

Table of Contents**Adjusted EBITDA**

Adjusted EBITDA is a non-GAAP operating financial measure that we define as earnings (net income (loss)) before interest, income taxes, depreciation and amortization, as further adjusted to eliminate the effects of items management does not consider in assessing ongoing performance. We believe that Adjusted EBITDA provides a meaningful representation of operating performance because it excludes the impact of items that could be considered "non-core" in nature. We use Adjusted EBITDA to measure overall performance and assess performance against peers. Adjusted EBITDA also provides useful information for our investors, securities analysts and other interested parties. Adjusted EBITDA is not a measure of performance under GAAP and should not be considered as a substitute for net earnings, cash flows from operating activities and other income or cash flow statement data. Our definition of Adjusted EBITDA may not be identical to similarly titled measures reported by other companies.

For the first quarter of fiscal 2015, Adjusted EBITDA was \$727.8 million, or 4.0% of sales, an increase of 187.1% compared to \$253.5 million, or 3.5% of sales, for the first quarter of fiscal 2014. The increase in Adjusted EBITDA for the first quarter of fiscal 2015 reflects contributions from the Safeway acquisition as well as our improved operating performance.

The following is a reconciliation of Net loss to Adjusted EBITDA (in millions) for the quarters ended June 20, 2015 and June 12, 2014:

	First Quarter Ended	
	June 20, 2015(1)	June 12, 2014
Net loss	\$ (153.3)	\$ (116.9)
Depreciation and amortization	478.0	207.9
Interest expense, net	283.8	140.0
Income tax benefit	(29.0)	(14.0)
EBITDA	579.5	217.0
(Gain) loss on interest rate and commodity hedges, net	(0.8)	22.8
Acquisition and integration costs(2)	73.3	20.8
Non-cash equity-based compensation expense	55.5	2.1
Net gain on property dispositions, asset impairment and lease exit costs	(5.9)	(12.3)
LIFO expense	6.2	7.2
Facility closures and related transition costs(3)	9.5	—
Other(4)	10.5	(4.1)
Adjusted EBITDA	<u>\$ 727.8</u>	<u>\$ 253.5</u>

(1) Includes results for the stores acquired in the Safeway acquisition.

(2) Primarily includes costs related to acquisitions, integration of acquired businesses and adjustments to a tax indemnification liability.

(3) Includes costs related to facility closures and the transition to our decentralized operating model.

(4) Primarily includes non-cash lease adjustments related to deferred rents and deferred gains on lease expenses related to closed stores. Also includes amortization of unfavorable leases on acquired Safeway surplus properties and non-cash pension and post-retirement expense, net.

For fiscal 2014, Adjusted EBITDA was \$1.1 billion, or 4.0% of sales, an increase of 87.5% compared to \$585.9 million, or 2.9% of sales, for fiscal 2013. The increase in Adjusted EBITDA for fiscal 2014 reflects our improved operating performance as well as contributions from the Safeway and United acquisitions.