SAFEWAY

2007 fact book

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 the Safeway 2006 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 2007

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Note: This Fact Book contains forward-looking statements within the meaning of Section 27A of the Securities 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, cash flow, dividend payments on common stock, stock repurchases, tax settlements, information technology, Safeway brands and expansion of product lines, Lifestyle stores, efforts to revitalize operations in certain markets and purchases of renewable energy sources and other environmental commitments 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

Safeway Inc.
5918 Stoneridge Mall Road
Pleasanton, CA 94588-3229
Phone: (925) 467-3000

INVESTOR CONTACTS

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Vice President, Investor Relations
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Melissa Plaisance
Senior Vice President, Finance & Investor Relations
Phone: (925) 467-3136
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

- 440.1 million common shares issued and outstanding as of December 30, 2006

- 447.8 million weighted average shares outstanding during 2006 (diluted)

- 2006 range of trading prices, NYSE: $22.23 to $35.61

- 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 2007

• *4.80%*	*Senior Notes due 2007*
• *7.00%*	*Senior Notes 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
Bondholder Relations Department
Corporate Trust Division
Fiscal Agencies Department
101 Barclay Street, 7 – East
New York, NY 10286
Phone: (800) 548-5075

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

Trustee & Paying Agent:
BNY Trust Company of Canada
4 King Street West, Suite 1101
Toronto, Ontario MSH 1B6
Phone: (416) 933-8500

