Fact Book 2006

About the Safeway Fact Book

This Fact Book provides certain financial and operating information about Safeway. It is intended to be used as a supplement to Safeway's 2005 Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and therefore does not include the Company's consolidated financial statements and notes.

Safeway believes that the information contained in this Fact Book is correct in all material respects as of the date set forth below. However, such information is subject to change.

May 2006

Contents

Note: This Fact Book contains forward-looking statements within the meaning of Section 27A of the Securities Exchange Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements relate to, among other things, capital expenditures, identical-store sales, comparable-store sales, cost reductions, operating improvements, obligations with respect to divested operations, cash flow, share repurchases, tax settlements, information technology, Safeway brands and store standards and are indicated by words or phrases such as "continuing", "on going", "expects", "plans", "will" and similar words or phrases. These statements are based on Safeway's current plans and expectations and involve risks and uncertainties that could cause actual events and results to vary significantly from those included in, or contemplated or implied by such statements. Certain risks and uncertainties are described in Safeway's reports filed with the Securities and Exchange Commission.

I. Investor Information

CORPORATE OFFICE

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INVESTOR CONTACTS

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Senior Vice President, Finance & Investor Relations
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Fax: (925) 467-3270

STOCK INFORMATION

- Stock symbol: SWY
- Listed on New York Stock Exchange ("NYSE")
- Transfer Agent: Computershare Trust Company, N.A.
  P.O. Box 43023
  Providence, RI 02940-3023
  Phone: (877) 498-8861
  Hearing impaired: (800) 952-9245
  www.computershare.com
- 449.4 million common shares issued and outstanding as of December 31, 2005
- 449.8 million weighted average shares outstanding during 2005 (diluted)
- 2005 range of trading prices, NYSE: $17.85 to $26.46
- Declared first quarterly cash dividend on May 25, 2005 to holders of record on June 16, 2005
- Two-for-one stock split effected February 25, 1998
- Two-for-one stock split effected January 30, 1996

BOND INFORMATION – AS OF MAY 2006

- *4.80% Senior Notes due 2007*
- *7.00% Senior Notes due 2007*
- *9.875% Senior Subordinated Debentures due 2007*
- *4.125% Senior Notes due 2008*
- *6.50% Senior Notes due 2008*
- *Floating Rate Senior Notes due 2009*
- *7.50% Senior Notes due 2009*
- *4.95% Senior Notes due 2010*
- *6.50% Senior Notes due 2011*
- *5.80% Senior Notes due 2012*
- *5.625% Senior Notes due 2014*
- *7.45% Senior Debentures due 2027*
- *7.25% Senior Debentures due 2031*

Trustee & Paying Agent:

The Bank of New York (800) 548-5075
Bondholder Relations Department
Corporate Trust Division
Fiscal Agencies Department
101 Barclay Street, 7 – East
New York, NY 10286

- *9.30% Senior Secured Debentures due 2007*

Trustee & Paying Agent:

JPMorgan Chase & Co. (800) 275-2048
Institutional Trust Services
P.O. Box 2320
Dallas, TX 75221-2320

- *4.45% Senior Notes due 2008 (Canada Safeway Limited)*

Trustee & Paying Agent:

BNY Trust Company of Canada (416) 933-8500
4 King Street West, Suite 1101
Toronto, Ontario MSH 1B6

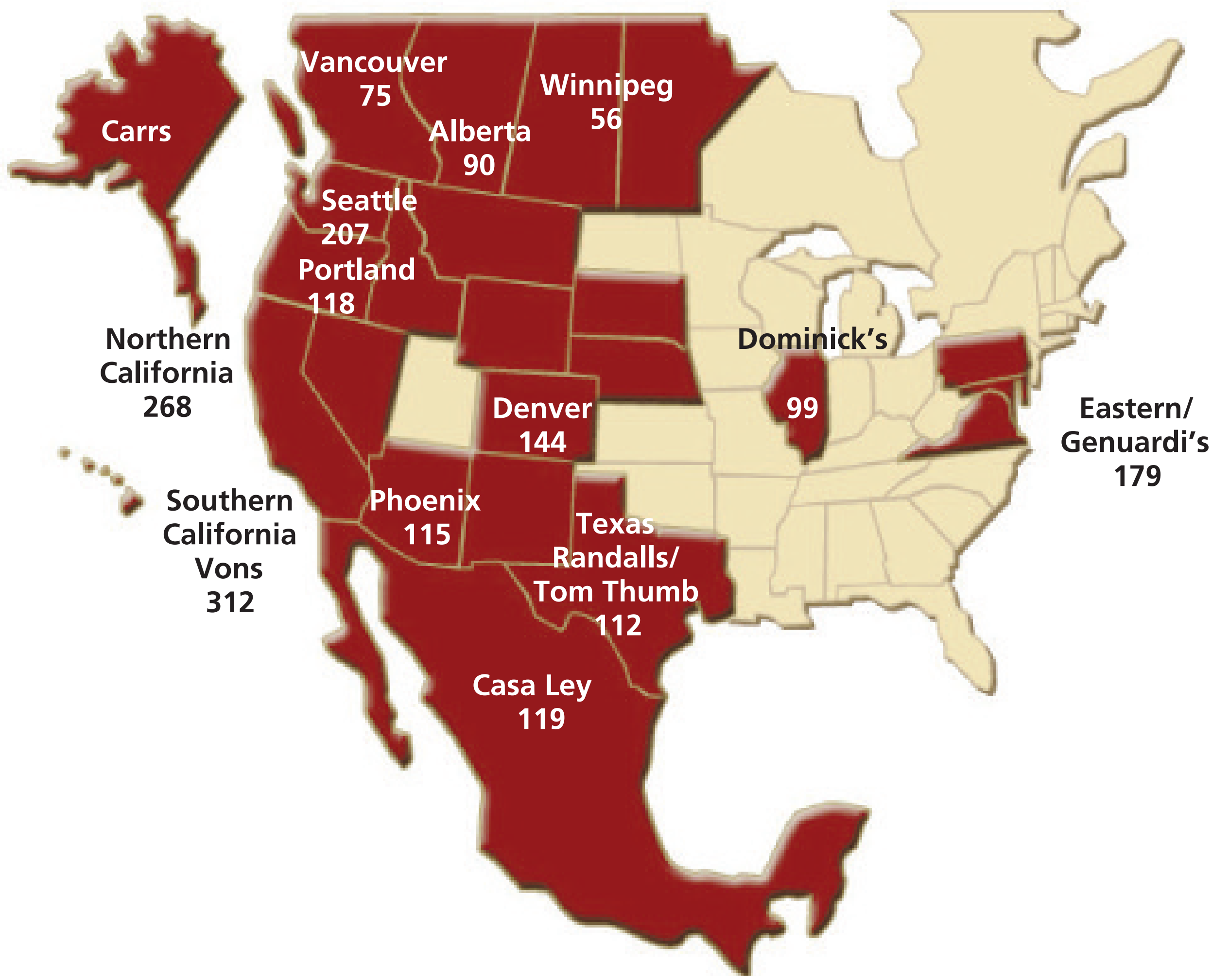
II. Safeway at a Glance

Safeway Inc. (“Safeway” or the “Company”) is one of the largest food and drug retailers in North America. At year-end 2005, the Company operated 1,775 stores in the Western, Southwestern, Rocky Mountain, Midwestern and Mid-Atlantic regions of the United States and in Western Canada. In support of its stores, Safeway has an extensive network of distribution, manufacturing and food processing facilities.

Safeway also holds a 49% interest in Casa Ley, S.A. de C.V., which at year-end 2005 operated 119 food and general merchandise stores in Western Mexico.

In addition, the Company has a 56% equity interest in and a strategic alliance with GroceryWorks Holdings, Inc., an Internet grocer which operates under the names “safeway.com”, “vons.com” and “genuardis.com”.

