Consolidated Statements of Cash Flows. As of September 6, 2008 and February 23, 2008, the Company had net book overdrafts of $350 and $371, respectively.

Use of Estimates

The preparation of the Company s condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of those estimates require difficult, subjective or complex judgments about matters that are inherently uncertain. Actual results could differ from those estimates.

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Net Earnings Per Share

Basic net earnings per share is calculated using net earnings available to stockholders divided by the weighted average number of shares outstanding during the period. Diluted net earnings per share is similar to basic net earnings per share except that the weighted average number of shares outstanding is after giving effect to the dilutive impacts of stock options, restricted stock awards and outstanding convertible securities. In addition, for the calculation of diluted net earnings per share, net earnings is adjusted to eliminate the after-tax interest expense recognized during the period related to contingently convertible debentures.

The following table reflects the calculation of basic and diluted net earnings per share:

	Second Quarter Ended		Year-to-Date Ended	
	September 6, 2008	**September 8, 2007**	**September 6, 2008**	**September 8, 2007**
Net earnings per share basic				
Net earnings	$ 128	$ 148	$ 290	$ 296
Less: undistributed earnings allocable to contingently convertible debentures				(1)
Net earnings available to common stockholders	$ 128	$ 148	$ 290	$ 295
Weighted average shares outstanding basic	211	212	211	211
Net earnings per share basic	$ 0.60	$ 0.70	$ 1.37	$ 1.40
Net earnings per share diluted				
Net earnings	$ 128	$ 148	$ 290	$ 296
Interest related to dilutive contingently convertible debentures, net of tax		1		1
Net earnings used for diluted net earnings per share calculation	$ 128	$ 149	$ 290	$ 297
Weighted average shares outstanding	211	212	211	211
Dilutive impact of options and restricted stock outstanding	2	3	2	4
Dilutive impact of convertible securities		1		1
Weighted average shares outstanding diluted	213	216	213	216
Net earnings per share diluted	$ 0.60	$ 0.69	$ 1.36	$ 1.37

Options to purchase 19 and 16 shares of common stock were outstanding during the 12 weeks and 28 weeks ended September 6, 2008, respectively, but were excluded from the computation of diluted net earnings per share because they were not dilutive. Options to purchase 6 shares of common stock were outstanding during the 12 weeks and 28 weeks ended September 8, 2007, but were excluded from the computation of diluted net earnings per share because they were not dilutive.

NOTE 2 NEW ACCOUNTING STANDARDS

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under SFAS No. 157, fair value measurements would be separately disclosed by level within the fair value hierarchy. In February 2008, the FASB approved FASB Staff Position (FSP) FAS 157-2, Effective Date of FASB Statement No. 157, that permits companies to partially defer the effective date of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. FSP FAS 157-2 did not permit companies to defer recognition and disclosure requirements for financial assets and financial liabilities or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually. SFAS No. 157 became effective for the Company on February 24, 2008 for financial assets and financial liabilities and for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually and did not have a material effect on the Company s consolidated financial statements. The Company will defer adoption of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company is evaluating the effect the implementation of FSP FAS 157-2 will have on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)). SFAS No. 141(R) expands the definition of a business combination and requires the fair value of the purchase price of an acquisition, including the issuance of equity securities, to be determined on the acquisition date. SFAS No. 141(R) also requires that all assets, liabilities, contingent consideration and contingencies of an acquired business be recorded at fair value at the acquisition date. In addition, SFAS No. 141(R) requires that acquisition costs generally be expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. SFAS No. 141(R) is effective for the Company s fiscal year beginning March 1, 2009 on a prospective basis for all business combinations for which the acquisition date is on or after

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the effective date of SFAS No. 141(R), with the exception of the accounting for adjustments to income tax-related amounts, which is applied to acquisitions that closed prior to the effective date of SFAS No. 141(R). The Company is evaluating the effect the implementation of SFAS No. 141(R) will have on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51. SFAS No. 160 changes the accounting and reporting for minority interests such that minority interests will be recharacterized as noncontrolling interests and will be required to be reported as a component of equity, and requires that purchases or sales of equity interests that do not result in a change in control be accounted for as equity transactions and, upon a loss of control, requires the interest sold, as well as any interest retained, to be recorded at fair value with any gain or loss recognized in earnings. SFAS No. 160 is effective for the Company s fiscal year beginning March 1, 2009, with early adoption prohibited. The Company is evaluating the effect the implementation of SFAS No. 160 will have on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities. SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 for derivative instruments and hedging activities. SFAS No. 161 is effective November 30, 2008 for the Company, with early adoption permitted. The Company is evaluating the effect the implementation of SFAS No. 161 will have on the consolidated financial statements.

In April 2008, the FASB approved FSP FAS 142-3, Determination of the Useful Life of Intangible Assets. FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. FSP FAS 142-3 is effective for the Company s fiscal year beginning March 1, 2009, with early adoption prohibited. The Company is evaluating the effect the implementation of FSP FAS 142-3 will have on the consolidated financial statements.

In May 2008, the FASB approved FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement). FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt issued with Stock Purchase Warrants. Additionally, FSP APB 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for the Company s fiscal year beginning March 1, 2009. The Company is evaluating the effect the implementation of FSP APB 14-1 will have on the consolidated financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in computing earnings per share under the two-class method described in SFAS No. 128, Earnings Per Share. FSP EITF 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. FSP EITF 03-6-1 will be effective for the Company s fiscal year beginning March 1, 2009, with early adoption prohibited. The Company is evaluating the effect the implementation of FSP EITF 03-6-1 will have on basic net earnings per share.

NOTE 3 GOODWILL AND INTANGIBLE ASSETS

As of September 6, 2008, the Company had approximately $6,153 of Goodwill related to its Retail food segment and $806 related to its Supply chain services segment.

Changes in the Company s Goodwill and Intangible assets consisted of the following:

	February 23, 2008	Additions/ Amortization	Other Net Adjustments	September 6, 2008
Goodwill	$ 6,957	$	$ 2	$ 6,959
Intangible assets:				
Trademarks and tradenames	$ 1,370	$	$	$ 1,370
Favorable operating leases, customer lists and other (accumulated amortization of $162 and $130 as of September 6, 2008 and	669	5	(4)	670

February 23, 2008, respectively)				
Customer relationships (accumulated amortization of $12 and $11 as of September 6, 2008 and February 23, 2008, respectively)	48			48
Non-compete agreements (accumulated amortization of $10 and $9 as of September 6, 2008 and February 23, 2008, respectively)	15	1	1	17
Total intangible assets	2,102	6	(3)	2,105
Accumulated amortization	(150)	(35)	1	(184)
Total intangible assets, net	$ 1,952			$ 1,921

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Amortization expense of intangible assets with a definite life was $35 and $47 for the 28 weeks ended September 6, 2008 and September 8, 2007, respectively. Future amortization expense will be approximately $54 per fiscal year for each of the next five fiscal years.

NOTE 4 RESERVES FOR CLOSED PROPERTIES

The Company maintains reserves for costs associated with closures of retail stores, distribution centers and other properties that are no longer being utilized in current operations. The Company provides for closed property operating lease liabilities using a discount rate to calculate the present value of the remaining noncancellable lease payments after the closing date, reduced by estimated subtenant rentals that could be reasonably obtained for the property.

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

	February 23, 2008	Payments	Adjustments	September 6, 2008
Reserves for closed properties	$ 97	$ (13)	$ 4	$ 88

Adjustments to reserves for closed properties for the 28 weeks ended September 6, 2008 related to changes in estimated subtenant rentals.

NOTE 5 DEBT

The following table details the Company s outstanding debt obligations. For debt assumed in an acquisition, stated interest rates are followed by the effective rates in parentheses resulting from purchase accounting fair value adjustments.

	September 6, 2008	February 23, 2008
6.01% to 8.70% (5.44% to 8.97%) Senior Notes, Medium Term Notes and Debentures due through May 2037 (face amounts $5,230)	$ 5,022	$ 5,133
3.34% to 3.89% Revolving Credit Facility and Variable Rate Notes	2,047	1,933
2.70% Accounts Receivable Securitization Facility	272	272
1.62% to 1.80% Variable Rate Industrial Revenue Bonds	42	47
3.93% to 10.74% (3.93% to 7.75%) Secured Mortgages, secured by assets with a net book value of $68, due through May 2014 (face amount $41)	42	46
Other	18	20
	7,443	7,451
Less current maturities	(463)	(267)
Long-term debt	$ 6,980	$ 7,184

Certain of the Company s credit facilities and long-term debt agreements have restrictive covenants and cross-default provisions which generally provide, subject to the Company s right to cure, for the acceleration of payments due in the event of a breach of the covenant or a default in the payment of a specified amount of indebtedness due under certain other debt agreements. The Company was in compliance with all such covenants and provisions for all periods presented.

In May 2008, the Company amended and extended its 364-day accounts receivable securitization program. The Company can continue to borrow up to $300 on a revolving basis, with borrowings secured by eligible accounts receivable, which remain under the Company s control. Facility fees under this program range from 0.225 percent to 2.00 percent, based on the Company s credit ratings. The facility fee in effect on September 6, 2008, based on the Company s current credit ratings, is 0.25 percent. As of September 6, 2008, there were $346 of accounts receivable pledged as collateral, classified in Receivables in the Condensed Consolidated Balance Sheet. Due to the Company s intent to renew the facility or refinance it with the Revolving Credit Facility, the facility is classified in Long-term debt in the Condensed Consolidated Balance Sheets.

As of September 6, 2008, the Company had $701 of debt, excluding the Accounts Receivable Securitization Facility, with current maturities that are classified in Long-term debt in the Condensed Consolidated Balance Sheets due to the Company s intent to refinance such obligations with the Revolving Credit Facility or other long-term debt.