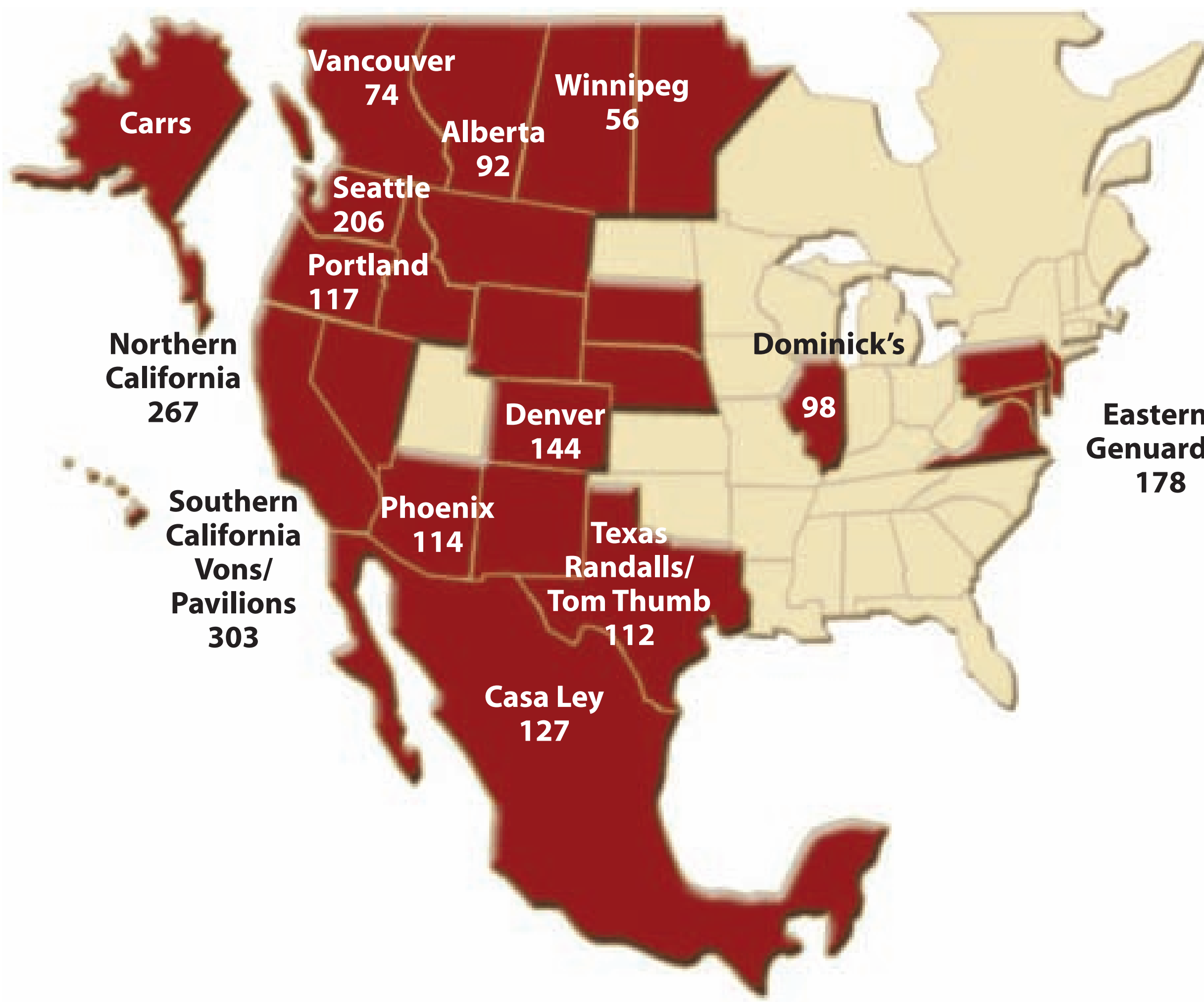
II. Safeway at a Glance

Safeway Inc. ("Safeway" or the "Company") is one of the largest food and drug retailers in North America. At year-end 2006, the Company operated 1,761 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, through its subsidiaries, operates GroceryWorks.com, an Internet grocer doing business under the names Safeway.com, Vons.com and Genuardis.com. Blackhawk Network Holdings, Inc., a subsidiary of Safeway, provides third-party gift cards, prepaid cards and sports and entertainment cards to North American retailers for sale to retail customers.

Safeway also holds a 49% interest in Casa Ley, S.A. de C.V., which at year-end 2006 operated 127 food and general merchandise stores in Western Mexico.

The majority of the information in this Fact Book is based on fiscal year 2006 numbers.



III. Retail Operations

OVERVIEW

The Company'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 30, 2006

	Less Than 35,000 Sq. Ft.	Greater Than 35,000 Sq. Ft.*	Total Stores
U.S. Operating Areas:			
Chicago (Dominick's)	3	95	98
Denver	20	124	144
Eastern (Safeway/Genuardi's) (MD, VA, D.C.) / (DE, NJ, PA)	27	151	178
N. California (includes HI)	75	192	267
Phoenix	7	107	114
Portland	21	96	117
Texas (Randalls/Tom Thumb)	13	99	112
Seattle (includes Carrs in AK)	48	158	206
S. California (Vons/Pavilions)	93	210	303
Total U.S.	307	1,232	1,539
Canadian Operating Areas:			
Alberta	20	72	92
Vancouver	30	44	74
Winnipeg	17	39	56
Total Canada	67	155	222
Total U.S. & Canada	**374**	**1,387**	**1,761**

** Note: As of December 30, 2006, approximately 79% of Safeway's stores were 35,000 square feet or larger.*

Store Count by State as of December 30, 2006

United States:		**Canada - Provinces:**	
Alaska	35	Alberta	89
Arizona	113	British Columbia	77
California	521	Manitoba	35
Colorado	122	Ontario	6
District of Columbia	16	Saskatchewan	15
Delaware	5		
Hawaii	18		
Idaho	6		
Illinois	98		
Maryland	75		
Montana	12		
Nebraska	5		
Nevada	31		
New Jersey	5		
New Mexico	4		
Oregon	102		
Pennsylvania	32		
South Dakota	3		
Texas	112		
Virginia	45		
Washington	168		
Wyoming	11		
Total U.S.	1,539	Total Canada	222
Total U.S. & Canada	**1,761**		