The majority of the information in this Fact Book is based on fiscal year 2005 numbers.



III. Retail Operations

OVERVIEW

Safeway's operating strategy is to provide value to its customers by maintaining superior store standards and a wide selection of quality products at competitive prices. To meet the needs and desires of today's busy shoppers, the Company emphasizes high quality meat and produce, in-store bakeries, deli and food service areas and outstanding floral and pharmacy departments. The Company's store employees also deliver superior service to customers to make the shopping experience more enjoyable.

Stores by Operating Area as of December 31, 2005

	Less Than 35,000 Sq. Ft.	Greater Than 35,000 Sq. Ft.*	Total Stores
U.S. Operating Areas:			
Denver	20	124	144
Dominick's	4	95	99
Eastern (MD, VA, D.C.)	29	150	179
N. California (includes Hawaii)	78	190	268
Phoenix	6	109	115
Portland	22	96	118
Texas (Randalls/Tom Thumb)	13	99	112
Seattle (includes Alaska)	48	159	207
S. California (Vons)	99	213	312
Total U.S.:	319	1,235	1,554
Canadian Operating Areas:			
Alberta	21	69	90
Vancouver	32	43	75
Winnipeg	17	39	56
Total Canada:	70	151	221
Total U.S. & Canada:	**389**	**1,386**	**1,775**

**As of December 31, 2005, approximately 78% of Safeway's stores were 35,000 square feet or larger.*

Store Count by State as of December 31, 2005

United States		Canada - Provinces	
Alaska	35	Alberta	87
Arizona	114	British Columbia	78
California	532	Manitoba	35
Colorado	122	Ontario	6
District of Columbia	16	Saskatchewan	15
Delaware	5		
Hawaii	18		
Idaho	6		
Illinois	99		
Maryland	77		
Montana	12		
Nebraska	5		
Nevada	30		
New Jersey	5		
New Mexico	4		
Oregon	103		
Pennsylvania	32		
South Dakota	3		
Texas	112		
Virginia	44		
Washington	169		
Wyoming	11		
Total U.S.:	1,554	Total Canada:	221
Total U.S. & Canada:	**1,775**		

Percentage of Stores with Specialty Departments

	2005
Deli	97%
Bakery	94%
Floral	92%
Pharmacy	75%
Starbucks	41%
Fuel Stations	18%

PRIMARY COMPETITORS

Safeway U.S. Operating Areas:	**Primary Conventional:**	**Other*:**
Chicago	Jewel (Albertsons)	Cub Food (Supervalu), Meijer
Denver	King Soopers (Kroger), Albertsons	Wal-Mart Supercenter, Sam's Club
Eastern (MD, VA, D.C.)	Giant (Ahold), Food Lion (Delhaize), Shoppers Food Warehouse (Supervalu)	
Philadelphia (Genuardi's)	Acme (Albertsons), ShopRite, Pathmark, Giant (Ahold), Super Fresh (Great Atlantic & Pacific)	Costco, Save-A-Lot (Supervalu)
N. California (includes Hawaii)	Albertsons, Raley's, Nob Hill (Raley's), Ralphs (Kroger), Save Mart	Costco, Winco
Phoenix	Fry's (Kroger), Albertsons, Bashas'	Wal-Mart Supercenter, Costco, Sam's Club
Portland	Fred Meyer (Kroger), Albertsons, Thriftway (Lambs)	Winco, Wal-Mart Supercenter, Costco
Texas (Randalls/ Tom Thumb)	Kroger, Albertsons, H.E. Butt	Wal-Mart Supercenter, Sam's Club, Fiesta Mart SuperTarget Center
Seattle (includes Alaska)	Albertsons, Fred Meyer (Kroger), Quality Food Centers (Kroger)	Wal-Mart Supercenter, Costco
S. California	Albertsons, Ralphs (Kroger), Food 4 Less (Kroger), Stater Bros.	Costco

Safeway Canada Operating Areas:	**Primary Conventional:**	**Other*:**
Alberta	IGA (Sobeys), Co-op, Extra Foods (Loblaw), Save-on-Foods (Overwaitea)	Real Canadian Superstore (Loblaw), Costco, Wal-Mart, Real Canadian Wholesale Club (Loblaw)
Vancouver	Save-on-Foods (Overwaitea), Extra Foods (Loblaw), Thriftys	Real Canadian Superstore (Loblaw), Costco, Wal-Mart, Real Canadian Wholesale Club (Loblaw)
Winnipeg	IGA (Sobeys), Co-op, Extra Foods (Loblaw)	Real Canadian Superstore (Loblaw), Costco, Wal-Mart, Real Canadian Wholesale Club (Loblaw)

**Banners with grocery market share of 2% or greater.*

IV. Retail Support Operations

DISTRIBUTION

Each of Safeway's 12 retail operating areas is served by a regional distribution center consisting of one or more facilities. Safeway has 17 distribution/warehousing centers (13 in the United States and 4 in Canada), which collectively provide the majority of products to stores operated by the Company. Safeway's distribution centers in Maryland, Alberta and British Columbia are operated by third parties.

U.S. Operating Areas:	Location:	Size (Sq. Ft.):
Chicago (Dominick's)	Northlake, IL	1,236,000
Denver	Denver, CO	1,226,300
Eastern (MD,VA,D.C.)	Collington, MD	915,000
Northern California (includes Hawaii)	Tracy, CA	1,922,000
Phoenix	Tempe, AZ	788,000
Portland	Clackamas, OR	798,000
Seattle (includes Alaska)	Auburn, WA	1,251,000
	Spokane, WA	292,000
	Anchorage, AK	233,000
Southern California (Vons)	Santa Fe Springs, CA	989,000
	El Monte, CA	862,000
Texas (Randalls/Tom Thumb)	Houston, TX	686,000
	Dallas, TX	1,019,000
Total U.S.:		12,217,300

Canada Operating Areas:		
Alberta	Calgary, Alberta	352,000
	Edmonton, Alberta	419,000
Winnipeg	Winnipeg, Manitoba	427,000
Vancouver	Vancouver, British Columbia	470,000
Total Canada:		1,668,000
Total U.S. & Canada:		**13,885,300**

Note: Listing of major distribution facilities. Safeway also sources product from additional warehouses in the U.S. and Canada.

MANUFACTURING

The principal function of the Company's manufacturing operations is to manufacture and process private label merchandise sold in stores operated by the Company. As measured by sales dollars, approximately 23% of Safeway's private label merchandise is manufactured in Company-owned plants, and the remainder is purchased from third parties. The Company also manufactures private label and national brand products for a variety of U.S. and international customers.

Manufacturing and processing facilities by type and location as of year-end 2005 were as follows:

	U.S.	Canada	Total
Milk plants	6	3	9
Bread baking plants	5	2	7
Ice cream plants	2	2	4
Cheese and meat packaging plants	-	2	2
Soft drink bottling plants	4	-	4
Fruit and vegetable processing plants	1	3	4
Other food processing plants	2	-	2
Pet food plant	1	-	1
Total:	**21**	**12**	**33**

CORPORATE BRANDS

Safeway has a portfolio of great brands that consumers trust and enjoy. The Company has continued to develop its premium line of corporate brand products. Hundreds of items have been developed since 1993 under the "Safeway SELECT" banner. The award-winning Safeway SELECT line is designed to offer premium quality products that the Company believes are equal or superior in quality to comparable best-selling, nationally advertised brands, or are unique to their category and not available from national brand manufacturers.

The Safeway SELECT line of products includes: unique salsas; bagged salads; whole bean coffees; the Indulgence line of cookies and other sweets; the Verdi line of frozen pizzas, fresh and frozen pastas, pasta sauces and olive oils; and Artisan fresh-baked breads. The Safeway SELECT line also includes an extensive array of ice creams, frozen yogurts and sorbets; cereals and low-fat cereal bars; and Gourmet Club frozen entrees and hors d'oeuvres.

