SUPERVALU INC
Form 10-Q
July 29, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period (16 weeks) ended June 20, 2009.

OR

o **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 Section 13 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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No o

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 þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

As of July 24, 2009, there were 211,988,647 shares of the issuer s common stock outstanding.

SUPERVALU INC. and Subsidiaries
Quarterly Report on Form 10-Q
TABLE OF CONTENTS

Item		Page
	PART I FINANCIAL INFORMATION	
1.	**Financial Statements (Unaudited)**	2
	Condensed Consolidated Segment Financial Information for the first quarter ended June 20, 2009 and June 14, 2008	2
	Condensed Consolidated Statements of Earnings for the first quarter ended June 20, 2009 and June 14, 2008	3
	Condensed Consolidated Balance Sheets as of June 20, 2009 and February 28, 2009	4
	Condensed Consolidated Statements of Cash Flows for the first quarter ended June 20, 2009 and June 14, 2008	5
	Notes to Condensed Consolidated Financial Statements	6
2.	**Management s Discussion and Analysis of Financial Condition and Results of Operations**	14
3.	**Quantitative and Qualitative Disclosures About Market Risk**	19
4.	**Controls and Procedures**	19
	PART II OTHER INFORMATION	
1.	**Legal Proceedings**	20
1A.	**Risk Factors**	21
2.	**Unregistered Sales of Equity Securities and Use of Proceeds**	26
3.	**Defaults Upon Senior Securities**	26
4.	**Submission of Matters to a Vote of Security Holders**	27
5.	**Other Information**	27
6.	**Exhibits**	27

EX-10.1
EX-31.1
EX-31.2
EX-32.1
EX-32.2
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SUPERVALU INC. and Subsidiaries
CONDENSED CONSOLIDATED SEGMENT FINANCIAL INFORMATION
(Unaudited)
(In millions, except percent data)

	First Quarter Ended June 20, 2009	June 14, 2008
Net sales		
Retail food	$ 9,900	$ 10,346
% of total	77.9%	77.5%
Supply chain services	2,815	3,001
% of total	22.1%	22.5%
Total net sales	$ 12,715	$ 13,347
	100.0%	100.0%
Operating earnings		
Retail food	$ 311	$ 399
% of sales	3.1%	3.9%
Supply chain services	82	86
% of sales	2.9%	2.9%
Corporate	(31)	(29)
Total operating earnings	362	456
% of sales	2.8%	3.4%
Interest expense, net	177	190
Earnings before income taxes	185	266
Income tax provision	72	104
Net earnings	$ 113	$ 162

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 is an aggregation of the Company s retail operating segments, which are primarily organized based on geography. The Retail food reportable segment derives revenues from the sale of groceries at retail locations operated by the Company (both the Company s own stores and stores licensed by the Company). The Supply chain services reportable segment derives revenues from wholesale distribution to independently-owned retail food stores, mass merchants and other customers (collectively referred to as independent retail customers) and logistics support services. Substantially all of the Company s operations are domestic.

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

SUPERVALU INC. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(In millions, except percent and per share data)

	First Quarter Ended			
	June 20, 2009	% of Net sales	June 14, 2008	% of Net sales
Net sales	$ 12,715	100.0%	$ 13,347	100.0%
Cost of sales	9,868	77.6	10,282	77.0
Gross profit	2,847	22.4	3,065	23.0
Selling and administrative expenses	2,485	19.6	2,609	19.6
Operating earnings	362	2.8	456	3.4
Interest expense, net	177	1.4	190	1.4
Earnings before income taxes	185	1.5	266	2.0
Income tax provision	72	0.6	104	0.8
Net earnings	$ 113	0.9%	$ 162	1.2%
Net earnings per share basic	$ 0.53		$ 0.76	
Net earnings per share diluted	$ 0.53		$ 0.76	
Dividends declared per share	$ 0.1725		$ 0.1700	
Weighted average number of shares outstanding:				
Basic	212		212	
Diluted	212		214	

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

SUPERVALU INC. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except par value data)

	June 20, 2009 (Unaudited)	February 28, 2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 275	$ 240
Receivables, net	870	874
Inventories	2,746	2,709
Other current assets	220	282
Total current assets	4,111	4,105
Property, plant and equipment, net	7,461	7,528
Goodwill	3,748	3,748
Intangible assets, net	1,567	1,584
Other assets	684	639
Total assets	$ 17,571	$ 17,604
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,126	$ 3,067
Current maturities of long-term debt and capital lease obligations	257	516
Other current liabilities	891	889
Total current liabilities	4,274	4,472
Long-term debt and capital lease obligations	8,105	7,968
Other liabilities	2,522	2,583
Commitments and contingencies		
Stockholders equity		
Common stock, $1.00 par value: 400 shares authorized; 230 shares issued	230	230
Capital in excess of par value	2,850	2,853
Accumulated other comprehensive loss	(498)	(503)
Retained earnings	619	542
Treasury stock, at cost, 18 and 18 shares, respectively	(531)	(541)
Total stockholders equity	2,670	2,581
Total liabilities and stockholders equity	$ 17,571	$ 17,604