Percentage of Stores with Specialty Departments as of December 30, 2006

Deli	97%
Bakery	95%
Floral	93%
Pharmacy	78%
Starbucks	51%
Fuel Stations	19%

PRIMARY COMPETITORS

Safeway U.S. Operating Areas: (banner)	Primary Conventional:	Other*:
Chicago (Dominick's)	Jewel (SuperValu)	SuperTarget, Meijer
Denver (Safeway)	King Soopers (Kroger), Albertsons (Cerberus)	Wal-Mart Supercenter, Sam's Club
Eastern MD, VA, D.C. (Safeway)	Giant (Ahold), Food Lion (Delhaize), Shoppers Food Warehouse (SuperValu), Harris Teeter	Costco, BJ's Wholesale Club
DE, NJ, PA (Genuardi's)	Acme (SuperValu), ShopRite, Pathmark, Giant (Ahold), Super Fresh (Great Atlantic & Pacific)	Costco, Save-A-Lot (SuperValu)
N. California includes HI (Safeway)	Albertsons (Savemart), Raley's, Nob Hill (Raley's)	Costco, WinCo Foods, Whole Foods, Trader Joe's
Phoenix (Safeway)	Fry's (Kroger), Albertsons (Cerberus), Bashas'	Wal-Mart Supercenter, Costco, Sam's Club
Portland (Safeway)	Fred Meyer (Kroger), Albertsons (SuperValu), Thriftway (Lambs)	WinCo Foods, Wal-Mart Supercenter, Costco
Texas (Randalls/Tom Thumb)	Kroger, Albertsons (Cerberus), H.E. Butt	Wal-Mart Supercenter, Sam's Club, Fiesta Mart, SuperTarget
Seattle includes AK (Safeway/Carrs)	Albertsons (SuperValu), Fred Meyer (Kroger), Quality Food Centers (Kroger)	Wal-Mart Supercenter, Costco
S. California (Vons/Pavilions)	Albertsons (SuperValu), Ralphs (Kroger), Food 4 Less (Kroger), Stater Bros.	Costco, Whole Foods, Trader Joe's

Safeway Canadian Operating Areas: (banner)	Primary Conventional:	Other*:
Alberta (Safeway)	IGA (Sobeys), Co-op, Extra Foods (Loblaw), Save-on-Foods (Overwaitea)	Real Canadian Superstore (Loblaw), Costco, Wal-Mart, Real Canadian Wholesale Club (Loblaw)
Vancouver (Safeway)	Save-on-Foods (Overwaitea), PriceSmart foods (Overwaitea), Extra Foods (Loblaw), Thriftys	Real Canadian Superstore (Loblaw), Costco, Wal-Mart, Real Canadian Wholesale Club (Loblaw)
Winnipeg (Safeway)	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 the Company'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 four in Canada), which collectively provide the majority of products to stores operated by the Company. Safeway 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 (includes Genuardi's)	Collington, MD	915,000
Northern California (includes HI)	Tracy, CA	1,922,000
Phoenix	Tempe, AZ	788,000
Portland	Clackamas, OR	798,000
Seattle	Auburn, WA	1,251,000
(includes Carrs in AK)	Spokane, WA	292,000
	Anchorage, AK	233,000
Southern California	Santa Fe Springs, CA	989,000
(Vons/Pavilions)	El Monte, CA	862,000
Texas	Houston, TX	686,000
(Randalls/Tom Thumb)	Dallas, TX	1,019,000
Total U.S.		12,217,300
Canadian Operating Areas:		
Alberta	Calgary, Alberta	352,000
	Edmonton, Alberta	419,000
Vancouver	Vancouver, British Columbia	470,000
Winnipeg	Winnipeg, Manitoba	427,000
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 purchase, manufacture and process private-label merchandise sold in stores operated by the Company. As measured by sales dollars, approximately 22% of Safeway 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 2006 were as follows:

	U.S.	Canada	Total
Milk plants	6	3	9
Bakery plants	6	2	8
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
Pet food plant (1)	1	-	1
Total	20	12	32

(1) In March 2007, the Company sold its pet food plant.