Safeway also offers Milena's take and bake pizzas; the Primo Taglio line of meats, cheeses and sandwiches; and Signature brand soups, sandwiches and salads.

During 2005, Safeway began rejuvenating and redesigning its existing corporate brands offering. Corporate Brands is consolidating from a portfolio of over 70 brands to 10 power brands, and all brands will be redesigned with respect to product, packaging and graphics. The Safeway brand will also include an informational icon system that simply communicates nutritional, convenience, safety and environmental product attributes to consumers.

Signature	Safeway	Safeway SELECT	Eating Right	Rancher's Reserve
■ Exclusive to Deli & Foodservice	■ +30 Categories	■ Food Products Only	■ Health & Wellness Offering	■ Exclusive to Beef Products

Priority	Lucerne	O Organics	Primo Taglio	Basic Red
■ Total Pet Solution	■ Dairy Products ■ 100 Yr Old Brand	■ Integrated in Core Categories	■ Exclusive to Deli Meat	■ Value Offering

In December 2005, the Company introduced *O* Organics, a new-line of more than 150 USDA-certified organic food and beverage products available exclusively at Safeway stores. All *O* Organics products have passed strict federal government standards for organic farming, processing and handling.

PROPRIETARY BRANDS

Safeway is focused on differentiating its offering with high quality perishables. The Company believes it is developing a reputation for having the best produce in the market, through high quality specifications and precise handling procedures, and for having the most tender and flavorful meat, through the Company's Rancher's Reserve Tender Beef offering. In addition, Safeway has developed a variety of new items in the deli/food service department, including Signature sandwiches, soups and salads that provide meal solutions to today's busy shoppers.

V. Finance and Administration

FINANCIAL TRANSACTION HISTORY
(All share prices before 2/28/98 stock split are split adjusted.)

- In 1986, Safeway was acquired and taken private via a leveraged buyout by partnerships formed by Kohlberg Kravis Roberts & Co. ("KKR") and Safeway's senior management. At year-end 1986, total debt was $5.7 billion.

- From 1986 through 1988, Safeway closed or sold approximately 1,000 stores and received proceeds of $2.4 billion, which was used to repay debt.

- At year-end 1989, total debt was $3.1 billion.

- In April 1990, Safeway became a public company once again by issuing 46 million shares at $2.81 per share, with net proceeds of approximately $120 million.

- In April 1991, the Company issued another 70 million shares at $5.13 per share, with net proceeds of approximately $340 million.

- From 1991-1992, the Company engaged in the following public debt activities:

  - 11-16-91: Redeemed $565 million of 14.50% Junior Subordinated Debentures.

  - 11-20-91: Issued $300 million of 10.00% Senior Subordinated Notes due 2001.

  - 12-20-91: Redeemed $300 million of 11.75% Senior Subordinated Notes.

  - 01-15-92: Issued $300 million of 9.65% Senior Subordinated Debentures due 2004.

  - 02-12-92: Issued $100 million of 9.30% Senior Secured Debentures due 2007, which are secured by the distribution center in Tracy, California.

  - 02-24-92: Redeemed $300 million of 11.75% Senior Subordinated Notes.

  - 03-17-92: Issued $250 million of 9.35% Senior Subordinated Debentures due 1999 and $150 million of 9.875% Senior Subordinated Debentures due 2007.

  - 04-23-92: Redeemed remaining $150 million of 11.75% Senior Subordinated Notes and redeemed $250 million of 12.00% Senior Subordinated Debentures.

  - 09-02-92: Filed a $240 million shelf registration. Subsequently issued $80 million of Medium-Term Notes in 1992 with maturities ranging from 3 to 10 years and $80 million of Medium-Term Notes in 1993, with maturities ranging from 2 to 10 years.

- In 1994, Safeway retired public debt totaling $292 million through open market purchases, consisting of $44 million of senior debt and $248 million of senior subordinated debt.

- In January 1995, Safeway acquired 31.8% of the partnership interests in SSI Equity Associates, L.P. for $113 million with proceeds from bank borrowings. In October 1995, the Company acquired an additional 18.9% of such partnership interests for $83 million with proceeds from bank borrowings. SSI Equity Associates, L.P. was a limited partnership whose sole asset consisted of warrants to purchase Safeway common stock at $0.50 per share.

- In May 1995, Safeway entered into a new $1.15 billion unsecured bank credit agreement that extended the maturity date and provided lower borrowing costs. The new credit agreement was scheduled to mature in the year 2000 and had two one-year extension options. In connection with obtaining the new credit agreement, all collateral securing the prior credit agreement and the Company's subordinated debt was released.

- In May 1995, Standard & Poors upgraded Safeway's unsecured senior debt to BBB-.

- Effective January 30, 1996, Safeway's stock split two-for-one.

- On February 5, 1996, 45.9 million shares of Safeway Inc. were sold to the public by KKR at $12.69 per share, reducing KKR's ownership of the Company to approximately 51%.

- In September 1996, Standard & Poors upgraded Safeway's unsecured senior debt to BBB.

- In September and December 1996, Safeway acquired an additional 13.8% of the limited partnership interests in SSI Equity Associates, L.P. for $127 million.

- In January 1997, Moody's upgraded Safeway's unsecured senior debt to Baa3.

- On April 8, 1997, Safeway completed the merger with Vons pursuant to which Safeway issued 83.2 million shares of Safeway common stock for all of the shares of Vons stock that it did not already own.

- In connection with the Vons merger, Safeway repurchased 64.0 million shares of Safeway common stock from a partnership affiliated with KKR at $21.50 per share for an aggregate purchase price of $1.376 billion.

- In April 1997, to facilitate the Vons merger, the Company entered into a new $3.0 billion bank credit agreement. It provided for, among other things, increased borrowing capacity, extended maturities and the opportunity to pay lower interest rates based on interest coverage ratios or public debt ratings.

- In September 1997, Moody's upgraded Safeway's unsecured senior debt to Baa2.

- On September 5, 1997, Safeway completed a tender offer for debt securities in the principal amount of approximately $588 million:
  - $95 million of 9.35% Senior Subordinated Notes due 1999
  - $161 million of 10.00% Senior Subordinated Notes due 2001
  - $53 million of 10.00% Senior Notes due 2002
  - $147 million of 9.65% Senior Subordinated Debentures due 2004
  - $46 million of 9.30% Senior Secured Debentures due 2007
  - $86 million of 9.875% Senior Subordinated Debentures due 2007

- The Company simultaneously obtained consents to proposed amendments to the indentures governing the remaining securities.

- On September 5, 1997, the following securities were issued to partially finance the redemption outlined above:
  - $200 million of 6.85% Senior Notes due 2004
  - $200 million of 7.00% Senior Notes due 2007
  - $150 million of 7.45% Senior Debentures due 2007

- In December 1997, the public offering of 56.5 million shares of common stock owned by affiliates of KKR was completed at $29.88 per share, reducing KKR's ownership stake to approximately 22%.

- Effective February 25, 1998, Safeway's stock split two-for-one.

- In July 1998, the public offering of 28.8 million shares of common stock owned by affiliates of KKR was completed at $45.00 a share, reducing KKR's ownership stake to approximately 17%.

- On August 6, 1998, Safeway and Carr-Gottstein Foods Co. jointly announced a definitive merger agreement in which Safeway would acquire all outstanding shares of Carr-Gottstein for $12.50 cash per share and repay approximately $239 million of Carrs' debt.

- On October 15, 1998, Safeway and Dominick's Supermarkets, Inc. jointly announced a definitive merger agreement in which Safeway would acquire all outstanding shares of Dominick's for $49.00 cash per share and repay approximately $560 million of Dominick's debt and lease obligations.

