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Safeway's self-insurance expense increased \$55.3 million to \$153.9 million in fiscal 2014 from \$98.6 million in fiscal 2013. A 25 basis point decline in the discount rate used to measure the present value of the self-insurance liability in fiscal 2014 increased Safeway's self-insurance expense by approximately \$6 million. The primary drivers leading to the increase in fiscal 2014 were a significant claim related to Safeway's in-store pharmacy operations and two significant claims related to Safeway's transportation operations. In fiscal 2013, a 100 basis point increase in the discount rate reduced fiscal 2013 expense by approximately \$24 million. The remaining increase was due primarily to adverse claim development.

Safeway's operating and administrative expense margin increased 31 basis points to 24.75% of sales in fiscal 2013 from 24.44% of sales in fiscal 2012 primarily for the following reasons:

	Basis point increase (decrease)
Impact of fuel sales	33
\$46.5 million gain from legal settlements in fiscal 2012	15
Write-off of \$30.0 million of notes receivable	9
Decline in self-insurance expense	(16)
Lower depreciation expense	(11)
Lower pension expense	(5)
Other individually immaterial items	6
Total	<u>31</u>

Gain on Property Dispositions

Safeway's operating and administrative expense included a net gain on property dispositions of \$38.8 million in fiscal 2014, a net gain of \$51.2 million in fiscal 2013 and a net gain of \$48.3 million in fiscal 2012.

Interest Expense

Safeway's interest expense was \$198.9 million in fiscal 2014, compared to \$273.0 million in fiscal 2013 and \$300.6 million in fiscal 2012. The decrease in fiscal 2014 was due to lower average borrowings, partly offset by increased average interest rates. The decrease in interest expense in fiscal 2013 was due to lower average borrowing in fiscal 2013 compared to fiscal 2012, partly offset by slightly higher interest rates.

Average borrowings from continuing operations at Safeway were \$3,680.5 million, \$5,623.9 million and \$6,378.9 million in fiscal 2014, fiscal 2013 and fiscal 2012, respectively. Average interest rates were 5.42%, 4.85% and 4.71% in fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

Loss on Extinguishment of Debt

Safeway incurred a loss on extinguishment of debt of \$84.4 million and \$10.1 million in fiscal 2014 and fiscal 2013, respectively. See Note G to Safeway's historical consolidated financial statements, included elsewhere in this prospectus, for additional information.

Loss on Foreign Currency Translation

After the sale of Safeway's Canadian operations, the adjustments resulting from translation of assets and liabilities denominated in Canadian dollars are included in Safeway's statement of income as a foreign currency gain or loss. Foreign currency loss at Safeway was \$131.2 million in fiscal 2014 and \$57.4 million in fiscal 2013.