CONSUMER BRANDS (Safeway's proprietary/exclusive private labels)

Safeway has a portfolio of great brands that consumers trust and enjoy. The Company has continued to develop its premium line of consumer brand products. Hundreds of items have been developed since 1993 under the "Safeway SELECT" brand. The award-winning Safeway SELECT brand 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 brand of products includes: unique salsas; bagged salads; whole bean coffees; cookies and desserts; frozen pizzas; fresh and frozen pastas; pasta sauces; olive oils; and *Artisan* fresh-baked breads and desserts. The Safeway SELECT brand also includes an extensive array of ice creams, as well as frozen yogurts and sorbets; cereals; frozen entrees; and hors d'oeuvres.

Safeway also offers the *Lucerne* brand which has been producing quality dairy products for 100 years; the *Primo Taglio* brand, a full line of premium meats and cheeses; and the *Signature* brand, which offers an array of soups, sandwiches, salads, side dishes and precooked meats like meatloaf, roasted chicken, turkey breast and rosemary pork loin.

Safeway is rejuvenating and redesigning its consumer brands offering, consolidating from a portfolio of more than 70 brands to 10 power brands with attractive new packaging. We have completed the rebranding of 1,500 items and plan to complete another 1,500 in 2007. The Safeway brand will also include an informational icon system that clearly communicates nutritional, convenience, safety and environmental product attributes to consumers.

In December 2005 the Company introduced *O* Organics. This line has grown to include nearly 200 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.

This spring we introduced *O* Organics for Baby and *O* Organics for Toddler products offering a complete line of wholesome, great tasting and affordable organic food for children in those early years.

Eating Right, our newest brand of products for health conscious consumers, will debut during the second quarter of 2007. *Eating Right* products combine great taste with nutritional efficacy and feature a unique nutritional icon system to help consumers quickly identify product attributes that they seek.

PROPRIETARY BRANDS

Safeway is focused on differentiating its offering with high quality perishables. The Company believes it has developed 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 items in the deli/food service department, including *Signature* sandwiches, soups, salads, side dishes and precooked hot meats that provide meal solutions for today's busy shoppers.

V. Finance and Administration

FINANCIAL TRANSACTION HISTORY
(All share prices 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.

- On April 26, 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 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 ("S&P") 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, S&P 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 a 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 per 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 pursuant to 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 pursuant to 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 pursuant to 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.

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

- On December 5, 2000, Safeway and Genuardi's Family Markets, Inc. jointly announced a definitive agreement pursuant to 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.com.

- 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 five-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 of Floating Rate Notes due 2009 to repay borrowings under its commercial paper program.

- In April 2006, Safeway announced it had settled a federal income tax refund claim for the years 1992 through 1999 for costs associated with debt financing. The federal refund consisted of a tax refund of $259.2 million and interest, net of tax, earned on that refund of $60.8 million. The state income tax refunds received in 2006 consisted of $3.1 million of tax and $1.8 million of interest, net of tax. Safeway still has outstanding claims for refunds of income tax and interest related to this same matter in several states. Collection of these funds may take several years.

- On May 25, 2006, Safeway's Board of Directors approved an increase to the Company's dividend by 15% to $0.0575 per share from $0.05 per share.

- On October 3, 2006, Safeway announced the purchase of the remaining 43.8% of the equity interests in the parent company of GroceryWorks.com that it did not already own, making GroceryWorks.com an indirect, wholly-owned subsidiary.

- On October 5, 2006, Blackhawk announced its acquisition of EWI Holdings, a provider of prepaid payment processing technology.

- On October 24, 2006, Fitch Ratings revised Safeway's rating outlook to Stable from Negative based on continued debt reduction and strengthened cash flows, profitability and credit measures.

- On December 7, 2006, Safeway's Board of Directors increased the authorized level of the Company's stock repurchase program by $500 million to $4 billion. The remaining board authorization for stock repurchases was $747 million.

- On February 7, 2007, Safeway announced its plans to revitalize Dominick's, which included remodeling 20 stores, opening one new store in 2007 and closing 14 underperforming stores.