- On November 9, 1998, Safeway issued $1.4 billion of senior debt associated with the acquisition of Dominick's. The four-tranche public offering consisted of:
  - $400 million of 5.75% Notes due 2000
  - $400 million of 5.875% Notes due 2001
  - $350 million of 6.05% Notes due 2003
  - $250 million of 6.50% Notes due 2008

- On November 12, 1998, Safeway was added to the S&P 500 index.

- On November 12, 1998, 20 million shares of common stock were sold by affiliates of KKR to underwriters at $55.00 per share, reducing KKR's ownership stake to approximately 17%.

- On November 20, 1998, Safeway completed its acquisition of Dominick's Supermarkets, Inc.

- On February 10, 1999, 19.75 million shares of common stock were sold to the public by affiliates of KKR at $52.69 per share, reducing KKR's ownership stake to approximately 9%. In connection with the secondary offering, all warrants attributable to SSI Equity Associates partners other than Safeway were exercised. This resulted in Safeway holding 100% of the limited partnership interests in SSI Equity Associates.

- On April 16, 1999, Safeway completed its acquisition of Carr-Gottstein.

- On July 23, 1999, Safeway and Randall's Food Markets, Inc. jointly announced a definitive merger agreement in which Safeway would acquire all the outstanding shares of Randall's for total consideration of $1.3 billion and repay approximately $403 million of Randall's debt.

- On September 8, 1999, Safeway issued $1.5 billion of senior debt associated with the acquisition of Randall's Food Markets, Inc. The three-tranche public offering consisted of:
  - $600 million of 7.00% Notes due 2002
  - $400 million of 7.25% Notes due 2004
  - $500 million of 7.50% Notes due 2009

- On September 14, 1999, Safeway completed its acquisition of Randall's Food Markets, Inc.

- On January 27, 2000, Safeway announced it had repurchased 17.9 million shares of the Company's common stock for $651 million during the fourth quarter of 1999.

- On April 28, 2000, two affiliates of KKR completed the private sale of 13.1 million shares of common stock, including approximately 8 million shares acquired in the Randall's merger.

- In June 5, 2000, Safeway and GroceryWorks.com signed a definitive agreement creating a strategic alliance between the two companies for GroceryWorks to be Safeway's online grocery channel.

- On December 5, 2000, Safeway and Genuardi's Family Markets, Inc. jointly announced a definitive agreement in which Safeway would acquire the assets of Genuardi's in a cash transaction for approximately $530 million.

- On January 5, 2001, Safeway entered into an agreement with the Fleming Companies, Inc. to purchase 11 ABCO stores in Arizona.

- On January 31, 2001, Safeway issued $600 million of 7.25% debentures due 2031, a portion of which was used to fund the Genuardi's acquisition.

- On February 5, 2001, Safeway completed its purchase of the assets of Genuardi's Family Markets, Inc.

- On February 28, 2001, Safeway completed the purchase of 11 ABCO stores from the Fleming Companies, Inc.

- On March 5, 2001, Safeway issued $1.2 billion of senior debt to repay borrowings under its commercial paper program. The two-tranche public offering consisted of:
  - $700 million of 6.15% Senior Notes due 2006
  - $500 million of 6.50% Senior Notes due 2011

- On June 25, 2001, GroceryWorks.com, Safeway's exclusive online grocery channel, established a strategic relationship with Tesco PLC. Concurrently, Tesco made an equity investment for a 35% stake in GroceryWorks.

- On September 28, 2001, Safeway's Board of Directors increased the authorized level of the Company's stock repurchase program by $500 million to $1.5 billion.

- On November 5, 2001, Safeway issued $400 million unsecured debt facilities consisting of 3.625% Notes due 2003.

- In November 2001, all warrants to purchase Safeway common stock held in SSI Equity Associates L.P. expired unexercised and were accounted for as a reduction to retained earnings.

- On January 24, 2002, Safeway announced it had repurchased 18.9 million shares of its common stock for $781.3 million during 2001. Also, the Company's Board of Directors increased the authorized level of the Company's stock repurchase program by $1.0 billion to $2.5 billion. At year-end 2001, Safeway had bought back a total of $1.4 billion worth of its shares, leaving $1.1 billion available for repurchase under the $2.5 billion program.

- On July 8, 2002, Safeway's Board of Directors increased the authorized level of the Company's stock repurchase program by $1.0 billion to $3.5 billion.

- On July 16, 2002, Safeway issued $480 million of 4.80% senior debt due 2007 to repay borrowings under its commercial paper program.

- On August 12, 2002, Safeway issued $1.025 billion of senior debt to repay borrowings under its commercial paper program. The two-tranche offering consisted of:
  - $225 million of 3.80% Senior Notes due 2005
  - $800 million of 5.80% Senior Notes due 2012

- In December 2002, Safeway decided to sell Dominick's and leave the Chicago market due to labor issues.

- On February 6, 2003, Safeway announced it had repurchased 50.1 million shares of its common stock for $1.5 billion during 2002. At year end 2002, Safeway had bought back a total of $2.9 billion worth of its shares, leaving $0.6 billion available for repurchase under the $3.5 billion program.

- On October 29, 2003, Safeway issued $650 million of Senior Notes to refinance upcoming debt maturities. The three-tranche public offering consisted of:
  - $150 million of Floating Rate Senior Notes
  - $200 million of 2.50% Senior Notes due 2005
  - $300 million of 4.125% Senior Notes due 2008 (converted to floating rate debt through an interest rate swap agreement)

- On November 3, 2003, Safeway announced it had taken Dominick's off the market because the union and the winning bidder could not reach agreement on an acceptable labor contract. Randall Onstead was appointed Dominick's Division President.

- On January 12, 2004, Safeway announced the closure of 12 underperforming stores in Chicago.

- On May 3, 2004, Safeway announced it would expense stock options in 2005.

- On July 27, 2004, the Company filed a shelf registration covering the issuance of up to $2.3 billion of debt securities and/or common stock.

- On August 12, 2004, Safeway issued $750 million of Senior Notes to refinance upcoming debt maturities and to repay borrowings under its commercial paper program. The two-tranche public offering consisted of:
  - $500 million of 4.95% Senior Notes due 2010 (converted to floating rate debt through an interest swap agreement)
  - $250 million of 5.625% Senior Notes due 2014

- During the second half of 2004, Safeway closed 18 underperforming stores in Southern California.

- From September 7, 2004 through October 5, 2004, Safeway conducted a stock option exchange tender offer that allowed eligible employee optionees to exchange outstanding stock options with an exercise price greater than $35 per share for a number of replacement options according to an exchange formula.

- On April 7, 2005, replacement options totaling approximately 4.5 million were issued at an exercise price of $20.75 per share.

- On May 3, 2005, Safeway commenced expensing stock options with its first quarter financial results.

- On May 25, 2005, Safeway declared its first quarterly cash dividend of $0.05 per common share, with an annualized payout of $90.0 million.

- On June 1, 2005, Safeway replaced its existing revolving credit facility with a $1.6 billion 5-year facility.

- On June 29, 2005, S&P lowered its corporate credit and senior debt ratings on Safeway to BBB- with a stable outlook from BBB. The analyst attributed the downgrade to increased business risk, reflected in the difficult operating environment for traditional supermarket operators.

- On October 18, 2005, Safeway announced plans to:
  - Revitalize the Texas division which included the closure of 26 underperforming stores.
  - Repatriate $500 million of earnings from its Canadian subsidiary to the U.S. under the American Jobs Creation Act of 2004.

- On November 18, 2005, Safeway Canada Limited issued $260 million (CAD $300 million) of Senior Notes due 2008 to repatriate funds to the United States utilizing a lower tax rate made available under the American Jobs Creation Act of 2004. Repatriated funds were used to pay down debt in the U.S.

- On March 28, 2006, Safeway issued $250 million Floating Rate Notes due 2009 to repay borrowings under its commercial paper program.

- On April 10, 2006, Safeway settled a federal income tax refund claim with the IRS, under which the Company expects to receive approximately $315 million in cash consisting of a $259 million tax refund and $56 million in related interest in the second half of 2006. Additionally, Safeway has claims for refunds of income tax and interest in several states. Collection of these funds may take several years.