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

SUPERVALU INC. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	First Quarter Ended	
	June 20, 2009	June 14, 2008
Cash flows from operating activities		
Net earnings	$ 113	$ 162
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	297	322
LIFO charge	18	20
Gain on sale of assets	(2)	(7)
Deferred income taxes	(5)	14
Stock-based compensation	13	23
Other	14	(5)
Changes in operating assets and liabilities	44	(131)
Net cash provided by operating activities	492	398
Cash flows from investing activities		
Proceeds from sale of assets	10	41
Purchases of property, plant and equipment	(238)	(395)
Other	5	(15)
Net cash used in investing activities	(223)	(369)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	948	272
Payment of long-term debt and capital lease obligations	(1,106)	(250)
Dividends paid	(73)	(36)
Other	(3)	1
Net cash used in financing activities	(234)	(13)
Net increase in cash and cash equivalents	35	16
Cash and cash equivalents at beginning of year	240	243
Cash and cash equivalents at the end of period	$ 275	$ 259

See Notes to Condensed Consolidated Financial Statements.

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. References to the Company refer to SUPERVALU INC. and Subsidiaries.

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.

Statement of Registrant

The accompanying condensed consolidated financial statements of the Company for the 16 weeks ended June 20, 2009 and June 14, 2008 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 28, 2009. The results of operations for the 16 weeks ended June 20, 2009 are not necessarily indicative of the results expected for the full year. The Condensed Consolidated Balance Sheet as of February 28, 2009 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 28, 2009.

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 included 13 weeks. Because of differences in the accounting calendars of the Company and its wholly-owned subsidiary, New Albertson s, Inc., the accompanying June 20, 2009 and February 28, 2009 Condensed Consolidated Balance Sheets include the assets and liabilities related to New Albertsons, Inc. as of June 18, 2009 and February 26, 2009, 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 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. Actual results could differ from those estimates.

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 June 20, 2009 and February 28, 2009, the Company had net book overdrafts of $352 and $389, respectively.

Table of Contents

Net Earnings Per Share

Basic net earnings per share is calculated using net earnings available to common 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 other dilutive securities.

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

	First Quarter Ended	
	June 20, 2009	June 14, 2008
Net earnings per share basic		
Net earnings available to common stockholders	$ 113	$ 162
Weighted average shares outstanding basic	212	212
Net earnings per share basic	$ 0.53	$ 0.76
Net earnings per share diluted		
Net earnings available to common stockholders	$ 113	$ 162
Weighted average shares outstanding basic	212	212
Dilutive impact of options and restricted stock outstanding		2
Weighted average shares outstanding diluted	212	214
Net earnings per share diluted	$ 0.53	$ 0.76

Options to purchase 22 and 13 shares of common stock were outstanding during the 16 weeks ended June 20, 2009 and June 14, 2008, respectively, but were excluded from the computation of diluted earnings per share because they were antidilutive.

Comprehensive Income

Comprehensive income consisted of the following:

	First Quarter Ended	
	June 20, 2009	June 14, 2008
Net earnings	$ 113	$ 162
Pension and other postretirement activity, net of tax	5	
Comprehensive income	$ 118	$ 162

Subsequent Events

Events that have occurred subsequent to June 20, 2009 have been evaluated through July 29, 2009, the date the Company filed this Quarterly Report on Form 10-Q with the Securities and Exchange Commission.

NOTE 2 NEW ACCOUNTING STANDARDS

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets. FSP FAS 132(R)-1 provides additional guidance regarding disclosures about plan assets of defined benefit pension or other postretirement plans. FSP FAS 132(R)-1 will be effective for the Company s fiscal year ending February 27, 2010. The adoption of FSP FAS 132(R)-1 will result in enhanced disclosures, but will not otherwise have an impact on the Company s consolidated financial statements.

Table of Contents

NOTE 3 GOODWILL AND INTANGIBLE ASSETS

As of June 20, 2009, the Company had approximately $3,748 of Goodwill; $2,941 related to its Retail food segment and $807 related to its Supply chain services segment.

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

	February 28, 2009	Additions/ Amortization	Other net adjustments	June 20, 2009
Goodwill	$ 3,748	$	$	$ 3,748
Intangible assets:				
Trademarks and tradenames indefinite lived	$ 1,069	$	$	$ 1,069
Favorable operating leases, customer lists, customer relationships and other (accumulated amortization of $213 and $197, as of June 20, 2009 and February 28, 2009, respectively)	706	2	(3)	705
Non-compete agreements (accumulated amortization of $4 and $4 as of June 20, 2009 and February 28, 2009, respectively)	10			10
Total intangible assets	1,785	2	(3)	1,784
Accumulated amortization	(201)	(19)	3	(217)
Total intangible assets, net	$ 1,584			$ 1,567

Amortization expense of intangible assets with a definite life was $19 and $20 for the 16 weeks ended June 20, 2009 and June 14, 2008, respectively. Future amortization expense will be approximately $51 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. Adjustments to closed property reserves primarily relate to changes in subtenant income or actual exit costs differing from original estimates. Adjustments are made for changes in estimates in the period in which the changes become known.