- On February 22, 2007, Safeway announced it had repurchased 12 million shares of common stock at an average price of $26.53 per share and a total cost of $318 million in 2006.

REAL ESTATE

At year-end 2006, Safeway owned approximately 40% of its stores and leased the remaining stores. The Company prefers ownership because it provides control and flexibility with respect to remodels, expansions, closures and financing terms.

Safeway's new store format 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 perishables 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 shopping experience. At year-end 2006, 751 stores, or 43% of the store base, were remodeled to this format. By the end of 2009, the Company expects that the Lifestyle rollout will be largely complete.

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 partially contingent on capital investments of the Company achieving targeted rates of return.

In 2007 Safeway plans to spend approximately $1.7 billion in capital expenditures and plans to open approximately 25 new Lifestyle stores and complete approximately 275 Lifestyle remodels.

FIVE-YEAR HISTORY OF CAPITAL EXPENDITURE PROGRAM

	2006	2005	2004	2003	2002
Total stores at beginning of year	**1,775**	1,802	1,817	1,808	1,773
Stores opened:					
New	**7**	11	22	22	51
Replacement	**10**	10	11	18	24
	17	21	33	40	75
Stores closed	**31**	48[1]	48[2]	31	40
Total stores at year end	**1,761**	1,775	1,802	1,817	1,808
Remodels completed[3] :					
Lifestyle remodels	**276**	293	92	19	-
Other remodels	**8**	22	23	56	203
	284	315	115	75	203
Expansions	**4**	4	2	7	34
Four-wall remodels	**280**	311	113	68	169
Number of fuel stations at year end	**340**	314	311	270	214
Total retail square footage at year end (in millions)	**80.8**	81.0	82.1	82.6	81.5
Cash capital expenditures (in millions)[4]	**$1,674.2**	$1,383.5	$1,212.5	$935.8	$1,467.4
Cash capital expenditures as a percentage of sales and other revenue	**4.2%**	3.6%	3.4%	2.6%	4.2%
Average store size	**46,000**	45,000	45,000	45,000	45,000

(1) Closed underperforming stores in Texas (26).
(2) Closed underperforming stores at Dominick's (12) and Vons (18).
(3) Defined as store remodel projects (other than maintenance) generally requiring expenditures in excess of $0.2 million.
(4) Excludes acquisitions. Includes three Ralphs stores purchased in 2006.

TECHNOLOGY

Safeway's Information Technology ("IT") Department supports the business objectives of increasing sales, reducing costs and creating greater efficiencies that ultimately improve the overall customer experience.

The IT Department works with various business units to develop and implement technology solutions to meet business goals. The IT Department delivers solutions covering all aspects of Safeway's business including marketing and merchandising, retail, supply chain, eCommerce, business intelligence and administration.

Safeway operates one data center in Salt Lake City, Utah, and one in Phoenix, Arizona. 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 2002	184,000
Year-end 2003*	208,000
Year-end 2004	191,000
Year-end 2005	201,000
Year-end 2006	**207,000**

** 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 and 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 leadership boards focus on three key issues: making Safeway an employer of choice; enhancing diversity education; and forging stronger community allies. 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 results 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.

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 in 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 other outside candidates. Future store managers are given in-depth training on leadership, strategy, store operations, report analysis 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 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 more 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 more than 19,000 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

Safeway understands that community outreach and giving back are important. Safeway and its employees dedicate time and resources to important causes in the cities, states and provinces in which the Company operates.

Much of the charitable giving happens through The Safeway Foundation, the Company's philanthropic arm. The four major areas of support for both Safeway and The Safeway Foundation are hunger relief, education, health and human services, and people with disabilities.

Hunger Relief In 2006 Safeway donated $110 million in food and products to food banks, food pantries and other hunger relief agencies, many of which would not exist without Safeway's support.

Education Safeway contributed $22 million to schools through eScrip and other educational fundraising programs in 2006. In addition, support is given to a long list of after-school and physical education programs. The eScrip program allows shoppers to raise money for schools simply by making purchases at participating merchants. Once shoppers enroll in eScrip, a portion of the proceeds from each shopping trip goes directly to their chosen school.