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NOTE 6 INCOME TAXES

There have been no material changes to the unrecognized tax benefits disclosed in the Company s Annual Report on Form 10-K for the fiscal year ended February 23, 2008. The Company does not anticipate that its total unrecognized tax benefits will change significantly in the next 12 months.

NOTE 7 STOCK-BASED AWARDS

The Company has stock options and restricted stock awards (collectively referred to as stock-based awards) outstanding under the following plans: 2007 Stock Plan, 2002 Stock Plan, 1997 Stock Plan, 1993 Stock Plan, 1983 Employee Stock Option Plan, SUPERVALU/Richfood Stock Incentive Plan, Albertsons Amended and Restated 1995 Stock-Based Incentive Plan and the Albertsons 2004 Equity and Performance Incentive Plan. The Company s 2007 Stock Plan, as approved by stockholders in May 2007, is the only plan under which stock-based awards may currently be granted. The 2007 Stock Plan provides that the Board of Directors or the Executive Personnel and Compensation Committee of the Board (the Compensation Committee) may determine at the time of grant whether each stock-based award granted will be a non-qualified or incentive stock award under the Internal Revenue Code of 1986, as amended. The terms of each stock-based award will be determined by the Board of Directors or the Compensation Committee. Generally, stock-based awards granted prior to fiscal 2006 have a term of 10 years and effective in fiscal 2006, stock-based awards have not been granted for a term of more than seven years.

Stock options are granted to key salaried employees and to the Company s non-employee directors to purchase common stock at an exercise price not less than 100 percent of the fair market value of the Company s common stock on the date of grant. Generally, stock options vest over four years. Restricted stock awards are also awarded to key salaried employees. The vesting of restricted stock awards granted is determined at the discretion of the Board of Directors or the Compensation Committee. The restrictions on the restricted stock awards generally lapse between one and five years from the date of grant and the expense is recognized over the lapsing period.

Common stock is delivered out of treasury stock upon the exercise of stock-based awards. The provisions of future stock-based awards may change at the discretion of the Board of Directors or the Compensation Committee.

The Company recognized pre-tax stock-based compensation expense (included primarily in Selling and administrative expenses in the Condensed Consolidated Statements of Earnings) related to stock-based awards of $4 and $28 for the 12 weeks and 28 weeks ended September 6, 2008, respectively, compared to $6 and $36 for the 12 weeks and 28 weeks ended September 8, 2007, respectively.

During the 28 weeks ended September 6, 2008, the Company granted approximately 4 stock options. The weighted average grant date fair value of the stock options granted during the 28 weeks ended September 6, 2008 was $7.92.

To calculate the fair value of stock options, the Company uses the Black-Scholes option pricing model. The significant weighted average assumptions relating to the valuation of the Company s stock options for the 28 weeks ended September 6, 2008 were as follows:

Dividend yield	2.0%
Volatility rate	28.1 36.4%
Risk-free interest rate	2.0 3.6%
Expected option life	1.0 5.4 years

NOTE 8 TREASURY STOCK PURCHASE PROGRAM

On May 28, 2008, the Board of Directors of the Company adopted and announced a new annual share repurchase program authorizing the Company to purchase up to $70 of the Company s common stock. Stock purchases will be made primarily from the cash generated from the settlement of stock options. This annual authorization program replaced all existing share repurchase programs. During the 12 weeks and 28 weeks ended September 6, 2008, the Company purchased 0.6 shares under this program at an average cost of $25.88 per share. As of September 6, 2008, there remained $53 available to repurchase the Company s common stock.

During the 12 and 28 weeks ended September 6, 2008, the Company purchased 0.2 shares under the previously existing share repurchase program at an average cost of $30.01 per share. During the 12 weeks and 28 weeks ended September 8, 2007, the Company purchased 3 and 5 shares, respectively, under the previously existing share repurchase program at an average cost of $43.90 and $45.05 per share, respectively.

NOTE 9 BENEFIT PLANS

Substantially all employees of the Company are covered by various contributory and non-contributory pension, profit sharing or 401(k) plans. Union employees participate in multi-employer retirement plans under collective bargaining agreements, unless the collective bargaining agreement provides for participation in plans sponsored by the Company. In addition to sponsoring both defined

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benefit and defined contribution pension plans, the Company provides healthcare and life insurance benefits for eligible retired employees under postretirement benefit plans and short-term and long-term disability benefits to former and inactive employees prior to retirement under post-employment benefit plans. The terms of the postretirement benefit plans vary based on employment history, age and date of retirement. For most retirees, the Company provides a fixed dollar contribution and retirees pay contributions to fund the remaining cost.

Net periodic benefit expense for defined benefit pension plans and other postretirement benefit plans is as follows:

	Second Quarter Ended			
	Pension Benefits		Other Postretirement Benefits	
	September 6, 2008	September 8, 2007	September 6, 2008	September 8, 2007
Service cost	$ 2	$ 6	$ 1	$
Interest cost	29	29	2	2
Expected return on assets	(32)	(32)		
Amortization of prior service benefit			(1)	
Amortization of net actuarial loss		2	1	2
Net periodic benefit (income) expense	$ (1)	$ 5	$ 3	$ 4

	Year-to-Date Ended			
	Pension Benefits		Other Postretirement Benefits	
	September 6, 2008	September 8, 2007	September 6, 2008	September 8, 2007
Service cost	$ 4	$ 16	$ 1	$ 1
Interest cost	69	66	5	5
Expected return on assets	(75)	(72)		
Amortization of prior service benefit			(1)	(1)
Amortization of net actuarial loss		8	2	3
Curtailment		6		
Net periodic benefit (income) expense	$ (2)	$ 24	$ 7	$ 8

During the 28 weeks ended September 6, 2008, the Company made contributions of approximately $0.7 to its pension plans and $0.5 to its other postretirement plans.

NOTE 10 COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

The Company has guaranteed certain leases, fixture financing loans and other debt obligations of various retailers as of September 6, 2008. These guarantees were generally made to support the business growth of affiliated retailers. The guarantees are generally for the entire terms of the leases or other debt obligations with remaining terms that range from less than one year to 22 years, with a weighted average remaining term of approximately 11 years. For each guarantee issued, if the affiliated retailer defaults on a payment, the Company would be required to make payments under its guarantee. Generally, the guarantees are secured by indemnification agreements or personal guarantees of the affiliated retailer. As of September 6, 2008, the maximum amount of undiscounted payments the Company would be required to make in the event of default of all guarantees was approximately $188 and represented approximately $138 on a discounted basis. Due to the indemnification agreements and personal guarantees, the Company believes the likelihood that it will be required to assume a material amount of these obligations is remote. Accordingly, no amount has been recorded in the Condensed Consolidated Balance Sheets for these contingent obligations under the Company s guarantee arrangements.

The Company is contingently liable for leases that have been assigned to various third parties in connection with facility closings and dispositions. The Company could be required to satisfy the obligations under the leases if any of the assignees are unable to fulfill their lease obligations. Due to the wide distribution of the Company s assignments among third parties, and various other remedies available, the Company believes the likelihood that it will be required to assume a material amount of these obligations is remote.

In the ordinary course of business, the Company enters into supply contracts to purchase products for resale. These contracts typically include either volume commitments or fixed expiration dates, termination provisions and other standard contractual considerations. As of September 6, 2008, the Company had approximately $2,427 of non-cancelable future purchase obligations primarily related to supply contracts.

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The Company is a party to a variety of contractual agreements under which the Company may be obligated to indemnify other parties for certain matters, which indemnities may be secured by operation of law or otherwise, in the ordinary course of business. These contracts primarily relate to the Company s commercial contracts, operating leases and other real estate contracts, financial agreements, agreements to provide services to the Company, and agreements to indemnify officers, directors and employees in the performance of their work. While the Company s aggregate indemnification obligation could result in a material liability, the Company is not aware of any current matters that it expects to result in a material liability.

Legal Proceedings

The Company is subject to various lawsuits, claims and other legal matters that arise in the ordinary course of conducting business, none of which, in management s opinion, is expected to have a material adverse impact on the Company s financial condition, results of operations or cash flows.

In April 2000, a class action complaint was filed against Albertson s, Inc. (Albertsons), as well as American Stores Company, American Drug Stores, Inc., Sav-on Drug Stores, Inc. (Sav-on Drug Stores) and Lucky Stores, Inc. (Lucky Stores), wholly-owned subsidiaries of Albertsons, in the Superior Court for the County of Los Angeles, California (Gardner, et al. v. American Stores Company, et al.) by assistant managers seeking recovery of overtime based on the plaintiffs allegation that they were improperly classified as exempt under California law. In May 2001, the Court certified a class with respect to Sav-on Drug Stores assistant managers. A case with very similar claims, involving the Sav-on Drug Stores assistant managers and operating managers, was also filed in April 2000 against Sav-on Drug Stores in the Superior Court for the County of Los Angeles, California (Rocher, Dahlin, et al. v. Sav-on Drug Stores, Inc.), and was certified as a class action in June 2001 with respect to assistant managers and operating managers. The two cases were consolidated in December 2001. New Albertson s, Inc. was added as a named defendant in November 2006. Plaintiffs seek overtime wages, meal and rest break penalties, other statutory penalties, punitive damages, interest, injunctive relief and the attorneys fees and costs. The Company is vigorously defending this lawsuit. Although this lawsuit is subject to the uncertainties inherent in the litigation process, based on the information presently available to the Company, management does not expect that the ultimate resolution of this lawsuit will have a material adverse effect on the Company s financial condition, results of operations or cash flows.

On October 13, 2000, a complaint was filed in Los Angeles County Superior Court (Joanne Kay Ward et al. v. Albertson s, Inc. et al.) alleging that Albertsons, Lucky Stores and Sav-on Drug Stores provided terminating employees their final paychecks in an untimely manner. On January 4, 2005, the case was certified as a class action. In December 2007, the parties agreed to settle this matter. On September 19, 2008, the Court granted final approval to that settlement. Management does not expect that the settlement of this lawsuit will have a material adverse effect on the Company s financial condition, results of operations or cash flows.