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

	June 20, 2009
Balance at beginning of year	$ 167
Additions	1
Payments	(18)
Adjustments	3
Balance at end of quarter	$ 153

NOTE 5 FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are categorized using defined hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair value measurements, as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 Unobservable inputs in which little or no market activity exists, requiring an entity to develop its own assumptions about the assumptions that market participants would use in valuing.

As of June 20, 2009, the Company had no material financial assets or liabilities measured at fair value and no material nonfinancial assets or liabilities measured at fair value on a nonrecurring basis subsequent to their initial recognition.

Financial Instruments

For certain of the Company s financial instruments, including cash and cash equivalents, receivables and accounts payable, the fair values approximate book values due to their short maturities.

The estimated fair value of notes receivable was less than the book value by approximately $5 and $8 as of June 20, 2009 and February 28, 2009, respectively. Notes receivable are valued based on a discounted cash flow approach applying a rate that is comparable to publicly traded instruments of similar credit quality.

The estimated fair value of the Company s long-term debt (including current maturities) was less than the book value by approximately $281 and $452 as of June 20, 2009 and February 28, 2009, respectively. The estimated fair value was based on market quotes, where available, or market values for similar instruments.

NOTE 6 LONG-TERM DEBT

The Company s long-term debt and capital lease obligations consisted of the following:

	June 20, 2009	February 28, 2009
1.19% to 3.25% Revolving Credit Facility and Variable Rate Notes due June 2011 June 2012	$ 1,617	$ 1,920
8.00% Notes due May 2016	1,000	
7.50% Notes due February 2011	700	700
7.45% Debentures due August 2029	650	650
7.50% Notes due November 2014	500	500
6.34% to 7.15% Medium Term Notes due July 2009 June 2028	452	512
8.00% Debentures due May 2031	400	400
7.50% Notes due May 2012	300	300
8.00% Debentures due June 2026	272	272
8.70% Debentures due May 2030	225	225
7.75% Debentures due June 2026	200	200
7.25% Notes due May 2013	200	200
6.95% Notes due August 2009	173	350
8.35% Notes due May 2010	165	275
7.875% Notes due August 2009	118	350
7.90% Debentures due May 2017	96	96
7.50% Debentures due May 2037		191
Accounts Receivable Securitization Facility, currently 1.41%	125	120
Other	90	97
Net discount on debt, using an effective interest rate of 6.28% to 8.97%	(240)	(208)
Capital lease obligations	1,319	1,334
Total debt and capital lease obligations	8,362	8,484
Less current maturities of long-term debt and capital lease obligations	(257)	(516)
Long-term debt and capital lease obligations	$ 8,105	$ 7,968

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 2009, the Company issued $1,000 in senior notes, which rank equally with all of the Company s other senior unsecured indebtedness. In conjunction with the debt issuance, the Company paid off $191 of 7.50% Debentures due May 2037 that contained put options exercised in May 2009, early redeemed $60 of 6.77% Medium Term Notes due July 2009 and purchased pursuant to a tender offer $232 of 7.875% Notes due August 2009, $177 of 6.95% Notes due August 2009 and $110 of 8.35% Notes due May 2010 for an aggregate payment of $777 in cash. The remainder of the debt issuance proceeds was used to reduce the Revolving Credit Facility.

In May 2009, the Company amended and extended its 364-day accounts receivable securitization program. The Company can borrow up to $200 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 0.75 percent to 2.50 percent, based on the Company s credit ratings. The facility fee in effect on June 20, 2009, based on the Company s current credit ratings, is 1.00 percent. As of June 20, 2009, there were $353 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 June 20, 2009, the Company had $456 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.

NOTE 7 INCOME TAXES

During the 16 weeks ended June 20, 2009 there were 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, 28, 2009. The Company does not anticipate that its total unrecognized tax benefits will change significantly in the next 12 months.

NOTE 8 STOCK-BASED AWARDS

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 $13 and $23 for the 16 weeks ended June 20, 2009 and June 14, 2008, respectively.

During the 16 weeks ended June 20, 2009 and June 14, 2008, the Company granted approximately 3 and 4 stock options, respectively. 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 consisted of the following:

	June 20, 2009	**June 14, 2008**
Dividend yield	2.0%	2.0%
Volatility rate	41.3 42.2%	28.1 36.4%
Risk-free interest rate	1.9 2.0%	2.0 3.4%
Expected option life	4.0 4.5 years	1.0 5.4 years

The weighted average grant date fair value of the stock options granted during the 16 weeks ended June 20, 2009 and June 14, 2008 was $4.93 and $7.93, respectively.

NOTE 9 TREASURY STOCK PURCHASE PROGRAM

On May 28, 2009, 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 the previously existing share repurchase program and continues through June 2010. The Company did not repurchase any shares during the 16 weeks ended June 20, 2009. As of June 20, 2009, there remained $70 available to repurchase the Company s common stock.