REAL ESTATE

At year-end 2005, Safeway owned approximately 38% of its stores and leased the remaining stores. The Company prefers ownership because it provides control and flexibility with respect to remodeling, expansions, closures and financing terms.

Safeway's new store prototype is referred to as the "Lifestyle" store and is approximately 55,000 square feet. The Lifestyle store showcases the Company's commitment to quality, particularly in the perishable departments. The Lifestyle store has an earth-toned décor package, subdued lighting, custom flooring, unique display fixtures and other special features that impart a warm ambience that the Company believes significantly enhances the customer shopping experience. The Company is engaged in a process to remodel virtually all of its existing stores to the "Lifestyle" format over the next five years.   At year-end 2005, 458 stores or 26% of the store base was remodeled to this format.

The Company employs an analytical and disciplined approach to all capital spending. To be approved, all new stores and Lifestyle remodels must exceed an internal cash-on-cash hurdle rate of 22.5%. Post-capital audits are conducted at the end of the first and third years after the completion of a project in order to monitor ongoing performance. The senior executive officers who are responsible for making capital decisions are eligible for capital performance-based compensation, payment of which is contingent on capital investments of the Company achieving targeted rates of return.

In 2006, Safeway plans to spend approximately $1.6 billion in cash capital expenditures and plans to open approximately 20-25 new Lifestyle stores and complete approximately 280 Lifestyle remodels.

FIVE-YEAR HISTORY OF CAPITAL EXPENDITURE PROGRAM

	2005	2004	2003	2002	2001
Total stores at beginning of year	**1,802**	1,817	1,808	1,773	1,688
Stores opened:					
New	**11**	22	22	51	57
Replacement	**10**	11	18	24	38
	21	33	40	75	95
Stores closed	**48**[a]	48[b]	31	40	49
Genuardi's stores acquired	**-**	-	-	-	39[c]
Total stores at year-end	**1,775**	1,802	1,817	1,808	1,773
Remodels completed[d]					
Lifestyle remodels	**293**	92	19	-	-
Other remodels	**22**	23	56	203	255
	315	115	75	203	255
Expansions	**33**	34	7	2	4
Four-wall remodels	**222**	169	68	113	311
Number of fuel stations at year-end	**314**	311	270	214	152
Total retail square footage at year-end (in millions)	**81.0**	82.1	82.6	81.5	78.8
Cash capital expenditures (in millions)[e]	**$1,383.5**	$1,212.5	$935.8	$1,467.4	$1,793.0
Cash capital expenditures as a percentage of sales and other revenue	**3.6%**	3.4%	2.6%	4.2%	5.2%
Average store size	**45,000**	45,000	45,000	45,000	44,500
Sales per square foot	**$433.2**	$428.9	$419.5	$425.9	$463.8

(a) Closed 26 underperforming stores in Texas.
(b) Closed underperforming stores at Dominick's (12) and Vons (18).
(c) The acquisition of Genuardi's in February 2001 added 39 stores with approximately 1.9 million square feet.
(d) Defined as store remodel projects (other than maintenance) generally requiring expenditures in excess of $0.2 million.
(e) Excludes acquisitions. Includes 11 former ABCO stores purchased in 2001.

TECHNOLOGY

Safeway's information technology ("IT") department continues to support the business objectives of increasing sales, reducing costs, increasing efficiencies and serving customers better.

The IT department works with various business units to develop and implement software tools which enable decision-makers to manage their business more effectively. At store level, IT has been involved in developing tools to track and improve in-stock conditions, efficiently schedule store labor, improve accuracy of prescriptions filled at the pharmacy and optimize item pricing. In addition, IT facilitates information sharing with third parties to support increased collaboration with the Company's trade partners.

Safeway operates one data center in Salt Lake City, Utah and one in Phoenix, Arizona. The Phoenix data center was opened in March 2004 to provide incremental data warehousing capacity and additional data processing capability. Each data center houses mission-critical information and is equipped to function as a back-up system in the event of a disaster.

ADMINISTRATION

Number of employees:

Year-end 2001	193,000
Year-end 2002	184,000
Year-end 2003*	208,000
Year-end 2004	191,000
Year-end 2005	201,000

** Includes replacement workers in Southern California during the strike that lasted from October 11, 2003 to February 28, 2004.*

HUMAN RESOURCES PROGRAMS

Workforce Diversity: Safeway strives to maintain a balanced workforce and seeks the best employees from every segment of the communities it serves. Valuing and managing diversity is a vital part of every manager's job which contributes to productivity and the achievement of business priorities. The Company's view of diversity is all inclusive, and covers the many ways employees are different — including gender, race, ethnicity, religion, sexual orientation, age and disability. Diversity Advisory boards generate ideas, raise issues and make recommendations to meet Safeway's diversity objectives. Recruitment programs are aimed at developing a highly capable workforce that reflects the diversity of the Company's customers and the communities in which they live.

Safeway was a recipient of the 2006 Catalyst Award for its outstanding diversity initiative that resulted in the development and advancement of women and women of color. In addition to the Catalyst Award, Safeway has received numerous awards and recognition from community and government organizations for its commitment to employ individuals with disabilities.

Supplier Diversity: Safeway has been a long-standing supporter of the minority community. Safeway's Diversity Program's mission is to promote supplier participation reflective of the diverse communities in which Safeway does business, while encouraging economic development. In achieving this mission, Safeway supports the minority community in various ways. This includes the development of minority manufacturers within the communities Safeway serves.

Employee Development: Safeway believes that its employees are its most valuable asset. The Company's employees are provided with the knowledge, skills and tools to enable Safeway to become the leading retailer in its markets. Whether it is providing world-class customer service, offering exceptional products at a competitive price, or mastering the latest merchandising and display techniques, the Company's training and development programs are designed to provide individuals with a solid foundation to achieve their best.

Retail Management Training: Store Managers are a team of key leaders in the daily operations of the Company. Potential managers are selected from high-performing Assistant Store Managers and qualified external Store Managers, store employees and outside candidates. Future Store Managers are given in-depth training on leadership, strategy, store operations, report analyzation and financial acumen. Safeway's retail management development program prepares the Company's key leaders for everyday operating challenges by providing store management with the tools to adapt to and excel in the ever-changing grocery industry.

Grocery Operations Training: Safeway provides its employees with the knowledge and skills to perform their best in any position they accept or are promoted into. The Company provides entry-level training using multi-media, mentors and on-the-job learning in the areas of customer service, diversity, food safety, workplace safety and a host of other topics and skills as they relate to each position.

For additional information, please go to Safeway's web site at www.safeway.com.

INCENTIVE PROGRAMS/STOCK PLANS

Incentive Program: The Company's bonus programs extend to over 16,000 employees from in-store Department Manager to senior management. The stock option program is available to a subset of bonus-eligible employees from Store Manager to senior management.

Stock Ownership: A payroll deduction plan allows employees at all levels to buy Safeway stock commission-free. The Company's 401(k) plan provides eligible employees an option to invest self-directed retirement funds in Safeway stock.

CORPORATE RESPONSIBILITY

Charities: Safeway and its employees donate money, personal time, and raise money for a variety of charitable purposes and organizations including educational institutions and local charities. The Company has been a corporate sponsor of Easter Seals since 1985 and of the Muscular Dystrophy Association for over a decade. The Company also sponsors a variety of organizations that support and fund cancer research and treatment including the Susan G. Komen Foundation and the Prostate Cancer Foundation. The focus of all these efforts is to support communities in which the Company operates. Stores are allocated budgets to address diverse community needs and are encouraged to work with local schools, youth organizations, social service groups and civic organizations.

The Company is also a major supporter of food banks. Through product recovery centers, store bread donations and a range of special fundraising events, Safeway continues to be one of the largest food bank contributors in the U.S.