On February 2, 2004, the Attorney General for the State of California filed an action in the United States District Court Central District of California (California, ex rel Lockyer v. Safeway, Inc. dba Vons, a Safeway Company, Albertson s, Inc. and Ralphs Grocery Company, a division of The Kroger Co.) claiming that certain provisions of the agreements (the Labor Dispute Agreements) between Albertsons, The Kroger Co. and Safeway Inc. (the Retailers), which provided for lock-outs and revenue sharing in the event that any Retailer was struck at any or all of its Southern California facilities during the 2003-2004 labor dispute in Southern California when the other Retailers were not and contained a provision designed to prevent the union from placing disproportionate pressure on one or more Retailer(s) by picketing such Retailer(s) but not the other Retailer(s) during the labor dispute violate Section 1 of the Sherman Act. The lawsuit seeks declarative, injunctive and other legal and equitable relief. On March 26, 2008, the parties filed a Stipulation and Request to Enter Final Judgment and, on March 27, 2008, the Court entered Final Judgment. Under the Stipulation and Final Judgment, the Attorney General abandoned any right to trial on its per se or quick look theories of liability under Section 1 of the Sherman Act but preserved the right to appeal the Court s summary judgment determination on this issue. The Court also dismissed with prejudice the Attorney General s claim that the revenue sharing provisions of the Labor Dispute Agreements violated Section 1 of the Sherman Act based on a full rule of reason analysis and the Attorney General abandoned any right to appeal this determination. Also under the Stipulation and Final Judgment, the Court found that the non-statutory labor exemption to the antitrust laws does not immunize the Labor Dispute Agreements from the Attorney General s claims in this case, and the defendants reserved the right to appeal this determination. In April 2008, both the Attorney General and defendant retailers filed Notices of Appeal in the Ninth Circuit Court of Appeals on the issues respectively reserved. Although this lawsuit is subject to uncertainties inherent in the litigation process, based on the information presently available to the Company, management does not expect that any further appellate resolution of this action will have a material adverse effect on the Company s financial condition, results of operations or cash flows.

In August 2004, a complaint was filed, later certified as a class action, in California Superior Court in and for the County of San Diego (Sally Wilcox and Dennis Taber. v. Albertson s, Inc.), alleging that Albertsons failed to pay wages for time worked during meal breaks to its non-exempt employees employed in key carrier positions. In December 2007, the parties agreed to settle this matter. On August 8, 2008, the Court granted final approval to the parties settlement agreement. Management does not expect that the settlement of this lawsuit will have a material adverse effect on the Company s financial condition, results of operations or cash flows.

In Jonathan Johnson v. SUPERVALU INC. and Richfoods, Inc. (Circuit Court for the City of Richmond, VA) a lawsuit filed in 2004 by the owner of Market Place Holdings, a five-store grocery store chain, Mr. Johnson alleged that he suffered various medical problems and financial losses resulting from the Company s alleged wrongful conduct. On June 6, 2007, a jury awarded Mr. Johnson $0.5 for intentional infliction of emotional distress and $15.5 for negligent misrepresentation. Previously, the Company prevailed in an arbitration action against Market Place Holdings and obtained a $4 judgment against it for unpaid notes and accounts receivable. On September 12, 2008, the Virginia Supreme Court held that the Circuit Court erred in refusing to set aside the $16 jury verdict in Mr. Johnson s favor on claims of negligent misrepresentation and intentional infliction of emotional distress where the evidence was insufficient as a matter of law to support either claim. The Supreme Court reversed the judgment in its entirety and entered judgment in the Company s favor.

The Company is also involved in routine legal proceedings incidental to its operations. Some of these routine proceedings involve class allegations, many of which are ultimately dismissed. Management does not expect that the ultimate resolution of these legal proceedings will have a material adverse effect on the Company s financial condition, results of operations or cash flows.

The statements above reflect management s current expectations based on the information presently available to the Company. However, predicting the outcomes of claims and litigation and estimating related costs and exposures involves substantial uncertainties that could cause actual outcomes, costs and exposures to vary materially from current expectations. In addition, the Company regularly monitors its exposure to the loss contingencies associated with these matters and may from time to time change its predictions with respect to outcomes and its estimates with respect to related costs and exposures and believes recorded reserves are adequate. It is possible, although management believes it is remote, that material differences in actual outcomes, costs and exposures relative to current predictions and estimates, or material changes in such predictions or estimates, could have a material adverse effect on the Company s financial condition, results of operations or cash flows.

Pension Plan / Health and Welfare Plan Contingencies

The Company contributes to various multi-employer pension plans under collective bargaining agreements, primarily defined benefit pension plans. These plans generally provide retirement benefits to participants based on their service to contributing employers. Based on available information, the Company believes that some of the multi-employer plans to which it contributes are underfunded. Company contributions to these plans are likely to continue to increase in the near term. However, the amount of any increase or decrease in contributions will depend on a variety of factors, including the results of the Company s collective bargaining efforts, investment return on the assets held in the plans, actions taken by the trustees who manage the plans and requirements under the Pension Protection Act of 2006 and Section 412(e) of the Internal Revenue Code. Furthermore, if the Company were to significantly reduce operations or exit certain markets or otherwise cease making contributions to these plans, it could trigger a partial or complete withdrawal that would require the Company to fund its proportionate share of a plan s unfunded vested benefits.

The Company also makes contributions to multi-employer health and welfare plans in amounts set forth in the related collective bargaining agreements. A small minority of the collective bargaining agreements contain reserve requirements that may trigger unanticipated contributions resulting in increased healthcare expenses. If these healthcare provisions cannot be renegotiated in a manner that reduces the prospective healthcare cost as the Company intends, the Company s Selling and administrative expenses could increase in the future.

NOTE 11 SEGMENT INFORMATION

Refer to page 2 for the Company s segment information.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Dollars and shares in millions, except per share data)

OVERVIEW

SUPERVALU is one of the largest grocery companies in the United States. The Company operates in two segments of the grocery industry, Retail food and Supply chain services, primarily wholesale distribution, across the United States retail grocery channel. As of September 6, 2008, the Company has approximately 190,000 employees, 2,500 owned and licensed stores, 900 in-store pharmacies and 130 fuel centers.

The ongoing weakness in the economy and credit market turmoil combined with higher food inflation and energy costs continue to negatively impact consumer confidence and spending. If these trends continue, it could lead to further reduced consumer spending which could impact the Company s sales growth. We expect identical store retail sales growth (which is defined as stores operating for four full quarters, including store expansions and excluding fuel and planned store closures) in the second half of fiscal 2009 to be flat to slightly positive, compared to the second half of fiscal 2008, as our new merchandising and marketing initiatives gain momentum and our store remodel effort continues. For the full year, we expect identical store retail sales growth to be flat to slightly negative. The Company is committed to maintaining our financial flexibility and investing prudently in our long-term growth.

RESULTS OF OPERATIONS

In the second quarter of fiscal 2009, net sales were $10,226 compared with $10,159 in the prior year. Net earnings for the second quarter of fiscal 2009 were $128, basic net earnings per share were $0.60 and diluted net earnings per share were $0.60 compared with net earnings of $148, basic net earnings per share of $0.70 and diluted net earnings per share of $0.69 last year. Results for the second quarter of fiscal 2009 include acquisition-related costs (defined as one-time transaction costs associated with the acquisition of New Albertsons, Inc., which primarily include supply chain consolidation costs, employee-related benefit costs and consultant fees) of $2 after tax, or $0.01 per diluted share, compared with $12 after tax, or $0.05 per diluted share, of acquisition-related costs in the second quarter of fiscal 2008.

Year-to-date for fiscal 2009, net sales were $23,573 compared with $23,450 in the prior year. Year-to-date net earnings for fiscal 2009 were $290, basic net earnings per share were $1.37 and diluted net earnings per share were $1.36 compared with net earnings of $296, basic net earnings per share of $1.40 and diluted net earnings per share of $1.37 last year. Year-to-date results for fiscal 2009 include acquisition-related costs of $8 after tax, or $0.04 per diluted share, compared with $29 after tax, or $0.13 per diluted share, of acquisition-related costs last year.

SECOND QUARTER RESULTS

Net Sales

Net sales for the second quarter of fiscal 2009 increased to $10,226 compared with $10,159 last year due to an increase in Supply chain services sales. Retail food sales were 77.9 percent of Net sales and Supply chain services sales were 22.1 percent of Net sales for the second quarter of fiscal 2009, compared with 78.5 percent and 21.5 percent, respectively, last year.

Retail food net sales for the second quarter of fiscal 2009 were $7,961 compared with $7,977 last year. Identical store retail sales growth for the second quarter of fiscal 2009 compared to last year was negative 1.3 percent, primarily due to soft sales and higher levels of competitive activity.

Total retail square footage at the end of the second quarter of fiscal 2009 was approximately 71 million. Total retail square footage decreased 0.1 percent from the second quarter of fiscal 2008. Total retail square footage, excluding store closures, increased 2.2 percent over the second quarter of fiscal 2008.

Supply chain services net sales for the second quarter of fiscal 2009 were $2,265 compared with $2,182 last year. The increase primarily reflects the pass through of inflationary price increases and new business growth partially offset by customer attrition and the on-going transition of a national retailer s volume to self-distribution.

Gross Profit

Gross profit, as a percent of Net sales, decreased 60 basis points to 22.4 percent in the second quarter of fiscal 2009 compared to 23.0 percent last year. The decrease is primarily attributable to investments in price and higher levels of promotional spending as well as a 15 basis point impact attributable to the change in business segment mix.

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Selling and Administrative Expenses

Selling and administrative expenses, as a percent of Net sales, were 19.0 percent in the second quarter of fiscal 2009 compared to 19.0 percent last year, primarily reflecting increases in employee-related costs and occupancy costs offset by lower acquisition-related costs and the impact of the change in business segment mix.