The Company did not repurchase any shares during the 16 weeks ended June 20, 2009 under the previously existing share repurchase program. During the 16 weeks ended June 14, 2008 the Company purchased 0.2 shares under a previously existing program at an average cost of $30.01 per share.

NOTE 10 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

Table of Contents

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 (income) for defined benefit pension plans and other postretirement benefit plans consisted of the following:

	First Quarter Ended			
	Pension Benefits		Other Postretirement Benefits	
	June 20, 2009	June 14, 2008	June 20, 2009	June 14, 2008
Service cost	$ 2	$ 2	$ 1	$
Interest cost	42	40	2	3
Expected return on assets	(39)	(43)		
Amortization of prior service benefit			(2)	
Amortization of net actuarial loss	3		1	1
Net periodic benefit expense (income)	$ 8	$ (1)	$ 2	$ 4

During the 16 weeks ended June 20, 2009, the Company made contributions of approximately $26 to its pension plans and $2 to its other postretirement benefit plans.

NOTE 11 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 June 20, 2009. These guarantees were generally made to support the business growth of independent retail customers. 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 21 years, with a weighted average remaining term of approximately 10 years. For each guarantee issued, if the independent retail customer 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 independent retail customer. The Company reviews performance risk related to its guarantees of independent retail customers based on internal measures of credit performance. As of June 20, 2009, the maximum amount of undiscounted payments the Company would be required to make in the event of default of all of these guarantees was approximately $160 and represented approximately $107 on a discounted basis. Based on the indemnification agreements, personal guarantees and results of the reviews of performance risk, 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 June 20, 2009, the Company had approximately $1,662 of non-cancelable future purchase obligations primarily related to supply contracts.

The Company is a party to a variety of contractual agreements under which the Company may be obligated to indemnify the other party 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 aware of no current matter 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 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 Albertsons 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 parties have entered into a memorandum of understanding regarding settlement of this matter and are currently negotiating terms of a preliminary settlement agreement. 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.

In September 2008, a class action complaint was filed against the Company, as well as International Outsourcing Services, LLC (IOS), Inmar, Inc., Carolina Manufacturer s Services, Inc., Carolina Coupon Clearing, Inc. and Carolina Services, in the United States District Court in the Eastern District of Wisconsin. The plaintiffs in the case are a consumer goods manufacturer, a grocery co-operative and a retailer marketing services company who allege on behalf of a purported class that the Company and the other defendants (i) conspired to restrict the markets for coupon processing services under the Sherman Act and (ii) were part of an illegal enterprise to defraud the plaintiffs under the Federal Racketeer Influenced and Corrupt Organizations Act. The plaintiffs seek monetary damages, attorneys fees and injunctive relief. The Company intends to vigorously defend this lawsuit, however all proceedings have been stayed in the case pending the result of the criminal prosecution of certain former officers of IOS. 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.

In December 2008, a class action complaint was filed in the United States District Court for the Western District of Wisconsin against the Company alleging that a 2003 transaction between the Company and C&S Wholesale Grocers, Inc. (C&S) was a conspiracy to restrain trade and allocate markets. In the 2003 transaction, the Company purchased certain assets of the Fleming Corporation as part of Fleming Corporation s bankruptcy proceedings and sold certain assets of the Company to C&S which were located in New England. The complaint alleges that the conspiracy was concealed and continued through the use of non-compete and non-solicitation agreements and the closing down of the distribution facilities that the Company and C&S purchased from the other. Plaintiffs are seeking monetary damages, injunctive relief and attorneys fees. 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.

In July 2009, a putative class action complaint was filed in the United States District Court for the Southern District of New York against the Company and an officer and the Executive Chairman of the Board alleging fraud under Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5. The complaint alleges that the Company withheld negative information from the market by inflating its fiscal year 2010 guidance in order to complete the Company s Note Offering which closed on May 7, 2009. The purported class period runs between April 23, 2009 and June 23, 2009. Plaintiff is seeking class certification, monetary damages and attorneys fees and costs. The Company intends to vigorously defend 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.

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.

Table of Contents

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 could 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 returns on the assets held in the plans, actions taken by the trustees who manage the plans and requirements under the Pension Protection Act and Section 412(e) of the Internal Revenue Code. Furthermore, if the Company were to significantly reduce contributions, 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. The majority of the Company s collective bargaining agreements fix or limit the Company s contributions to multi-employer health and welfare plans. The remaining agreements contain requirements that could result in additional contributions, increasing the Company s Selling and administrative expenses in the future.

NOTE 12 SEGMENT INFORMATION

Refer to page 2 for the Company s segment information.

NOTE 13 SUBSEQUENT EVENT

On July 28, 2009, the Company announced that it reached an agreement for the sale of 36 Albertsons stores located in Utah. The transaction, which is subject to regulatory approval, is expected to realize approximately $150 in after-tax net proceeds and is not expected to have a material effect on the Company s results of operations for fiscal 2010.

