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SAFEWAY INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Total share-based compensation expenses for continuing operations recognized as a component of operating and administrative expense is as follows (in millions):

	2014	2013	2012
Share-based compensation expense	\$ 24.7	\$ 50.4	\$ 48.4
Income tax benefit	(9.7)	(19.6)	(18.7)
Share-based compensation expense recognized in earnings, net of tax	<u>\$ 15.0</u>	<u>\$ 30.8</u>	<u>\$ 29.7</u>

Note M: Taxes on Income

The components of income before income tax expense are as follows (in millions):

	2014	2013	2012
Domestic	\$ 159.5	\$ 258.3	\$ 370.7
Foreign	5.5	(6.7)	(8.5)
	<u>\$ 165.0</u>	<u>\$ 251.6</u>	<u>\$ 362.2</u>

The components of income tax expense are as follows (in millions):

	2014	2013	2012
Current:			
Federal	\$(33.9)	\$ 301.7	\$ 146.9
State	4.2	11.8	5.1
Foreign	1.9	(2.4)	(2.9)
	<u>(27.8)</u>	<u>311.1</u>	<u>149.1</u>
Deferred:			
Federal	78.5	(273.9)	(35.4)
State	11.2	(2.7)	(0.7)
Foreign	(0.1)	—	—
	<u>89.6</u>	<u>(276.6)</u>	<u>(36.1)</u>
	<u>\$ 61.8</u>	<u>\$ 34.5</u>	<u>\$ 113.0</u>

Reconciliation of the provision for income taxes at the U.S. federal statutory income tax rate to the Company's income taxes is as follows (dollars in millions):

	2014	2013	2012
Statutory rate	35%	35%	35%
Income tax expense using federal statutory rate	\$ 57.8	\$ 88.1	\$ 126.8
State taxes on income net of federal benefit	9.9	5.9	2.9
Charitable donations of inventory	(9.2)	(9.6)	(4.3)
Federal tax credits	(4.0)	(11.2)	(2.2)
Reversal of deferred tax liability on life insurance	—	(17.2)	—
Equity earnings of foreign affiliate	3.6	(13.3)	(8.4)
Other	3.7	(8.2)	(1.8)
	<u>\$ 61.8</u>	<u>\$ 34.5</u>	<u>\$ 113.0</u>