Operating Earnings

Operating earnings for the second quarter of fiscal 2009 decreased to $342 compared with $406 last year. Retail food operating earnings for the second quarter of fiscal 2009 were $284, or 3.6 percent of Retail food net sales, compared with $385, or 4.8 percent of Retail food net sales last year, primarily reflecting investments in price, higher promotional spending, higher employee-related costs and higher occupancy costs partially offset by acquisition synergies. Supply chain services operating earnings for the second quarter of fiscal 2009 were $77, or 3.4 percent of Supply chain services net sales, compared with $63, or 2.9 percent of Supply chain services net sales last year, primarily reflecting improved sales leverage and cost reduction initiatives.

Net Interest Expense

Net interest expense was $141 in the second quarter of fiscal 2009 compared with $163 last year reflecting lower debt levels and the benefit of lower borrowing rates in the second quarter of fiscal 2009.

Provision for Income Taxes

The effective tax rate was 36.4 percent and 39.0 percent in the second quarters of fiscal 2009 and 2008, respectively. The decrease is reflective of non-taxable life insurance proceeds received during the second quarter of fiscal 2009.

Net Earnings

Net earnings were $128, or $0.60 per basic share and $0.60 per diluted share, in the second quarter of fiscal 2009 compared with Net earnings of $148, or $0.70 per basic share and $0.69 per diluted share last year.

Weighted average basic shares decreased to 211 in the second quarter of fiscal 2009 compared with 212 shares last year and weighted average diluted shares decreased to 213 in the second quarter of fiscal 2009 compared with 216 shares last year.

YEAR-TO-DATE RESULTS

Net Sales

Net sales for fiscal 2009 year-to-date increased to $23,573 compared with $23,450 last year due to an increase in Supply chain services sales. Retail food sales were 77.7 percent of Net sales and Supply chain services sales were 22.3 percent of Net sales for fiscal 2009 year-to-date, compared with 78.5 percent and 21.5 percent, respectively, last year.

Retail food net sales for fiscal 2009 year-to-date were $18,307 compared with $18,400 last year. Identical store retail sales growth for fiscal 2009 year-to-date compared to last year was negative 1.1 percent, primarily due to soft sales and higher levels of competitive activity.

Supply chain services net sales for fiscal 2009 year-to-date were $5,266 compared with $5,050 last year. The increase primarily reflects the pass through of inflationary price increases and new business growth partially offset by normal customer attrition.

Gross Profit

Gross profit, as a percent of Net sales, decreased 40 basis points to 22.7 percent for fiscal 2009 year-to-date compared to 23.1 percent last year. The decrease is primarily attributable to investments in price and higher levels of promotional spending as well as an 18 basis point impact attributable to the change in business segment mix.

Selling and Administrative Expenses

Selling and administrative expenses, as a percent of Net sales, decreased approximately 10 basis points to 19.3 percent for fiscal 2009 year-to-date compared to 19.4 percent last year, primarily reflecting a favorable impact from the change in business segment mix.

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Operating Earnings

Operating earnings for fiscal 2009 year-to-date decreased to $798 compared with $872 last year. Retail food operating earnings for fiscal 2009 year-to-date were $683, or 3.7 percent of Retail food net sales, compared with $834, or 4.5 percent of Retail food net sales last year, primarily reflecting investments in price, higher promotional spending and higher occupancy costs partially offset by acquisition synergies.

Supply chain services operating earnings for fiscal 2009 year-to-date were $163, or 3.1 percent of Supply chain services net sales, compared with $130, or 2.6 percent of Supply chain services net sales last year, primarily reflecting improved sales leverage and cost reduction initiatives.

Net Interest Expense

Net interest expense was $331 for fiscal 2009 year-to-date compared with $386 last year reflecting lower debt levels and the benefit of lower borrowing rates in fiscal 2009.

Provision for Income Taxes

The effective tax rate was 37.9 percent and 39.0 percent for fiscal 2009 and 2008 year-to-date, respectively. The decrease is reflective of non-taxable life insurance proceeds received during the second quarter of fiscal 2009. The effective tax rate for fiscal 2008 was 39.3 percent.

Net Earnings

Net earnings were $290, or $1.37 per basic share and $1.36 per diluted share, for fiscal 2009 year-to-date compared with Net earnings of $296, or $1.40 per basic share and $1.37 per diluted share last year.

Weighted average basic shares were 211 for fiscal 2009 year-to-date compared with 211 shares last year and weighted average diluted shares decreased to 213 for fiscal 2009 year-to-date compared with 216 shares last year.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $745 for fiscal 2009 year-to-date compared with $1,018 last year. The decrease is primarily attributable to the timing of income tax payments and profit sharing contributions.

Net cash used in investing activities was $585 for fiscal 2009 year-to-date compared with $395 last year. Investing activities for fiscal 2009 year-to-date consist primarily of capital spending to fund retail store remodeling and store expansion. The increase is attributable primarily to higher capital spending in the first 28 weeks of fiscal 2009 compared to last year.

Net cash used in financing activities was $130 for fiscal 2009 year-to-date compared with $631 last year. Financing activities for fiscal 2009 year-to-date relate primarily to proceeds received from the issuance of long-term debt offset by repayments of long-term debt.

Management expects that the Company will continue to replenish operating assets with internally generated funds. There can be no assurance, however, that the Company s business will continue to generate cash flow at current levels. The Company will continue to obtain short-term or long-term financing from its credit facilities. Long-term financing will be maintained through existing and new debt issuances. Maturities of debt issued will depend on management s views with respect to the relative attractiveness of interest rates at the time of issuance and other debt maturities. Although there can be no assurances in these difficult economic times for financial institutions, the Company believes that the lenders participating in its credit facilities will be willing and able to provide financing to the Company in accordance with their legal obligations under the credit facilities. While the Company s short-term and long-term financing abilities are believed to be adequate as a supplement to internally generated cash flows to fund capital expenditures and acquisitions as opportunities arise, the current decline in the global financial markets may negatively impact the Company s ability to access the capital markets in a timely manner and on attractive terms.

The Company has senior secured credit facilities in the amount of $4,000. These facilities were provided by a group of lenders and consist of a $2,000 five-year revolving credit facility (the Revolving Credit Facility), a $750 five-year term loan (Term Loan A) and a $1,250 six-year term loan (Term Loan B). The rates in effect on outstanding borrowings under the facilities as of September 6, 2008, based on the current credit rating of the facilities, were 0.20 percent for the facility fees, LIBOR plus 0.875 percent for Term Loan A, LIBOR plus 1.25 percent for Term Loan B, LIBOR plus 1.00 percent for LIBOR revolving advances and Prime Rate for base rate revolving advances.

All obligations under the senior secured credit facilities are guaranteed by each material subsidiary of the Company. The obligations are also secured by a pledge of the equity interests in those same material subsidiaries, limited as required by the existing public indentures of the Company, such that the respective debt issued need not be equally and ratably secured.

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The senior secured credit facilities also contain various financial covenants, including a minimum interest expense coverage ratio and a maximum debt leverage ratio. The interest expense coverage ratio shall not be less than 2.20 to 1 for each of the fiscal quarters ending up through December 30, 2008, and moves progressively to a ratio of not less than 2.30 to 1 for the fiscal quarters ending after December 30, 2009. The debt leverage ratio shall not exceed 4.25 to 1 for each of the fiscal quarters ending up through December 30, 2008 and moves progressively to a ratio not to exceed 3.75 to 1 for each of the fiscal quarters ending after December 30, 2009. As of September 6, 2008, the Company was in compliance with the covenants of the senior secured credit facilities.

Borrowings under Term Loan A and Term Loan B may be repaid, in full or in part, at any time without penalty. Term Loan A has required repayments, payable quarterly, equal to 2.50 percent of the initial drawn balance for the first four quarterly payments (year one) and 3.75 percent of the initial drawn balance for each quarterly payment in years two through five, with the entire remaining balance due at the five year anniversary of the inception date, June 1, 2006. Term Loan B has required repayments, payable quarterly, equal to 0.25 percent of the initial drawn balance, with the entire remaining balance due at the six year anniversary of the inception date. Advances shall be applied pro rata to the remaining amortization payments.

As of September 6, 2008, there were $363 of outstanding borrowings under the Revolving Credit Facility, Term Loan A had a remaining principal balance of $562, of which $113 was classified as current, and Term Loan B had a remaining principal balance of $1,122, of which $11 was classified as current. Letters of credit outstanding under the Revolving Credit Facility were $370 and the unused available credit under the Revolving Credit Facility was $1,267. The Company also had $18 of outstanding letters of credit issued under separate agreements with financial institutions. These letters of credit primarily support workers compensation, merchandise import programs and payment obligations. The Company pays fees, which vary by instrument, of up to 1.4 percent on the outstanding balance of the letters of credit.

In May 2008, the Company amended and extended its 364-day accounts receivable securitization program. The Company can continue to borrow up to $300 on a revolving basis, with borrowings secured by eligible accounts receivable, which remain under the Company s control. Facility fees under this program range from 0.225 percent to 2.00 percent, based on the Company s credit ratings. The facility fee in effect on September 6, 2008, based on the Company s current credit ratings, is 0.25 percent. As of September 6, 2008, there were $346 of accounts receivable pledged as collateral, classified in Receivables in the Condensed Consolidated Balance Sheet. Due to the Company s intent to renew the facility or refinance it with the Revolving Credit Facility, the facility is classified in Long-term debt in the Condensed Consolidated Balance Sheets.

As of September 6, 2008, the Company had $701 of debt, excluding the Accounts Receivable Securitization Facility, with current maturities that are classified in Long-term debt in the Condensed Consolidated Balance Sheets due to the Company s intent to refinance such obligations with the Revolving Credit Facility or other long-term debt.