Table of Contents

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 grocery channel. The Company operates in two segments of the grocery industry, Retail food and Supply chain services, primarily wholesale distribution. As of June 20, 2009, the Company conducted its retail operations through a total of 2,418 retail stores of which 866 are licensed locations.

Weakness in the economy continued to negatively impact consumer confidence and spending in early fiscal 2010. If this continues, it could lead to further reduced consumer spending, trading down by consumers to a less expensive mix of products or trading down by consumers to discounters for grocery items, all of which could impact the Company s sales growth. Food deflation could reduce sales growth, while food inflation, combined with reduced consumer spending, could reduce gross profit margins.

RESULTS OF OPERATIONS

In the first quarter of fiscal 2010, net sales were $12,715 and net earnings were $113, or $0.53 per basic and diluted share. In the first quarter of fiscal 2009, net sales were $13,347 and net earnings were $162, or $0.76 per basic and diluted share. Results for the first quarter of fiscal 2009 included 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 $6 after tax, or $0.03 per diluted share.

FIRST QUARTER RESULTS

Net Sales

Net sales for the first quarter of fiscal 2010 were $12,715 compared with $13,347 last year, reflecting decreased sales in both the Retail food and Supply chain services segments. Retail food sales were 77.9 percent of Net sales and Supply chain services sales were 22.1 percent of Net sales for the first quarter of fiscal 2010, compared with 77.5 percent and 22.5 percent, respectively, last year.

Retail food net sales for the first quarter of fiscal 2010 were $9,900 compared with $10,346 last year. New store sales growth was more than offset by the impact of store closures and negative identical store retail sales. Identical store retail sales growth (defined as stores operating for four full quarters, including store expansions and excluding fuel and planned store closures) for the first quarter of fiscal 2010 compared to last year was negative 3.2 percent primarily as a result of a challenging economic environment, heightened competitive activity, additional investments in price and higher levels of promotional spending.

Total retail square footage at the end of the first quarter of fiscal 2010 was approximately 69 million. Total retail square footage decreased 3.2 percent from the first quarter of fiscal 2009. Total retail square footage, excluding store closures, increased 0.8 percent over the first quarter of fiscal 2009.

Supply chain services net sales for the first quarter of fiscal 2010 were $2,815 compared with $3,001 last year, reflecting the on-going transition of a national retailer s volume to self-distribution and customer attrition, which was partially offset by new business growth.

Gross Profit

Gross profit, as a percent of Net sales, decreased 60 basis points to 22.4 percent in the first quarter of fiscal 2010 compared to 23.0 percent last year, primarily reflecting increased investments in price and promotional spending.

Selling and Administrative Expenses

Selling and administrative expenses, as a percent of Net sales, were 19.6 percent in the first quarter of fiscal 2010 compared with 19.6 percent last year, primarily reflecting effective expense management with the decrease in Net sales from last year.

Operating Earnings

Operating earnings for the first quarter of fiscal 2010 were $362 compared with $456 last year. Retail food operating earnings for the first quarter of fiscal 2010 were $311 compared with $399 last year, primarily reflecting the impact of a challenging economic environment, heightened competitive activity, additional investments in price and higher levels of promotional spending. Supply chain services operating earnings for the first quarter of fiscal 2010 were $82,

or 2.9 percent of Supply chain services net sales, compared with $86, or 2.9 percent of Supply chain services net sales last year.

Table of Contents

Net Interest Expense

Net interest expense was $177 in the first quarter of fiscal 2010 compared with $190 last year, primarily reflecting lower interest rates and debt levels in the first quarter of fiscal 2010 compared to last year.

Income Tax Provision

The income tax expense was $72, or 38.7 percent of earnings before income taxes, in the first quarter of fiscal 2010 compared with income tax expense of $104, or 39.0 percent of earnings before income taxes, last year.

Net Earnings

Net earnings were $113, or $0.53 per basic and diluted share, in the first quarter of fiscal 2010 compared with net earnings of $162, or $0.76 per basic and diluted share last year.

SUBSEQUENT EVENT

On July 28, 2009, the Company announced that it reached an agreement for the sale of 36 Albertsons stores located in Utah. The transaction, which is subject to regulatory approval, is expected to realize approximately $150 in after-tax net proceeds and is not expected to have a material effect on the Company s results of operations for fiscal 2010.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $492 for the first quarter of fiscal 2010 compared with $398 last year, primarily attributable to changes in working capital partially offset by decreased Net earnings and Depreciation and amortization.

Net cash used in investing activities was $223 for the first quarter of fiscal 2010 compared with $369 last year. The decrease is primarily attributable to lower capital spending in the first 16 weeks of fiscal 2010 compared to last year.

Net cash used in financing activities was $234 for the first quarter of fiscal 2010 compared with $13 last year. Fiscal 2010 first quarter financing activities primarily reflect net payments of long-term debt and capital lease obligations and payment of dividends.

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. 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. 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.

