

Table of Contents**(d) Interest expense, net**

The net pro forma adjustment to Interest expense, net, is primarily driven by AB Acquisition's funding of the Safeway acquisition through borrowings of \$4,859.0 million under the ABS/Safeway Term Loan Facilities, \$850.0 million under the NAI Term Loan Facilities, net borrowings of \$609.6 million under the 7.75% ABS/Safeway Notes and an additional \$776.0 million under the ABS/Safeway ABL Facility, net of estimated payments on long-term borrowings related to the proceeds from the FTC divestitures.

	Fiscal 2014 (in millions)	16 weeks ended June 12, 2014 (in millions)
<i>Interest expense, net</i>		
Interest expense related to outstanding debt and capital lease obligations of AB Acquisition	\$ 938.6	\$ 283.4
Elimination of historical interest expense related to historical debt and capital lease obligations	(916.5)	(243.1)
Period alignment adjustment	21.3	34.3
Pro forma adjustment to increase Interest expense, net	\$ 43.4	\$ 74.6

(e) Other expense, net

The net pro forma adjustment to Other expense, net primarily reflects the elimination of the loss on the deal-contingent interest rate swap (the "Deal-Contingent Swap"). Prior to the Safeway acquisition, the swap was treated as an economic hedge with changes in fair value recorded through earnings. Upon closing of the Safeway acquisition, the interest rate swap was designated as a cash flow hedge, with any subsequent changes in fair value being recorded through Accumulated other comprehensive income.

	Fiscal 2014 (in millions)	16 weeks ended June 12, 2014 (in millions)
<i>Other expense, net</i>		
Elimination of loss on Deal-Contingent Swap	\$ (96.1)	\$ (22.8)
Elimination of PDC properties' historical Other expense	(2.0)	—
Pro forma adjustment to decrease Other expense, net	\$ (98.1)	\$ (22.8)

(f) Income tax (benefit) expense

The unaudited pro forma condensed consolidated income tax (benefit) expense has been adjusted for the tax effect of the pro forma adjustments to income before income taxes by applying a blended federal and state statutory tax rate of 39.6% for Safeway.

3. Pro Forma Adjustments for IPO-Related Transactions*Unaudited Pro Forma Condensed Consolidated Statement of Continuing Operations*

- (a) As part of the IPO-Related Transactions, all of our operating subsidiaries will become subsidiaries of Albertsons Companies, Inc., a Delaware corporation, and as a result all of our operations will be taxable as part of a consolidated group for federal income tax purposes. The pro forma adjustment to Income tax (benefit) expense is derived by applying a combined federal and state statutory tax rate of 38.7% to the pro forma pre-tax earnings