The Company has $203 of debentures that contain put options exercisable in May 2009, which are classified as current, that would require the Company to repay borrowed amounts prior to the scheduled maturity in May 2037.

Capital spending during the second quarter of fiscal 2009 was approximately $276, including approximately $11 in capital leases. Capital spending year-to-date for fiscal 2009 was approximately $614, including approximately $12 in capital leases. Capital spending primarily included store remodeling activity, new retail stores and technology expenditures. The Company s capital spending for fiscal 2009 is projected to be approximately $1,200, including capital leases.

COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

The Company has guaranteed certain leases, fixture financing loans and other debt obligations of various retailers as of September 6, 2008. These guarantees were generally made to support the business growth of affiliated retailers. The guarantees are generally for the entire terms of the leases or other debt obligations with remaining terms that range from less than one year to 22 years, with a weighted average remaining term of approximately 11 years. For each guarantee issued, if the affiliated retailer defaults on a payment, the Company would be required to make payments under its guarantee. Generally, the guarantees are secured by indemnification agreements or personal guarantees of the affiliated retailer. As of September 6, 2008, the maximum amount of undiscounted payments the Company would be required to make in the event of default of all guarantees was approximately $188 and represented approximately $138 on a discounted basis. Due to the indemnification agreements and personal guarantees, the Company believes the likelihood that it will be required to assume a material amount of these obligations is remote. Accordingly, no amount has been recorded in the Condensed Consolidated Balance Sheets for these contingent obligations under the Company s guarantee arrangements.

The Company is contingently liable for leases that have been assigned to various third parties in connection with facility closings and dispositions. The Company could be required to satisfy the obligations under the leases if any of the assignees are unable to fulfill their lease obligations. Due to the wide distribution of the Company s assignments among third parties, and various other remedies available, the Company believes the likelihood that it will be required to assume a material amount of these obligations is remote.

In the ordinary course of business, the Company enters into supply contracts to purchase products for resale. These contracts typically include either volume commitments or fixed expiration dates, termination provisions and other standard contractual considerations. As of September 6, 2008, the Company had approximately $2,427 of non-cancelable future purchase obligations primarily related to supply contracts.

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The Company is a party to a variety of contractual agreements under which the Company may be obligated to indemnify other parties for certain matters, which indemnities may be secured by operation of law or otherwise, in the ordinary course of business. These contracts primarily relate to the Company s commercial contracts, operating leases and other real estate contracts, financial agreements, agreements to provide services to the Company, and agreements to indemnify officers, directors and employees in the performance of their work. While the Company s aggregate indemnification obligation could result in a material liability, the Company is not aware of any current matters that it expects to result in a material liability.

The Company is a party to various legal proceedings arising from the normal course of business as described in Part II Other Information, Item 1, under the caption Legal Proceedings and in Note 10 Commitments, Contingencies and Off-Balance Sheet Arrangements, none of which, in management s opinion, is expected to have a material adverse impact on the Company s financial condition, results of operations or cash flows.

Pension Plan / Health and Welfare Plan Contingencies

The Company contributes to various multi-employer pension plans under collective bargaining agreements, primarily defined benefit pension plans. These plans generally provide retirement benefits to participants based on their service to contributing employers. Based on available information, the Company believes that some of the multi-employer plans to which it contributes are underfunded. Company contributions to these plans are likely to continue to increase in the near term. However, the amount of any increase or decrease in contributions will depend on a variety of factors, including the results of the Company s collective bargaining efforts, investment return on the assets held in the plans, actions taken by the trustees who manage the plans and requirements under the Pension Protection Act of 2006 and Section 412(e) of the Internal Revenue Code. Furthermore, if the Company were to significantly reduce operations or exit certain markets or otherwise cease making contributions to these plans, it could trigger a partial or complete withdrawal that would require the Company to fund its proportionate share of a plan s unfunded vested benefits.

The Company also makes contributions to multi-employer health and welfare plans in amounts set forth in the related collective bargaining agreements. A small minority of the collective bargaining agreements contain reserve requirements that may trigger unanticipated contributions resulting in increased healthcare expenses. If these healthcare provisions cannot be renegotiated in a manner that reduces the prospective healthcare cost as the Company intends, the Company s Selling and administrative expenses could increase in the future.

Contractual Obligations

There have been no material changes in the Company s contractual obligations since the end of fiscal 2008. Refer to the Company s Annual Report on Form 10-K for the fiscal year ended February 23, 2008 for additional information regarding the Company s contractual obligations.

CRITICAL ACCOUNTING POLICIES

The description of critical accounting policies is included in Item 7 of the Company s Annual Report on Form 10-K for the fiscal year ended February 23, 2008.

NEW ACCOUNTING STANDARDS

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under SFAS No. 157, fair value measurements would be separately disclosed by level within the fair value hierarchy. In February 2008, the FASB approved FASB Staff Position (FSP) FAS 157-2, Effective Date of FASB Statement No. 157, that permits companies to partially defer the effective date of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. FSP FAS 157-2 did not permit companies to defer recognition and disclosure requirements for financial assets and financial liabilities or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually. SFAS No. 157 became effective for the Company on February 24, 2008 for financial assets and financial liabilities and for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually and did not have a material effect on the Company s consolidated financial statements. The Company will defer adoption of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company is evaluating the effect the implementation of FSP FAS 157-2 will have on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)). SFAS No. 141(R) expands the definition of a business combination and requires the fair value of the purchase price of an acquisition, including the issuance of equity securities, to be determined on the acquisition date. SFAS No. 141(R) also requires that all assets, liabilities, contingent consideration and contingencies of an acquired business be recorded at fair value at the acquisition date. In

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addition, SFAS No. 141(R) requires that acquisition costs generally be expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. SFAS No. 141(R) is effective for the Company s fiscal year beginning March 1, 2009 on a prospective basis for all business combinations for which the acquisition date is on or after the effective date of SFAS No. 141(R), with the exception of the accounting for adjustments to income tax-related amounts, which is applied to acquisitions that closed prior to the effective date of SFAS No. 141(R). The Company is evaluating the effect the implementation of SFAS No. 141(R) will have on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51. SFAS No. 160 changes the accounting and reporting for minority interests such that minority interests will be recharacterized as noncontrolling interests and will be required to be reported as a component of equity, and requires that purchases or sales of equity interests that do not result in a change in control be accounted for as equity transactions and, upon a loss of control, requires the interest sold, as well as any interest retained, to be recorded at fair value with any gain or loss recognized in earnings. SFAS No. 160 is effective for the Company s fiscal year beginning March 1, 2009, with early adoption prohibited. The Company is evaluating the effect the implementation of SFAS No. 160 will have on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities. SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 for derivative instruments and hedging activities. SFAS No. 161 is effective November 30, 2008 for the Company, with early adoption permitted. The Company is evaluating the effect the implementation of SFAS No. 161 will have on the consolidated financial statements.

In April 2008, the FASB approved FSP FAS 142-3, Determination of the Useful Life of Intangible Assets. FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. FSP FAS 142-3 is effective for the Company s fiscal year beginning March 1, 2009, with early adoption prohibited. The Company is evaluating the effect the implementation of FSP FAS 142-3 will have on the consolidated financial statements.

In May 2008, the FASB approved FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement). FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt issued with Stock Purchase Warrants. Additionally, FSP APB 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for the Company s fiscal year beginning March 1, 2009. The Company is evaluating the effect the implementation of FSP APB 14-1 will have on the consolidated financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in computing earnings per share under the two-class method described in SFAS No. 128, Earnings Per Share. FSP EITF 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. FSP EITF 03-6-1 will be effective for the Company s fiscal year beginning March 1, 2009, with early adoption prohibited. The Company is evaluating the effect the implementation of FSP EITF 03-6-1 will have on basic net earnings per share.

CAUTIONARY STATEMENTS FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE SECURITIES LITIGATION REFORM ACT

Any statements contained in this report regarding the outlook for our businesses and their respective markets, such as projections of future performance, statements of our plans and objectives, forecasts of market trends and other matters, are forward-looking statements based on our assumptions and beliefs. Such statements may be identified by such words or phrases as will likely result, are expected to, will continue, outlook, will benefit, is anticipated, estimate, project, management believes or similar expressions. These forward-looking statements are to certain risks and uncertainties that could cause actual results to differ materially from those discussed in such statements and no assurance can be given that the results in any forward-looking statement will be achieved. For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Any forward-looking statement speaks only as of the date on which it is made, and we disclaim any obligation to subsequently revise any forward-looking statement to reflect events or circumstances after such date or to reflect the occurrence of anticipated or unanticipated events.

Certain factors could cause our future results to differ materially from those expressed or implied in any forward-looking statements contained in this report. These factors include the factors discussed in Item 1A of the Company s Annual Report on Form 10-K for the fiscal year ended February 23, 2008 and Quarterly Report on Form 10-Q for the second quarter ended September 6, 2008 under the caption Risk Factors, the factors discussed below and any other cautionary statements, written or oral, which may be made or referred to in connection with any such forward-looking statements. Since it is not possible to foresee all such factors, these factors should not be considered as complete or exhaustive.