In 2001, The Safeway Foundation was formed to support a range of different charitable causes, including hunger relief, education, health and special-needs-related charities in the Company's operating areas. Other fundraising events include a yearly Foundation employee-giving campaign.

In a unique effort in early 2005, Safeway employees raised over $3.6 million to aid tsunami victims and support relief efforts in South Asia and Eastern Africa. The Company also raised $3.7 million to aid Hurricane Katrina relief efforts.

Environmental: Safeway's corporate Environmental Affairs and division Risk Management departments administer environmental programs that are designed to ensure compliance with applicable laws and regulations.

Safeway supply plants, distribution centers and other facilities implement source reduction, re-use of materials and recycling programs to reduce environmental impacts and costs associated with waste disposal. Programs to reduce chemical use, waste volume and water usage have been implemented in many of the Company's supply plants. Facilities are periodically assessed for opportunities to implement or improve waste and source reduction.

Safeway typically recycles over 450,000 tons of material per year. This includes old corrugated cardboard, plastic wrap and bags, food waste, aluminum, wooden pallets and paper. Other recycled materials from non-retail facilities include used oil, tires and batteries. Organic waste products from stores and supply plants are collected for recycling into compost and animal feed. Safeway specifies recycled content in many materials such as packaging, office paper and supplies, and grocery bags. Safeway product packaging is periodically reviewed for source reduction opportunities.

CFC refrigerants have been replaced in most of the Company's store refrigeration systems and represent less than 5% of refrigerant use. Non-ozone-depleting refrigerants are used in all new store refrigeration systems and represent over 50% of refrigerant use. Energy use in stores and other facilities has been reduced by means of more efficient lighting, refrigeration and mechanical systems. In 2005, Safeway purchased 78 million kilowatt hours of electricity generated by renewable wind power sources.

Safeway conducts environmental assessments in the due diligence process for all real estate property transactions in an effort to identify and minimize potential environmental liabilities.

Additional information can be found on Safeway's web site at www.safeway.com.

VI. Financial and Operating Statistics - Annual

(Dollars in millions, except per-share amounts)	**52 Weeks 2005** (1)	52 Weeks 2004	52 Weeks 2003	52 Weeks 2002	52 Weeks 2001
Sales and other income	**$ 38,416.0**	$ 35,822.9	$ 35,727.2	$ 34,917.2	$ 34,434.5
Comparable-store sales (2)	**5.9%**	0.9%	(2.4%)	(0.7%)	2.3%
Identical-store sales (2)	**5.8%**	0.3%	(2.8%)	(1.7%)	1.6%
Cost of goods sold	**27,303.1**	25,227.6	25,003.0	23,920.8	23,657.9
Gross profit	**11,112.9**	10,595.3	10,724.2	10,996.4	10,776.6
Gross profit margin	**28.93%**	29.58%	30.02%	31.49%	31.30%
Operating & administrative expense	**9,898.2**	9,422.5	9,421.2	8,760.8	8,047.4
O&A expense as a % of sales (3)	**25.77%**	26.30%	26.37%	25.09%	23.37%
Operating profit	**1,214.7**	1,172.8	573.9	947.6	2,588.8
Operating profit margin	**3.2%**	3.3%	1.6%	2.7%	7.5%
Interest expense	**402.6**	411.2	442.4	430.8	446.9
Other income (expense), net	**36.9**	32.3	9.6	15.5	(46.9)
Pre-tax income	**849.0**	793.3	141.1	532.3	2,095.0
Net income/(loss)	**561.1**	560.2	(169.8)	(828.1)	1,253.9
Diluted earnings per share	**1.25**	1.25	(0.38)	(1.77)	2.44
Weighted average shares outstanding – diluted	**449.8**	449.1	441.9	467.3	513.2
Cash dividends declared per common share (4)	**0.15**	-	-	-	-
LIFO (income) expense	**(0.2)**	(15.2)	(1.3)	(17.6)	2.2
Depreciation	**932.7**	894.6	863.6	888.3	797.3
Cash capital expenditure	**1,383.5**	1,212.5	935.8	1,467.4	1,793.0
Free cash flow (5)	**567.5**	1,156.1	814.6	639.0	513.1
Total assets	**15,756.9**	15,377.4	15,096.7	16,047.2	17,462.6
Total debt	**6,358.6**	6,763.4	7,822.3	8,435.6	7,399.8
Total stockholders' equity	**4,919.7**	4,306.9	3,644.3	3,627.5	5,889.6
Debt/equity	**129.2%**	157.0%	214.6%	232.5%	125.6%
Debt/total capital	**56.4%**	61.1%	68.2%	69.9%	55.7%

Note: Financial information contained in this section is not comprehensive and should be read in conjunction with Safeway's reports and filings with the SEC.

(1) Includes stock-based compensation expense of $59.7 million ($0.08 per diluted share).

(2) Defined as stores operating the same period in both the current year and the previous year. Comparable stores include replacement stores while identical stores do not. 2005 sales increase includes an estimated 130-basis-point improvement in comparable store sales and an estimated 140-basis-point improvement in identical-store sales due to the impact of the Southern California strike which ended in the first quarter of 2004. 2004 sales increase includes an estimated reduction of 60 basis points due to the impact of this strike. 2003 sales decrease includes the estimated 240-basis-point impact of the Southern California strike. 2001 sales increase includes the estimated 50-basis-point impact of the 2000 Northern California distribution center strike.

(3) Management believes this ratio is relevant because it assists investors in evaluating Safeway's ability to control costs.

(4) No common stock dividends were declared prior to the second quarter of 2005.

(5) Defined as cash flow from operating activities less cash flow used by investing activities. Amounts exclude cash used for acquisition.

VI. Financial and Operating Statistics - Quarterly

(Dollars in millions, except per-share amounts)	Q1	Q2	Q3	Q4
Sales				
2005	$ 8,621.4	$ 8,803.0	$ 8,945.5	$ 12,046.1
2004	7,682.7	8,406.5	8,343.2	11,390.4
Comparable-store sales				
2005 [1,2]	3.2%	4.5%	5.7%	5.4%
2004 [1]	0.5%	2.3%	1.0%	1.5%
Identical-store sales				
2005 [1,2]	2.8%	4.0%	5.4%	5.1%
2004 [1]	0.1%	1.9%	0.6%	1.1%
Identical-store sales (ex-fuel)				
2005 [1,2]	1.6%	2.6%	3.4%	3.7%
2004 [1]	(1.3%)	(0.4%)	(0.9%)	(0.7%)
Cost of goods sold				
2005	6,101.9	6,273.1	6,388.9	8,539.2
2004	5,361.7	5,954.8	5,877.2	8,033.7
Gross profit				
2005	2,519.5	2,529.9	2,556.6	3,506.9
2004	2,321.0	2,451.7	2,466.0	3,356.7
Gross profit margin				
2005	29.2%	28.7%	28.6%	29.1%
2004	30.2%	29.2%	29.6%	29.5%
O&A expense				
2005	2,224.1	2,227.5	2,316.9	3,129.7
2004	2,165.8	2,134.7	2,171.5	2,950.5
O&A as a % of sales				
2005	25.8%	25.3%	25.9%	26.0%
2004	28.2%	25.4%	26.0%	25.9%
Operating profit				
2005	295.4	302.4	239.7	377.2
2004	155.2	317.0	294.5	406.2
Operating profit margin				
2005	3.4%	3.4%	2.7%	3.1%
2004	2.0%	3.8%	3.5%	3.6%
Interest expense				
2005	90.3	94.5	93.5	124.3
2004	96.2	95.5	96.5	123.0
Other income, net				
2005	7.7	8.5	5.7	15.2
2004	3.1	4.7	3.7	20.7

(1) Q1 2005 and quarterly 2004 identical-store sales and comparable-store sales exclude Vons.
(2) Q1 and Q2 2005 adjusted for Easter shift.