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 2009, the Company issued $1,000 in senior notes, which rank equally with all of the Company s other senior unsecured indebtedness. In conjunction with the debt issuance, the Company paid off $191 of 7.50% Debentures due May 2037 that contained put options exercised in May 2009, early redeemed $60 of 6.77% Medium Term Notes due July 2009 and purchased pursuant to a tender offer $232 of 7.875% Notes due August 2009, $177 of 6.95% Notes due August 2009 and $110 of 8.35% Notes due May 2010 for an aggregate payment of $777 in cash. The remainder of the debt issuance proceeds was used to reduce the Revolving Credit Facility.

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 under the facilities as of June 20, 2009, based on the Company s current credit ratings, 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 revolving advances and Prime Rate for base rate 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.

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 2.25 to 1 for each of the fiscal quarters ending up through December 30, 2009, and moves 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 4.00 to 1 for each of the fiscal quarters ending up through December 30, 2009 and moves to a ratio not to exceed 3.75 to 1 for each of the fiscal quarters ending after December 30, 2009.

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. Prepayments shall be applied pro rata to the remaining amortization payments.

As of June 20, 2009, there were $26 of outstanding borrowings under the Revolving Credit Facility. Term Loan A had a remaining principal balance of $478, of which $113 was classified as current, and Term Loan B had a remaining principal balance of $1,113, of which $11 was classified as current. Letters of credit outstanding under the Revolving Credit Facility were $329 and the unused available credit under the Revolving Credit Facility was $1,645. The Company also had $5 of outstanding letters of credit issued under separate agreements with financial institutions. Letters of credit primarily support workers compensation, merchandise import programs and payment obligations. The Company pays fees, which vary by instrument, of up to 1.40 percent on the outstanding balance of the letters of credit.

In May 2009, the Company amended and extended its 364-day accounts receivable securitization program. The Company can borrow up to $200 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 0.75 percent to 2.50 percent, based on the Company s credit ratings. The facility fee in effect on June 20, 2009, based on the Company s current credit ratings, is 1.00 percent. As of June 20, 2009, there were $353 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 June 20, 2009, the Company had $456 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.

Capital spending during the first quarter of fiscal 2010 was approximately $238. Capital spending primarily included store remodeling activity and technology expenditures. The Company s capital spending for fiscal 2010 is projected to be approximately $700, including capital leases.

Fiscal 2010 debt reduction is projected to be approximately $700, including the net proceeds from the sale of 36 Albertsons stores located in Utah.

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 June 20, 2009. These guarantees were generally made to support the business growth of independent retail customers. 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 21 years, with a weighted average remaining term of approximately 10 years. For each guarantee issued, if the independent retail customer 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 independent retail customer. The Company reviews performance risk related to its guarantees of independent retail customers based on internal measures of credit performance. As of June 20, 2009, the maximum amount of undiscounted payments the Company would be required to make in the event of default of all of these guarantees was approximately $160 and represented approximately $107 on a discounted basis. Based on the indemnification agreements, personal guarantees and results of the reviews of performance risk, 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 June 20, 2009, the Company had approximately $1,662 of non-cancelable future purchase obligations primarily related to supply contracts.

The Company is a party to a variety of contractual agreements under which the Company may be obligated to indemnify the other party 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

Table of Contents

Company is aware of no current matter 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 11 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 could 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 returns on the assets held in the plans, actions taken by the trustees who manage the plans and requirements under the Pension Protection Act and Section 412(e) of the Internal Revenue Code. Furthermore, if the Company were to significantly reduce contributions, 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. The majority of the Company s collective bargaining agreements fix or limit the Company s contributions to multi-employer health and welfare plans. The remaining agreements contain requirements that could result in additional contributions, increasing the Company s Selling and administrative expenses in the future.

Contractual Obligations

There have been no material changes in the Company s contractual obligations since the end of fiscal 2009. Refer to Item 7 of the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 2009 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 28, 2009.

NEW ACCOUNTING STANDARDS

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets. FSP FAS 132(R)-1 provides additional guidance regarding disclosures about plan assets of defined benefit pension or other postretirement plans. FSP FAS 132(R)-1 will be effective for the Company s fiscal year ending February 27, 2010. The adoption of FSP FAS 132(R)-1 will result in enhanced disclosures, but will not otherwise have an impact on the Company s consolidated financial statements.

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, guidance, 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 subject 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, SUPERVALU INC. 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 Part II, Item 1A of this Quarterly Report on Form 10-Q under the heading 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.

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
- Narrow profit margins in the grocery industry

Competitive Practices

- Our ability to attract and retain customers
- Our 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 our promotional and sales programs and our ability to respond to the promotional practices of competitors
- The ability to successfully improve buying practices and shrink
- The increase in the penetration of our Own Brands private label program 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

Table of Contents

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

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 we are 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 us, our customers or suppliers

Unseasonably adverse climate conditions that impact the availability or cost of certain products in the grocery supply chain

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 7A of the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 2009.

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 June 20, 2009. 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.

Table of Contents

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.

In April 2000, a class action complaint was filed against 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 Albertsons 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 parties have entered into a memorandum of understanding regarding settlement of this matter and are currently negotiating terms of a preliminary settlement agreement. 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.