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Economic and Industry Conditions

- Adverse changes in economic conditions that affect consumer spending or buying habits
- Food and drug price inflation or deflation
- Increases in energy costs and commodity prices, which could impact consumer spending and buying habits and the cost of doing business
- The availability of favorable credit and trade terms
- Changes in interest rates
- The outcome of negotiations with partners, governments, suppliers, unions or customers

Competitive Practices

- The Company s ability to attract and retain customers
- The Company s ability to hire, train or retain employees
- Competition from other food or drug retail chains, supercenters, non-traditional competitors and emerging alternative formats in our retail markets
- Declines in the retail sales activity of our supply chain services customers due to competition or increased self-distribution
- Changes in demographics or consumer preferences that affect consumer spending habits
- The impact of consolidation in the retail food and supply chain services industries
- The success of the Company s promotional and sales programs and the Company s ability to respond to the promotional practices of competitors
- The ability to successfully improve buying practices and shrink

The increase in Own Brand penetration could impact identical store retail sales growth

Food Safety

Events that give rise to actual or potential food contamination, drug contamination or food-borne illness or any adverse publicity relating to these types of concern, whether or not valid

Integration of Acquired Businesses

Our ability to successfully combine our operations with any businesses we have acquired or may acquire, to achieve expected synergies and to minimize the diversion of management s attention and resources

Store Expansion and Remodeling

Potential delays in the development, construction or start-up of planned projects

Our ability to locate suitable store or distribution center sites, negotiate acceptable purchase or lease terms and build or expand facilities in a manner that achieves appropriate returns on our capital investment

The adequacy of our capital resources for future acquisitions, the expansion of existing operations or improvements to facilities

Our ability to make acquisitions at acceptable rates of return, assimilate acquired operations and integrate the personnel of the acquired business

Liquidity

Additional funding requirements to meet anticipated debt payments and capital needs

The impact of acquisitions on our level of indebtedness, debt ratings, costs and future financial flexibility

The impact of the recent turmoil in the financial markets on the availability and cost of credit

Labor Relations

Potential work disruptions resulting from labor disputes

Employee Benefit Costs

Increased operating costs resulting from rising employee benefit costs or pension funding obligations

Regulatory Matters

The ability to timely obtain permits, comply with government regulations or make capital expenditures required to maintain compliance with government regulations

Changes in applicable laws and regulations that impose additional requirements or restrictions on the operation of our businesses

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Self-Insurance

- Variability in actuarial projection regarding workers compensation and general and automobile liability
- Potential increase in the number or severity of claims for which the Company is self-insured
- Significant volatility in the amount and timing of payments

Legal and Administrative Proceedings

- Unfavorable outcomes in litigation, governmental or administrative proceedings or other disputes
- Adverse publicity related to such unfavorable outcomes

Information Technology

- Difficulties in developing, maintaining or upgrading information technology systems

Security

- Business disruptions or losses resulting from wartime activities, acts or threats of terror, data theft, information espionage, or other criminal activity directed at the food and drug industry, the transportation industry or computer or communications systems

Severe Weather, Natural Disasters and Adverse Climate Changes

- Property damage or business disruption resulting from severe weather conditions and natural disasters that affect the Company, its customers or suppliers
- Unseasonably adverse climate conditions that impact the availability or cost of certain products in the grocery supply chain

Transition Support Services

- Our ability to provide transition support services to the purchasers of the non-core supermarket business of Albertsons in a cost effective and non-disputed manner with minimal diversion of management time

Accounting Matters

- Changes in accounting standards that impact our financial statements

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in market risk for the Company in the period covered by this report. See the discussion of market risk in Item 7 of the Company s Annual Report on Form 10-K for the fiscal year ended February 23, 2008 under the heading Quantitative and Qualitative Disclosures About Market Risk.

ITEM 4. CONTROLS AND PROCEDURES

Management of the Company, including the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of September 6, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is (1) recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission s rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

In connection with the evaluation described above, there were no changes in the Company s internal control over financial reporting that occurred during the Company s most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to various lawsuits, claims and other legal matters that arise in the ordinary course of conducting business, none of which, in management s opinion, is expected to have a material adverse impact on the Company s financial condition, results of operations or cash flows. Each of the legal proceedings discussed below has been previously discussed in the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended June 14, 2008.

In April 2000, a class action complaint was filed against Albertson s, Inc. (Albertsons), as well as American Stores Company, American Drug Stores, Inc., Sav-on Drug Stores, Inc. (Sav-on Drug Stores) and Lucky Stores, Inc. (Lucky Stores), wholly-owned subsidiaries of Albertsons, in the Superior Court for the County of Los Angeles, California (Gardner, et al. v. American Stores Company, et al.) by assistant managers seeking recovery of overtime based on the plaintiffs allegation that they were improperly classified as exempt under California law. In May 2001, the Court certified a class with respect to Sav-on Drug Stores assistant managers. A case with very similar claims, involving the Sav-on Drug Stores assistant managers and operating managers, was also filed in April 2000 against Sav-on Drug Stores in the Superior Court for the County of Los Angeles, California (Rocher, Dahlin, et al. v. Sav-on Drug Stores, Inc.), and was certified as a class action in June 2001 with respect to assistant managers and operating managers. The two cases were consolidated in December 2001. New Albertson s, Inc. was added as a named defendant in November 2006. Plaintiffs seek overtime wages, meal and rest break penalties, other statutory penalties, punitive damages, interest, injunctive relief and the attorneys fees and costs. The Company is vigorously defending this lawsuit. Although this lawsuit is subject to the uncertainties inherent in the litigation process, based on the information presently available to the Company, management does not expect that the ultimate resolution of this lawsuit will have a material adverse effect on the Company s financial condition, results of operations or cash flows.

On October 13, 2000, a complaint was filed in Los Angeles County Superior Court (Joanne Kay Ward et al. v. Albertson s, Inc. et al.) alleging that Albertsons, Lucky Stores and Sav-on Drug Stores provided terminating employees their final paychecks in an untimely manner. On January 4, 2005, the case was certified as a class action. In December 2007, the parties agreed to settle this matter. On September 19, 2008, the Court granted final approval to that settlement. Management does not expect that the settlement of this lawsuit will have a material adverse effect on the Company s financial condition, results of operations or cash flows.

On February 2, 2004, the Attorney General for the State of California filed an action in the United States District Court Central District of California (California, ex rel Lockyer v. Safeway, Inc. dba Vons, a Safeway Company, Albertson s, Inc. and Ralphs Grocery Company, a division of The Kroger Co.) claiming that certain provisions of the agreements (the Labor Dispute Agreements) between Albertsons, The Kroger Co. and Safeway Inc. (the Retailers), which provided for lock-outs and revenue sharing in the event that any Retailer was struck at any or all of its Southern California facilities during the 2003-2004 labor dispute in Southern California when the other Retailers were not and contained a provision designed to prevent the union from placing disproportionate pressure on one or more Retailer(s) by picketing such Retailer(s) but not the other Retailer(s) during the labor dispute violate Section 1 of the Sherman Act. The lawsuit seeks declarative, injunctive and other legal and equitable relief. On March 26, 2008, the parties filed a Stipulation and Request to Enter Final Judgment and, on March 27, 2008, the Court entered Final Judgment. Under the Stipulation and Final Judgment, the Attorney General abandoned any right to trial on its per se or quick look theories of liability under Section 1 of the Sherman Act but preserved the right to appeal the Court s summary judgment determination on this issue. The Court also dismissed with prejudice the Attorney General s claim that the revenue sharing provisions of the Labor Dispute Agreements violated Section 1 of the Sherman Act based on a full rule of reason analysis and the Attorney General abandoned any right to appeal this determination. Also under the Stipulation and Final Judgment, the Court found that the non-statutory labor exemption to the antitrust laws does not immunize the Labor Dispute Agreements from the Attorney General s claims in this case, and the defendants reserved the right to appeal this determination. In April 2008, both the Attorney General and defendant retailers filed Notices of Appeal in the Ninth Circuit Court of Appeals on the issues respectively reserved. Although this lawsuit is subject to uncertainties inherent in the litigation process, based on the information presently available to the Company, management does not expect that any further appellate resolution of this action will have a material adverse effect on the Company s financial condition, results of operations or cash flows.

In August 2004, a complaint was filed, later certified as a class action, in California Superior Court in and for the County of San Diego (Sally Wilcox and Dennis Taber. v. Albertson s, Inc.), alleging that Albertsons failed to pay wages for time worked during meal breaks to its non-exempt employees employed in key carrier positions. In December 2007, the parties agreed to settle this matter. On August 8, 2008, the Court granted final approval to the parties settlement agreement. Management does not expect that the settlement of this lawsuit will have a material adverse effect on the Company s financial condition, results of operations or cash flows.

In Jonathan Johnson v. SUPERVALU INC. and Richfoods, Inc. (Circuit Court for the City of Richmond, VA) a lawsuit filed in 2004 by the owner of Market Place Holdings, a five-store grocery store chain, Mr. Johnson alleged that he suffered various medical problems and financial losses resulting from the Company s alleged wrongful conduct. On June 6, 2007, a jury awarded Mr. Johnson $0.5 for intentional infliction of emotional distress and $15.5 for negligent misrepresentation. Previously, the Company prevailed in an arbitration action against Market Place Holdings and obtained a $4 judgment against it for unpaid notes and accounts receivable. On September 12, 2008, the Virginia Supreme Court held that the Circuit Court erred in refusing to set aside the $16 jury verdict in Mr. Johnson s favor on claims of negligent misrepresentation and intentional infliction of emotional distress where the evidence was insufficient as a matter of law to support either claim. The Supreme Court reversed the judgment in its entirety and entered judgment in the Company s favor.

The Company is also involved in routine legal proceedings incidental to its operations. Some of these routine proceedings involve class allegations, many of which are ultimately dismissed. Management does not expect that the ultimate resolution of these legal proceedings will have a material adverse effect on the Company s financial condition, results of operations or cash flows.

The statements above reflect management s current expectations based on the information presently available to the Company. However, predicting the outcomes of claims and litigation and estimating related costs and exposures involves substantial uncertainties that could cause actual outcomes, costs and exposures to vary materially from current expectations. In addition, the Company regularly monitors its exposure to the loss contingencies associated with these matters and may from time to time change its predictions with respect to outcomes and its estimates with respect to related costs and exposures and believes recorded reserves are adequate. It is possible that material differences in actual outcomes, costs and exposures relative to current predictions and estimates, or material changes in such predictions or estimates, could have a material adverse effect on the Company s financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Various risks and uncertainties could affect the Company s business. Any of the risks described below or elsewhere in this Quarterly Report on Form 10-Q or the Company s other SEC filings could have a material impact on the Company s business, financial condition or results of operations.