(Dollars in millions, except per-share amounts)	Q1	Q2	Q3	Q4
Income before income tax				
2005	212.8	216.4	151.9	268.1
2004	62.1	226.2	201.7	303.9
Net income				
2005	131.3	134.0	122.5	173.5
2004	43.1	155.2	159.2	202.7
Diluted EPS				
2005	0.29	0.30	0.27	0.39
2004	0.10	0.35	0.35	0.45
Average shares outstanding				
2005	449.6	450.1	451.6	450.5
2004	448.3	449.4	449.7	449.4
Cash dividends declared per common share				
2005	-	0.05	0.05	0.05
2004	-	-	-	-
LIFO expense (income)				
2005	2.3	2.3	2.3	(7.2)
2004	2.3	2.3	2.3	(22.1)
Depreciation				
2005	210.5	210.8	215.2	296.2
2004	202.5	203.7	208.6	279.8
Cash capital expenditures				
2005	216.1	299.0	340.4	528.0
2004	237.2	242.2	272.4	460.7
Adjusted EBITDA (rolling 52 weeks)				
2005	2,220.7	2,282.8	2,295.8	2,306.9
2004	2,320.2	2,218.0	2,098.0	2,071.9
Interest coverage (rolling 52 weeks)				
2005	5.5x	5.7x	5.7x	5.7x
2004	5.3x	5.2x	5.0x	5.0x
Free cash flow				
2005	33.5	153.6	264.6	115.8
2004	182.2	433.4	263.8	276.7
Total debt				
2005	6,792.4	6,628.4	6,398.9	6,358.6
2004	7,634.4	7,238.2	7,242.7	6,763.4
Stockholders' equity				
2005	4,441.6	4,562.0	4,739.8	4,919.7
2004	3,686.3	3,807.3	4,026.2	4,306.9
Debt/total capital				
2005	60.5%	59.2%	57.4%	56.4%
2004	67.4%	65.5%	64.3%	61.1%
Stock price range				
2005	$20.09 - $17.85	$24.95 - $18.15	$25.40 - $22.44	$26.46 - $21.67
2004	$23.80 - $19.72	$24.67 - $19.92	$25.64 - $19.52	$21.17 - $17.26

VII. Directors and Executive Officers

DIRECTORS

Steven A. Burd
Chairman, President and
Chief Executive Officer
Safeway Inc.

Paul Hazen
Lead Independent Director
Former Chairman and
Chief Executive Officer
Wells Fargo & Co.
Deputy Chairman
Vodafone Group PLC

Janet E. Grove
Chair and Chief Executive Officer
Federated Merchandising Group
Vice Chair
Federated Department Stores, Inc.

Mohan Gyani
Former President and
Chief Executive Officer
Mobility Services
AT&T Wireless Services, Inc.

Robert I. MacDonnell
Retired Partner
KKR & Co.

Douglas J. Mackenzie
Partner
Kleiner Perkins Caufield & Byers

Rebecca A. Stirn
Business Consultant

William Y. Tauscher
Managing Member
The Tauscher Group

Raymond G. Viault
Former Vice Chairman
General Mills, Inc.

EXECUTIVE OFFICERS

Steven A. Burd
Chairman, President and
Chief Executive Officer

Brian C. Cornell
Executive Vice President and
Chief Marketing Officer

Robert L. Edwards
Executive Vice President and
Chief Financial Officer

Bruce L. Everette
Executive Vice President
Retail Operations

Larree M. Renda
Executive Vice President
Chief Strategist
and Administrative Officer

David F. Bond
Senior Vice President
Finance and Control
(Chief Accounting Officer)

David T. Ching
Senior Vice President and
Chief Information Officer

Dick W. Gonzales
Senior Vice President
Human Resources

Robert A. Gordon
Senior Vice President
Secretary and General Counsel
Chief Governance Officer

Melissa C. Plaisance
Senior Vice President
Finance and Investor Relations

Kenneth M. Shachmut
Senior Vice President
Reengineering and
Marketing Analysis

David R. Stern
Senior Vice President
Planning and Business
Development

Jerry Tidwell
Senior Vice President
Supply Operations

Donald P. Wright
Senior Vice President
Real Estate and Engineering

VIII. Corporate History

1926

- Merrill Lynch forms holding Company and acquires the assets of Safeway Stores, Inc. The new Company is incorporated in Maryland.
- At year-end Safeway is operating 766 stores and is one of the first companies to offer cash-and-carry service.

1928

- M.B. Skaggs becomes President of Safeway Stores, Inc.
- Numerous acquisitions in Washington, D.C., Virginia and Maryland; others in Arkansas, Iowa, Kansas, Missouri and Texas.
- Total store count at year-end is 2,020, of which 855 contain meat markets.
- Safeway stock is listed on the NYSE.

1929

- Canada Safeway Limited is established in Winnipeg.

1931

- Safeway Stores, Inc. merges with 1,400-store MacMarr chain.
- Company reaches all-time high of 3,257 stores.

1934

- Skaggs relinquishes presidency to Lingan A. Warren.

1955

- Warren retires as President and Director. Robert A. Magowan, who gives operational autonomy to Safeway divisions, leaves Merrill Lynch to become Chairman. Milton A. Selby is President, a post he would later relinquish to Magowan.

1962

- Company begins operating 11 stores of John Gardner Ltd. to establish roots in the United Kingdom.

1963

- Safeway enters the Australian market by purchasing three Pratt Supermarkets in the Melbourne area.

1964

- Safeway establishes operations in another international market with the acquisition of several Big Bear Basar stores in West Germany.

1966

- Central data processing located in Oakland, CA.

- Quentin Reynolds, who steered Safeway through an era of turbulent social upheaval, follows Robert Magowan as President.

1971

- Safeway divests itself of Super S drug stores after several unprofitable years.

- Robert Magowan steps down as Chairman and Chief Executive Officer; Reynolds assumes both posts. William S. Mitchell, under whose administration Safeway passes A&P to become the world's largest food retailer, follows Reynolds as President. Magowan stays on as Chairman of the Executive Committee.

1977

- Dale L. Lynch succeeds Mitchell as President and spearheads Safeway's move into one-stop shopping superstores that feature a variety of specialty departments.

- Safeway consolidates its manufacturing divisions in a modern Walnut Creek, CA complex.

1980

- Peter A. Magowan, who revises Safeway's strategy and redirects its merchandising thrust, succeeds Mitchell as Chairman and Chief Executive Officer.

1981

- Safeway enters into a joint venture agreement with Casa Ley, S.A., giving the Company a 49% interest in the 13-store chain in Western Mexico.

1982

- Omaha Division is sold.

1983

- James A. Rowland succeeds Lynch as President.
- San Diego and Los Angeles Divisions merge to form Southern California Division; Tulsa and Oklahoma City Divisions are combined to form Oklahoma Division.

1985

- Australia Division is sold to Woolworth's Ltd. Safeway receives a 20% interest in Woolworth's Ltd.

1986

- Company is taken private via a leveraged buyout by KKR and reincorporates in Delaware.
- Robert MacDonnell, Henry Kravis and George Roberts, General Partners of KKR Associates, L.P., are elected to Safeway's Board of Directors.
- Safeway sells its 20% interest in Woolworth's Ltd.

1987

- Company divests United Kingdom, Dallas, Salt Lake City, Liquor Barn, El Paso and Oklahoma Divisions.
- James Greene and Michael Tokarz, General Partners of KKR Associates, L.P., are elected to Safeway's Board of Directors.

1988

- Rowland retires. Peter Magowan assumes additional title of President.
- Company divests Kansas City, Little Rock, Houston and parts of Richmond Divisions.

- Safeway sells Southern California Division to The Vons Companies, Inc. The Company receives a 30% interest in Vons, in addition to cash proceeds.

1990

- Safeway returns to public status, selling 46.0 million shares in a public offering.