In September 2008, a class action complaint was filed against the Company, as well as International Outsourcing Services, LLC (IOS), Inmar, Inc., Carolina Manufacturer s Services, Inc., Carolina Coupon Clearing, Inc. and Carolina Services, in the United States District Court in the Eastern District of Wisconsin. The plaintiffs in the case are a consumer goods manufacturer, a grocery co-operative and a retailer marketing services company who allege on behalf of a purported class that the Company and the other defendants (i) conspired to restrict the markets for coupon processing services under the Sherman Act and (ii) were part of an illegal enterprise to defraud the plaintiffs under the Federal Racketeer Influenced and Corrupt Organizations Act. The plaintiffs seek monetary damages, attorneys fees and injunctive relief. The Company intends to vigorously defend this lawsuit, however all proceedings have been stayed in the case pending the result of the criminal prosecution of certain former officers of IOS. 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.

In December 2008, a class action complaint was filed in the United States District Court for the Western District of Wisconsin against the Company alleging that a 2003 transaction between the Company and C&S Wholesale Grocers, Inc. (C&S) was a conspiracy to restrain trade and allocate markets. In the 2003 transaction, the Company purchased certain assets of the Fleming Corporation as part of Fleming Corporation s bankruptcy proceedings and sold certain assets of the Company to C&S which were located in New England. The complaint alleges that the conspiracy was concealed and continued through the use of non-compete and non-solicitation agreements and the closing down of the distribution facilities that the Company and C&S purchased from the other. Plaintiffs are seeking monetary damages, injunctive relief and attorneys fees. 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.

In July 2009, a putative class action complaint was filed in the United States District Court for the Southern District of New York against the Company and an officer and the Executive Chairman of the Board alleging fraud under Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5. The complaint alleges that the Company withheld negative information from the market by inflating its fiscal year 2010 guidance in order to complete the Company s Note Offering which closed on May 7, 2009. The purported class period runs between April 23, 2009 and June 23,

2009. Plaintiff is seeking class certification, monetary damages and attorneys fees and costs. The Company intends to vigorously defend 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.

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.

ITEM 1A. RISK FACTORS

Various risks and uncertainties may 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 may have a material impact on the Company s business, financial condition or results of operations.

General economic conditions, which 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 may adversely affect the demand for products the Company sells in its stores or distributes to its independent retail customers. The United States economy and financial markets have declined and experienced volatility due to uncertainties related to energy prices, availability of credit, difficulties in the banking and financial services sectors, the decline in the housing market, diminished market liquidity, falling consumer confidence and rising unemployment rates. As a result, consumers are more cautious. This may lead to additional reductions in consumer spending, to consumers trading down to a less expensive mix of products or to consumers trading down to discounters for grocery items, all of which may affect the Company s financial condition and results of operations. Food deflation could reduce sales growth, while food inflation, combined with reduced consumer spending, could reduce gross profit margins. We are unable to predict when the economy will improve. If the economy does not improve, the Company s business, results of operations and financial condition may be adversely affected.

Furthermore, the Company may experience additional reductions in traffic in its own stores or stores of independent retail customers that it supplies, or limitations on the prices the Company can charge for its products, either of which may 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.

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

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 independent retail 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 may 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 may affect the Company s

competitive position or that of the Company s independent retail 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 may 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 may result in the provision of a wider variety of products and services at competitive prices by such consolidated companies, which may adversely affect the Company s financial condition and results of operations.

The Company has been subject to negative operating trends, which may adversely affect the Company s results of operations.

The Company has experienced negative operating trends, including negative identical store sales, resulting from the unprecedented decline in the economy and financial and credit market turmoil during fiscal 2009 and the beginning of fiscal 2010, which negatively affected consumer confidence and spending and pressured trading down practices by customers. In addition, the operating trends were impacted by lower margins resulting from certain ineffective pricing and promotional efforts to address these trends. Additional reductions in consumer spending, consumers trading down to a less expensive mix of products and consumers trading down to discounters for grocery items, all of which impacted the Company s results for fiscal 2009 and the beginning of fiscal 2010, may continue to negatively impact the Company s results. If the Company s merchandising and marketing initiatives do not work as planned or if these negative operating trends continue or worsen, the Company s business, results of operations and financial condition would be adversely affected.

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 may 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 may result in product liability claims and a loss of 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 may have an adverse effect on the Company s sales and results of operations.

The Company s substantial indebtedness and lower credit rating may 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.

The Company s level of indebtedness and the reduction of its credit rating may have important consequences to the operation of its businesses and may 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 may 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, may 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 28, 2009, the Company is a party to 266 collective bargaining agreements covering approximately 110,000 of its employees, of which 47 covering approximately 37,000 employees are scheduled to expire in fiscal 2010. These expiring agreements cover approximately 34 percent of the Company s union-affiliated employees. In addition, during fiscal 2009, 62 collective bargaining agreements covering approximately 4,500 employees expired without their terms being renegotiated. Negotiations are expected to continue with the bargaining units representing the employees subject to those agreements. In future negotiations with labor unions, the Company expects that, among other issues, rising healthcare, 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 may result, which may disrupt the Company s businesses and adversely affect the Company s financial condition and results of operations.