General economic conditions, including increases in energy and commodity prices, that are largely out of the Company s control may adversely affect the Company s financial condition and results of operations.

The Company s Retail food and Supply chain services businesses are sensitive to changes in general economic conditions, both nationally and locally. Recessionary economic cycles, higher interest rates, higher fuel and other energy costs, inflation, increases in commodity prices, higher levels of unemployment, higher consumer debt levels, higher tax rates and other changes in tax laws or other economic factors that may affect consumer spending or buying habits could adversely affect the demand for products the Company sells in its stores or distributes to its retail customers. In addition, the recent turmoil in the financial markets may have an adverse effect on the U.S. and world economy, which could negatively impact consumer spending patterns. There can be no assurances that government responses to the disruptions in the financial markets will restore consumer confidence.

Furthermore, the Company could experience reduced traffic in its stores or stores that it supplies, or limitations on the prices the Company can charge for its products, either of which could reduce the Company s sales and profit margins and have a material adverse affect on the Company s financial condition and results of operations. Also, economic factors such as those listed above and increased transportation costs, inflation, higher costs of labor, insurance and healthcare, and changes in other laws and regulations may increase the Company s cost of sales and the Company s operating, selling, general and administrative expenses, and otherwise adversely affect the financial condition and results of operations of the Company s Retail food and Supply chain services businesses.

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The Company faces a high level of competition in the Retail food and Supply chain services businesses, which could adversely affect the Company s financial condition and results of operations.

The industries in which the Company operates are extremely competitive with narrow profit margins. The Company s Retail food business faces competition for customers, employees, store sites, products and in other important areas from traditional grocery retailers, including regional and national chains and independent food store operators, and non-traditional retailers, such as supercenters, membership warehouse clubs, combination food and pharmacy stores, limited assortment food stores, specialty supermarkets, drug stores, discount stores, dollar stores, convenience stores and restaurants. The Company s ability to attract customers in this business is dependent, in large part, upon a combination of product price, quality, assortment, brand recognition, store location, in-store marketing and design, promotional strategies and continued growth into new markets. In addition, the nature and extent to which our competitors implement various pricing and promotional activities in response to increasing competition and the Company s response to these competitive actions, can adversely affect profitability.

The Company s Supply chain services business is primarily wholesale distribution and includes a third-party logistics component. The distribution component of the Company s Supply chain services business competes with traditional grocery wholesalers on the basis of product price, quality, assortment, schedule and reliability of deliveries, service fees and distribution facility locations. The third-party logistics component of the Company s Supply chain services business competes nationwide in a highly fragmented marketplace with a number of large international and domestic companies and many smaller, regional companies on the basis of warehousing and transportation logistics expertise, cost and the ability to offer asset and non-asset based solutions and design and manage customer supply chains. Competitive pressures on the Company s Retail food and Supply chain services businesses may cause the Company to experience: (i) reductions in the prices at which the Company is able to sell products at its retail locations or to its distribution customers, (ii) decreases in sales volume due to increased difficulty in selling the Company s products and (iii) difficulty in attracting and retaining customers. Any of these outcomes could adversely affect the Company s financial condition and results of operations.

In addition, the nature and extent of consolidation in the retail food and food distribution industries could affect the Company s competitive position or that of the Company s distribution customers in the markets the Company serves. Although the retail food industry as a whole is highly fragmented, certain segments are currently undergoing some consolidation, which could result in increased competition and significantly alter the dynamics of the retail food marketplace. Such consolidation may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration and other improvements in their competitive positions. Such business combinations could result in the provision of a wider variety of products and services at competitive prices by such consolidated companies, which could adversely affect the Company s financial condition and results of operations.

Food and drug safety concerns and related unfavorable publicity may adversely affect the Company s sales and results of operations.

There is increasing governmental scrutiny and public awareness regarding food and drug safety. The Company could be adversely affected if consumers lose confidence in the safety and quality of the Company s food and drug products. Any events that give rise to actual or potential food contamination, drug contamination or food-borne illness could result in product liability claims and a loss of

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consumer confidence. In addition, adverse publicity about these types of concerns whether valid or not, may discourage consumers from buying the Company s products or cause production and delivery disruptions, which could have an adverse effect on the Company s sales and results of operations.

If the Company fails to realize the synergies from combining the Company s businesses with the businesses the Company acquired from Albertsons in a successful and timely manner, it may have an adverse effect on the Company s business, financial condition and results of operations.

The Company may not be able to realize the synergies, business opportunities and growth prospects anticipated in connection with the Acquisition. The Company may experience increased competition that limits the Company s ability to expand its business, the Company may not be able to capitalize on expected business opportunities, including retaining the Company s current customers, assumptions underlying estimates of expected cost savings may be inaccurate or general industry and business conditions may deteriorate. In addition, combining certain of the Company s operations with the Acquired Operations has required significant effort and expense. Personnel have left and may continue to leave or be terminated because of the Acquisition. The Company s management may have its attention diverted as it continues to combine certain operations of both companies. If these factors limit the Company s ability to combine such operations successfully or on a timely basis, the Company s expectations of future results of operations, including certain cost savings and synergies expected to result from the Acquisition, may not be met. If such difficulties are encountered or if such synergies, business opportunities and growth prospects are not realized, it may have an adverse effect on the Company s business, financial condition and results of operations.

The Company s inability to open and remodel a significant number of stores as planned could have an adverse effect on the Company s financial condition and results of operations.

In fiscal 2009, pursuant to the Company s 2009 capital plan, the Company expects to complete 165 major store remodels, and open approximately 15 new traditional supermarkets and 55 to 65 limited assortment food stores, including licensed stores. If, as a result of labor relations issues, supply issues or environmental and real estate delays, a significant portion of these capital projects do not stay reasonably within the time and financial budgets that the Company has forecasted, the Company s financial condition and results of operations could be adversely affected. Furthermore, the Company cannot ensure that the new or remodeled stores will achieve anticipated results. As a result, the Company s inability to open and remodel a significant number of stores as planned could have an adverse effect on the Company s financial condition and results of operations.

The Company s substantial indebtedness and lower credit rating could increase the Company s borrowing costs, decrease the Company s business flexibility and adversely affect the Company s financial condition and results of operations.

The Company has, and expects to continue to have, a substantial amount of debt and a significantly lower debt coverage ratio as compared to what the Company had before the Acquisition. In addition, as a result of the Acquisition, the Company s debt no longer has an investment-grade rating.

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The Company s level of indebtedness and the reduction of the its credit rating could have important consequences to the operation of its businesses and could increase its vulnerability to general adverse economic conditions. For example, they may:

- require the Company to use a substantial portion of its cash flow from operations for the payment of principal of, and interest on, its indebtedness, thereby reducing the availability of the Company s cash flow to fund working capital, capital expenditures, acquisitions, development efforts and other general corporate purposes;

- limit the Company s ability to obtain, or increase the cost at which the Company is able to obtain, additional financing to fund working capital, capital expenditures, additional acquisitions or general corporate requirements; and

- limit the Company s flexibility to adjust to changing business and market conditions and place the Company at a competitive disadvantage relative to its competitors that have less debt.

In addition, the Company s ability to make scheduled payments or to refinance its obligations with respect to its indebtedness will depend upon the Company s operating and financial performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond the Company s control. As a result, the Company s substantial indebtedness and lower credit rating could increase the Company s borrowing costs, decrease the Company s business flexibility and adversely affect the Company s financial condition and results of operations. Furthermore, the turmoil in the financial markets, including the bankruptcy or restructuring of certain financial institutions, may adversely impact the availability and cost of credit in the future. There can be no assurances that government responses to the disruptions in the financial markets will stabilize the markets or increase liquidity and the availability of credit.

The Company s inability to successfully negotiate with labor unions or to maintain good labor relations may lead to labor disputes and the disruption of the Company s businesses, which may adversely affect the Company s financial condition and results of operations.

A large number of the Company s employees are unionized, and the Company s relationship with unions, including labor disputes or work stoppages, could affect the sale and distribution of the Company s products and have an adverse impact on the Company s financial condition and results of operations. As of February 23, 2008, the Company is a party to approximately 280 collective bargaining agreements covering approximately 120,000 of its employees, of which 99 covering approximately 33,400 employees are scheduled to expire in 2009. These expiring agreements cover approximately 28 percent of the Company s union-affiliated employees. In future negotiations with labor unions, the Company expects that, among other issues, rising health care, pension and employee benefit costs will be important topics for negotiation. There can be no assurance that the Company will be able to negotiate the terms of any expiring or expired agreement in a manner acceptable to the Company. Therefore, potential work disruptions from labor disputes could result, which may disrupt the Company s businesses and adversely affect the Company s financial condition and results of operations.

Escalating costs of providing employee benefits may adversely affect the Company s financial condition and results of operations.

The Company provides health benefits to and sponsors defined pension and other post-retirement plans for substantially all employees not participating in multi-employer health and pension plans. The Company s costs to provide such benefits continue to increase annually. In addition, the Company participates in various multi-employer health and pension plans for a majority of its unionized

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employees, and the Company is required to make contributions to these plans in amounts established under collective bargaining agreements. The costs of providing benefits through such plans have escalated rapidly in recent years and contributions to these plans may continue to create collective bargaining challenges. The amount of any increase or decrease in the Company s required contributions to these multi-employer plans will depend upon many factors, including the outcome of collective bargaining, actions taken by trustees who manage the plans, government regulations, the actual return on assets held in the plans and the potential payment of a withdrawal liability if the Company chooses to exit a market. Increases in the costs of benefits under these plans coupled with adverse stock market developments that have reduced the return on plan assets have caused some multi-employer plans in which the Company participates to be underfunded. The unfunded liabilities of these plans may result in increased future payments by the Company and the other participating employers, including costs that may arise with respect to any potential litigation or that may cause the acceleration of payments to fund any underfunded plan. The Company s risk of such increased payments may be greater if any of the participating employers in these underfunded plans withdraws from the plan due to insolvency and is not able to contribute an amount sufficient to fund the unfunded liabilities associated with its participants of the plan. If the Company is unable to control health care and pension costs, the Company may experience increased operating costs, which may have a material adverse effect on the Company s financial condition and results of operations.

