

Table of Contents**Interest Rate Risk and Long-Term Debt**

We are exposed to market risk from fluctuations in interest rates. We manage our exposure to interest rate fluctuations through the use of interest rate swaps ("Cash Flow Hedges"). Our risk management objective and strategy is to utilize these interest rate swaps to protect the company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to interest payments on a portion of its outstanding debt. We believe that we are meeting our objectives of hedging our risks in changes in cash flows that are attributable to changes in the LIBOR rate, which is the designated benchmark interest rate being hedged (the "hedged risk"), on an amount of the company's debt principal equal to the then-outstanding swap notional amount.

Additionally, we had the Deal-Contingent Swap that was entered into on April 16, 2014 in order to reduce our exposure to anticipated variable rate debt issuances in connection with the Safeway acquisition. Upon consummation of the Safeway acquisition, the swap became effective and was designated as a cash flow hedge. In accordance with the swap agreement, we receive a floating rate of interest and pay a fixed rate of interest over the life of the contract.

Interest rate volatility could also materially affect the interest rate we pay on future borrowings under the Senior Secured Credit Facilities. The interest rate we pay on future borrowings under the Senior Secured Credit Facilities are dependent on LIBOR. We believe a 100 basis point increase or decrease on our variable interest rates would not be significant.

See Note 7—Derivative Financial Instruments in our consolidated financial statements, included elsewhere in this prospectus, for additional information.

The tables below provide information about our interest rate derivatives classified as Cash Flow Hedges, deal-contingent swaps and underlying debt portfolio as of February 28, 2015 (dollars in millions).

	Pay Fixed/Receive Variable						Total	Fair Value
	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Thereafter		
Cash Flow Hedges and Deal-Contingent Swap								
Average notional amount outstanding	\$5,125	\$4,628	\$3,807	\$2,925	\$1,921	\$ 1,357		
Average pay rate	6.79%	6.86%	6.82%	6.77%	7.19%	7.19%		
Average receive rate	5.34%	5.37%	5.92%	6.39%	6.67%	6.97%		
Long-Term Debt								
Principal payments	\$503.4	\$217.1	\$324.3	\$219.1	\$2,286.5	\$ 8,608.1	\$12,158.5	\$12,095.2
Weighted average interest rate(1)	3.15%	4.56%	5.77%	5.23%	5.24%	5.68%	5.43%	

(1) Excludes effect of interest rate swaps

Commodity Price Risk

We have entered into fixed price contracts to purchase electricity and natural gas for a portion of our energy needs. Contracts entered into as of February 28, 2015 expire from 2015 through 2034 with a combined contract value of \$99.9 million. We expect to take delivery of these commitments in the normal course of business, and, as a result, these commitments qualify as normal purchases. We do not believe that these energy and commodity swaps would cause a material change to the financial position of the company.