Table of Contents

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 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 healthcare 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.

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

In fiscal 2010, pursuant to the Company s 2010 capital plan, the Company expects to complete 65 to 70 major store remodels, 25 to 30 minor store remodels, three new combination and food stores, and 45 to 55 limited assortment 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 may 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 may have an adverse effect on the Company s financial condition and results of operations.

The industries in which the Company operates have narrow profit margins, which may adversely affect the Company s business.

Profit margins in the grocery industry are very narrow. In order to increase or maintain the Company s profit margins, strategies are used to reduce costs, such as productivity improvements, shrink reduction, distribution center efficiencies, energy efficiency programs and other similar strategies. Changes in product mix also may negatively affect certain financial measures. If the Company is unable to achieve forecasted cost reductions there may be an adverse effect on the Company s business.

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 may 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 may, 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 may 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 may 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 healthcare 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 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 may 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 may 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 may 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 may encounter difficulties in developing new systems or maintaining and upgrading existing systems. Such difficulties may lead to significant expenses or losses due to disruption in business operations and, as a result, may 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 may 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 independent retail 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.

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 may 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 may adversely affect the Company s results of operations. Such conditions may 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 may disrupt the Company s businesses and adversely affect the Company s financial condition and results of operations.

Table of Contents

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

Accounting principles generally accepted in the Unites States 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 may significantly change or add significant volatility to the Company s reported earnings without a comparable underlying change in cash flow from operations. As a result, changes in accounting standards may 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 may 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 the Company s future performance, may 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 may be an adverse effect on the Company s financial condition and results of operations.

Table of Contents

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)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Treasury Stock Purchase Program (3)
First four weeks March 1, 2009 to March 28, 2009	185,913	$ 15.21		$ 53
Second four weeks March 29, 2009 to April 25, 2009	3,270	$ 14.08		$ 53
Third four weeks April 26, 2009 to May 23, 2009		$		$ 53
Fourth four weeks May 24, 2009 to June 20, 2009	808	$ 15.90		$ 70
Totals	189,991	$ 15.19		$ 70

(1) The reported periods conform to the Company s fiscal calendar composed of thirteen 28-day periods. The first quarter of fiscal 2010 contains four 28-day periods.

(2) These amounts include the deemed surrender by participants in the Company s

compensatory stock plans of 189,991 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, 2009, 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 the

previously
existing share
repurchase
program and
continues
through
June 2010.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

Table of Contents

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

The Company held its Annual Meeting of Stockholders on June 25, 2009, at which the stockholders took the following actions:

(i) elected Irwin S. Cohen, Ronald E. Daly, Lawrence A. Del Santo, Susan E. Engel, Craig R. Herkert and Kathi P. Seifert to the Board of Directors for a one-year term expiring in 2010. The votes cast for and withheld with respect to each such Director are set forth below. No broker non-votes occurred with respect to any Director.

	For	Against	Abstain
Irwin S. Cohen	180,681,841	3,577,293	228,667
Ronald E. Daly	179,418,143	4,830,493	239,165
Lawrence A. Del Santo	177,723,946	6,358,704	405,151
Susan E. Engel	179,334,462	4,873,708	279,631
Craig R. Herkert	179,765,547	4,506,715	215,539
Kathi P. Seifert	177,268,803	6,981,323	237,675

The Directors whose terms continued after the meeting are as follows: A. Gary Ames, Philip L. Francis, Edwin C. Gage, Garnett L. Keith, Jr., Charles M. Lillis, Jeffrey Noddle, Marissa T. Peterson, Steven S. Rogers and Wayne C. Sales;

(ii) ratified by a vote of 179,188,730 for, 5,123,887 against, 175,184 abstaining and no broker non-votes, for the appointment of KPMG LLP as independent registered public accountants of the Company for the fiscal year ending February 27, 2010;

(iii) rejected by a vote of 132,778,546 against, 10,786,096 for, 21,040,293 abstaining and 19,882,866 broker non-votes, a stockholder proposal regarding tobacco drugstore sales; and

(iv) approved by a vote of 84,232,409 for, 75,504,716 against, 4,077,506 abstaining and 20,673,170 broker non-votes, a stockholder proposal regarding say-on-pay.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

3.1	Restated Bylaws, as amended July 7, 2009, 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 July 13, 2009.
10.1	Form of Change of Control Severance Agreement, as amended [Tiers I, II & III]*
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.
101	The following information from the SUPERVALU INC. Quarterly Report on Form 10-Q for the quarter ended June 20, 2009, filed with the SEC on July 29, 2009, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Segment Financial Information, (ii) the Condensed Consolidated Statements of Earnings, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

* Indicates management contracts, compensatory plans or arrangements required to be filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.

Table of Contents

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: July 29, 2009

/s/ SHERRY SMITH
Sherry Smith
Senior Vice President, Finance
(principal accounting officer)

Table of Contents

EXHIBIT INDEX

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