If the Company is unable to comply with governmental regulations or if there are unfavorable changes in such government regulations, the Company s financial condition and results of operations may be adversely affected.

The Company s businesses are subject to various federal, state and local laws, regulations and administrative practices. These laws require the Company to comply with numerous provisions regulating health and sanitation standards, equal employment opportunity, minimum wages and licensing for the sale of food, drugs and alcoholic beverages. The Company s inability to timely obtain permits, comply with government regulations or make capital expenditures required to maintain compliance with governmental regulations may affect the Company s ability to open new stores or expand existing facilities, which could adversely impact the Company s business operations and prospects for future growth. In addition, the Company cannot predict the nature of future laws, regulations, interpretations or applications, nor can the Company determine the effect that additional governmental regulations or administrative orders, when and if promulgated, or disparate federal, state and local regulatory schemes would have on the Company s future business. They could, however, impose additional requirements or restrictions on the products the Company sells or manner in which the Company operates its businesses. Any or all of such requirements could have an adverse effect on the Company s financial condition and results of operations.

If the number or severity of claims for which the Company is self-insured increases, or the Company is required to accrue or pay additional amounts because the claims prove to be more severe than the Company s recorded liabilities, the Company s financial condition and results of operations could be adversely affected.

The Company uses a combination of insurance and self-insurance to provide for potential liabilities for workers compensation, automobile and general liability, property insurance and employee health care benefits. The Company estimates the liabilities associated with the risks retained by the Company, in part, by considering historical claims experience, demographic and severity factors and other actuarial assumptions which, by their nature, are subject to a degree of variability. Any actuarial projection of losses

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concerning workers compensation and general and automobile liability is subject to a degree of variability. Among the causes of this variability are unpredictable external factors affecting future inflation rates, discount rates, litigation trends, legal interpretations, benefit level changes and actual claim settlement patterns.

Some of the many sources of uncertainty in the Company s reserve estimates include changes in benefit levels, medical fee schedules, medical utilization guidelines, vocation rehabilitation and apportionment. If the number or severity of claims for which the Company is self-insured increases, or the Company is required to accrue or pay additional amounts because the claims prove to be more severe than the Company s original assessments, the Company s financial condition and results of operations could be adversely affected.

The Company s policy is to discount its self-insurance liabilities at a risk-free interest rate, which is appropriate based on the Company s ability to reliably estimate the amount and timing of cash payments. If, in the future, the Company were to experience significant volatility in the amount and timing of cash payments compared to the Company s earlier estimates, the Company would assess whether it is appropriate to continue to discount these liabilities.

Litigation may adversely affect the Company s businesses, financial condition and results of operations.

The Company s businesses are subject to the risk of litigation by employees, consumers, suppliers, stockholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend future litigation may be significant. There may also be adverse publicity associated with litigation that could decrease consumer confidence in the Company s businesses, regardless of whether the allegations are valid or whether the Company is ultimately found liable. As a result, litigation may adversely affect the Company s businesses, financial condition and results of operations.

Difficulties with the Company s information technology systems could adversely affect the Company s results of operations.

The Company has complex information technology systems that are important to the operation of its businesses. The Company could encounter difficulties in developing new systems or maintaining and upgrading existing systems. Such difficulties could lead to significant expenses or losses due to disruption in business operations and, as a result, could adversely affect the Company s results of operations.

Threats or potential threats to security or the occurrence of a widespread health epidemic may adversely affect the Company s financial condition and results of operations.

The Company s businesses could be severely impacted by wartime activities, threats or acts of terror or a widespread regional, national or global health epidemic, such as pandemic flu. Such activities, threats or epidemics may adversely impact the Company s businesses by disrupting production and delivery of products to its stores or to its distribution customers, by affecting the Company s ability to appropriately staff its stores and by causing customers to avoid public gathering places or otherwise change their shopping behaviors.

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Additionally, data theft, information espionage or other criminal activity directed at the grocery or drug store industry, the transportation industry, or computer or communications systems may adversely affect the Company s businesses by causing the Company to implement costly security measures in recognition of actual or potential threats, by requiring the Company to expend significant time and expense developing, maintaining or upgrading its information technology systems and by causing the Company to incur significant costs to reimburse third parties for damages. Such activities may also adversely affect the Company s financial condition and results of operations by reducing consumer confidence in the marketplace and by modifying consumer spending habits.

Severe weather, natural disasters and adverse climate changes could adversely affect the Company s financial condition and results of operations.

Severe weather conditions such as hurricanes, earthquakes or tornadoes, as well as other natural disasters, in areas in which the Company has stores or distribution facilities or from which the Company obtains products could adversely affect the Company s results of operations. Such conditions could cause physical damage to the Company s properties, closure of one or more of the Company s stores or distribution facilities, lack of an adequate work force in a market, temporary disruption in the supply of products, disruption in the transport of goods, delays in the delivery of goods to the Company s distribution centers or stores and a reduction in the availability of products in the Company s stores. In addition, adverse climate conditions and adverse weather patterns, such as drought or flood, that impact growing conditions and the quantity and quality of crops yielded by food producers may adversely affect the availability or cost of certain products within the grocery supply chain. Any of these factors could disrupt the Company s businesses and adversely affect the Company s financial condition and results of operations.

The obligation to provide transition support services to the purchasers of the non-core supermarket business of Albertsons could adversely affect the Company s results of operations.

In connection with the Acquisition, the Company entered into a Transition Services Agreement (TSA) with the purchaser of the non-core supermarket business of Albertsons. That agreement is structured to provide the Company payments from the purchaser to cover the historical costs of providing support services to the operations. There is no assurance that the payments will be sufficient to cover the Company s costs of providing the services or that the Company will be able to reduce its costs as fast as those payments may decrease during the term of the TSA. The Company s management may have its attention diverted while trying to provide the services required by the TSA and the TSA may otherwise limit the Company s ability to achieve the synergies and other cost savings anticipated in the Acquisition. Disputes in connection with the TSA could lead to reductions in the payments due to the Company under the agreement or unanticipated costs that could adversely affect the Company s results of operations.

Changes in accounting standards could materially impact the Company s financial condition and results of operations.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines, and interpretations for many aspects of the Company s business, such as accounting for insurance and self-insurance, inventories, goodwill and intangible assets, store closures, leases, income taxes and stock-based compensation, are complex and involve subjective judgments. Changes in these rules or their interpretation could significantly change or add significant volatility to the Company s reported earnings without a

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comparable underlying change in cash flow from operations. As a result, changes in accounting standards could materially impact the Company s financial condition and results of operations.

An impairment in the carrying value of the Company s goodwill or other intangible assets could adversely affect the Company s financial condition and results of operations.

The Company is required to annually test goodwill and intangible assets with indefinite lives, including the goodwill associated with past acquisitions and any future acquisitions, to determine if impairment has occurred. Additionally, interim reviews must be performed whenever events or changes in circumstances indicate that impairment may have occurred. If the testing performed indicates that impairment has occurred, the Company is required to record a non-cash impairment charge for the difference between the carrying value of the goodwill or other intangible assets and the implied fair value of the goodwill or other intangible assets in the period the determination is made. The testing of goodwill and other intangible assets for impairment requires the Company to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in business operations, changes in competition or potential changes in the Company s stock price and market capitalization. Changes in these factors, or changes in actual performance compared with estimates of our future performance, could affect the fair value of goodwill or other intangible assets, which may result in an impairment charge. The Company cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, there could be an adverse effect on the Company s financial condition and results of operation.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(in millions, except shares and per share amounts) Period (1)	Total Number of Shares Purchased (2)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Treasury Stock Purchase Program (3)	Maximum Number of Shares that May Yet be Purchased Under the Treasury Stock Purchase Program (3)
First four weeks				
June 15, 2008 to July 12, 2008	2,843	$ 30.97		2,283,850
Second four weeks				
July 13, 2008 to August 9, 2008	644,666	$ 25.88	641,500	1,981,459
Third four weeks				
August 10, 2008 to September 6, 2008	973	$ 27.56		2,229,658
Totals	648,482	$ 25.90	641,500	2,229,658

(1) The reported periods conform to the Company s fiscal calendar composed of thirteen 28-day periods, except for the thirteenth period of fiscal 2009 which includes 35 days. The second quarter of fiscal 2009 contains three 28-day periods.

(2) These amounts include the deemed surrender by participants in the Company s compensatory stock plans of 6,982 shares of previously issued common stock. These are in payment of the purchase price for shares acquired pursuant to the exercise of stock options and satisfaction of tax obligations arising from such exercises, as well as from the vesting of restricted stock awards granted under such plans.

(3) On May 28, 2008, the Board of Directors of the Company adopted and announced a new annual share repurchase program authorizing the Company to purchase up to $70 of the Company s common stock. Stock purchases will be made from the cash generated from the settlement of stock options. This annual authorization program replaced all existing share repurchase programs.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The information contained in Part II, Item 4 of the Company s Form 10-Q for the quarterly period ended September 6, 2008 is incorporated herein by reference.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

3.1	Restated Bylaws, as amended October 2, 2008, is incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K of the Company filed with the SEC on October 6, 2008.
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	SUPERVALU INC. (Registrant)
Dated: October 15, 2008	/s/ PAMELA K. KNOUS Pamela K. Knous Executive Vice President and Chief Financial Officer (principal financial and accounting officer)

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