- Company announces five-year, $3.2 billion capital expenditure program.

- New company name adopted: Safeway Inc.

- Paul Hazen, President and Chief Operating Officer of Wells Fargo & Co., and a member of its board, is elected to Safeway's Board of Directors.

1991

- Safeway sells an additional 70.0 million shares of common stock at $5.125 per share.

- Safeway retires $565 million of 14.5% LBO-related debt with a combination of cash and bank debt.

1992

- Safeway completes refinancing of $1.0 billion of public subordinated debt.

- Steven A. Burd, a long-time consultant to Safeway, is appointed President. Peter Magowan remains as Chairman and Chief Executive Officer.

1993

- Peter Magowan steps down as Chief Executive Officer but continues to serve as Chairman of the Board. Burd is elected Chief Executive Officer and becomes a member of Safeway's Board of Directors.

- Safeway sells 15 stores in the Richmond, Virginia area to Farm Fresh, Inc.

1994

- Safeway retires $292 million of senior and senior subordinated debt in open market purchases with proceeds from bank borrowings.

1995

- In January, Safeway acquires 31.8% of the limited partnership interests in SSI Equity Associates, L.P. for $113 million with proceeds from bank borrowings.

- Safeway refinances Bank Credit Agreement on an unsecured basis and regains investment grade status on its senior unsecured debt from Standard & Poor's.

- In October, Safeway acquires an additional 18.9% of the limited partnership interests in SSI Equity Associates, L.P. for $83 million with proceeds from bank borrowings.

1996

- A two-for-one stock split is effected on January 30, 1996.

- In September and December, Safeway acquired an additional 13.8% of the limited partnership interests in SSI Equity Associates, L.P. for $127 million with proceeds from bank borrowings.

- Safeway Inc. and Vons jointly announce a definitive agreement for a business combination of the two companies.

- In connection with the Vons merger, Safeway agrees to repurchase 64.0 million shares of common stock from partnerships controlled by KKR.

1997

- On April 8, Safeway completes the acquisition of Vons and related stock repurchase from KKR. The combined Company is the second largest grocery store chain in North America, with 1,377 stores and sales in excess of $22 billion.

1998

- A two-for-one stock split is effected on February 25.

- Peter Magowan, Chairman of the Board, retires but remains a director.

- William Tauscher, Chairman and Chief Executive Officer of Vanstar Corporation, is elected to Safeway's Board of Directors.

- Safeway Inc. and Carr-Gottstein Foods Co. jointly announce a definitive merger agreement.

- Safeway Inc. and Dominick's Supermarkets, Inc. jointly announce a definitive merger agreement.

- Safeway is added to the S&P 500 on November 12.

- Safeway completes its acquisition of Dominick's Supermarkets, Inc.

1999

- In connection with a secondary offering, all warrants attributable to SSI Equity Associates' partners other than Safeway are exercised. Safeway now holds 100% of the limited partnership interests in SSI Equity Associates.

- Safeway completes its acquisition of Carr-Gottstein Foods Co.

- Rebecca Stirn, Vice President, Sales and Marketing of Collagen Aesthetics, Inc., is elected to Safeway's Board of Directors.

- Safeway and Randall's Food Markets, Inc. jointly announce a definitive merger agreement.

- Safeway completes its acquisition of Randall's.

- Safeway's Board of Directors authorizes a $1.0 billion common stock repurchase program.

- Safeway repurchases 17.9 million shares of its common stock during the fourth quarter for $651 million.

2000

- Safeway announces it has joined 10 of the world's leading retailers as a founding member of the Worldwide Retail Exchange, a web-based business-to-business exchange for retailers operating in the food, general merchandise and drug retailing sectors.

- Hector Ley Lopez, General Director of Casa Ley, S.A. de C.V., is elected to the Company's Board of Directors, replacing Henry Kravis of KKR.

- Safeway and GroceryWorks.com sign a definitive agreement creating a strategic alliance between the two companies for GroceryWorks to be Safeway's online grocery channel.

- Safeway and Genuardi's Family Markets, Inc. announce a definitive agreement in which Safeway will purchase the assets of Genuardi's.

2001

- Safeway completes its purchase of the assets of Genuardi's Family Markets, Inc.
- Safeway purchases 11 ABCO stores in Arizona from the Fleming Companies, Inc.
- GroceryWorks.com, Safeway's exclusive online grocery channel, establishes a strategic relationship with Tesco PLC.
- In the months following September 11, Safeway mobilizes its retail operating divisions across the U.S. and Canada in a fundraising campaign to benefit the American Red Cross Disaster Relief Fund. Approximately $4 million is raised, largely through customer and employee contributions.
- Safeway's Board of Directors authorizes an additional $1.5 billion under its common stock repurchase program.
- Safeway repurchases 18.9 million shares of its common stock during 2001 for $781 million. At year-end 2001, Safeway has bought back a total of $1.4 billion worth of its shares leaving $1.1 billion available for repurchase under the $2.5 billion program.

2002

- GroceryWorks.com (doing business as Safeway.com) formally launches its Internet grocery service in Portland, Oregon and Vancouver, Washington. GroceryWorks.com becomes available in Northern California, Southern California and Las Vegas.
- Safeway's Board of Directors authorizes an additional $1.0 billion under its common stock repurchase program.
- Safeway purchases 5 stores in Houston from Albertsons and 3 stores in Dallas from Winn-Dixie.
- Safeway decides to sell Dominick's and exit the Chicago market.
- Safeway completes centralization of its marketing and procurement functions.
- Safeway repurchases 50.1 million shares of its common stock during 2002 for $1.5 billion. At year-end 2002, Safeway has bought back a total of $2.9 billion worth of its shares, leaving $0.6 billion available for repurchase under the $3.5 billion program.

2003

- Safeway resumes day-to-day operation of Tracy, California distribution center in August.

- The UFCW strikes 289 Vons stores in Southern California on October 11.

- Safeway takes Dominick's off the market because the union and the winning bidder could not reach agreement on an acceptable labor contract and later appoints Randall Onstead as Dominick's Division President.

2004

- Safeway announces it will declassify its Board of Directors beginning in 2005.

- Safeway announces closure of 12 underperforming Dominick's stores.

- Southern California strikes ends February 28.

- Robert L. Edwards joins Safeway as Executive Vice President and Chief Financial Officer.

- Brian C. Cornell joins Safeway as Executive Vice President and Chief Marketing Officer.

- Safeway announces corporate governance enhancements. Major changes include a commitment to replace three board members before year-end and the election of Paul Hazen as Lead Independent Director.

- During the second half of 2004, Safeway closes 18 underperforming stores in the Vons Southern California division.

- In October, Safeway announces the appointments of Mohan Gyani, former President and Chief Executive Officer of AT&T Wireless Mobility Group, and Janet Grove, Chair and Chief Executive Officer of Federated Merchandising Group and Corporate Vice Chair of Federated Department Stores, Inc., to its Board of Directors. They replace retiring board members George Roberts and James Greene Jr.

- In December, Safeway announces the appointment of Raymond G. Viault, retired Vice Chairman of General Mills, to the Board of Directors to replace retiring board member Hector Ley Lopez.

2005

- Peter Magowan retires from Safeway's Board of Directors.

- Safeway announces the appointment of Douglas Mackenzie, a partner at venture capital firm Kleiner Perkins Caufield & Byers, to the Company's Board of Directors.

- Safeway launches *Ingredients for life* branding campaign at the New York Stock Exchange to reposition the Safeway brand.

- Safeway initiates a quarterly cash dividend of $0.05 per common share ($0.20 per share annualized).

- Safeway announces a plan to revitalize the Texas division, including the closure of 26 underperforming stores.

2006

- Safeway amends bylaws to establish majority vote standard for the election of directors.

- Safeway receives the Catalyst Award for its outstanding diversity initiative that resulted in the development and advancement of women and women of color.

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