Health and Human Services Safeway supports a wide array of hospitals, hospice programs and cutting-edge research. The Company is one of the largest corporate supporters of breast cancer and prostate cancer research and treatment, having raised and donated $13.4 million in 2006 toward efforts to improve detection and treatment of breast cancer and prostate cancer.

People with Disabilities Safeway has been a corporate partner of Easter Seals since 1985. This support, which includes more than $4 million raised in 2006, helps Easter Seals provide services for people with disabilities. The Company also raised more than $4.7 million in 2006 for the Muscular Dystrophy Association ("MDA") in the fight against neuromuscular diseases. Each year Safeway and other retailers participate with manufacturers in the "Aisles of Smiles" promotion in which a portion of the proceeds from the sale of specific products is donated to MDA. This amounts to millions of dollars in donations annually.

Environmental Safeway maintains several programs to promote environmental sustainability. Safeway supply plants, distribution centers and other facilities implement source reduction, reuse 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 recycled more than 500,000 tons of materials last year. This included old corrugated cardboard, plastic wrap and bags, food waste, aluminum and other metals, wooden pallets and paper. Other recycled materials from non-retail facilities include used oil, tires and batteries. Food waste products from stores and supply plants are collected for recycling into compost and animal feed. Safeway uses products containing 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 3% of refrigerant use. Non-ozone-depleting refrigerants are used in all new store refrigeration systems and represent more than 50% of refrigerant use. Energy use in stores and other facilities has been reduced by means of more efficient lighting, refrigeration, mechanical and control systems. Under the EPA's Green Power Partners program, Safeway purchased 87 million kilowatt hours of electricity generated by renewable wind power sources in 2006 and will purchase a similar amount in 2007. Safeway joined the Chicago Climate Exchange in 2006 and the California Climate Action Registry in 2007, committing to reduce its carbon footprint by 390,000 tons of carbon dioxide from the base year 2000.

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

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.

More information can be found on Safeway's Web site at *www.safeway.com*.

Supplier Diversity Safeway has been a long-standing supporter of the minority community. The Company'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, the Company supports the minority community in various ways. This includes the development of minority manufacturers within the communities Safeway serves.

VI. Financial and Operating Statistics - Annual

(Dollars in millions, except per-share amounts)	**52 Weeks 2006** (1)	52 Weeks 2005 (1)	52 Weeks 2004	53 Weeks 2003	52 Weeks 2002
Sales and other revenue	**$ 40,185.0**	$ 38,416.0	$ 35,822.9	$ 35,727.2	$ 34,917.2
Comparable-store sales (2)	**4.4%**	5.9%	0.9%	(2.4%)	(0.7%)
Identical-store sales (2)	**4.1%**	5.8%	0.3%	(2.8%)	(1.7%)
Identical-store sales (ex-fuel) (2)	**3.3%**	4.3%	(1.3%)	(4.5%)	(2.4%)
Cost of goods sold	**28,604.0**	27,303.1	25,227.6	25,003.0	23,920.8
Gross profit	**11,581.0**	11,112.9	10,595.3	10,724.2	10,996.4
Gross profit margin	**28.82%**	28.93%	29.58%	30.02%	31.49%
Operating & administrative expense	**9,981.2**	9,898.2	9,422.5	9,421.2	8,760.8
O&A expense as a % of sales (3)	**24.84%**	25.77%	26.30%	26.37%	25.09%
Operating profit	**1,599.8**	1,214.7	1,172.8	573.9	947.6
Operating profit margin	**4.0%**	3.2%	3.3%	1.6%	2.7%
Interest expense	**396.1**	402.6	411.2	442.4	430.8
Other income net	**36.3**	36.9	32.3	9.6	15.5
Pre-tax income	**1,240.0**	849.0	793.3	141.1	532.3
Net income/(loss)	**870.6**	561.1	560.2	(169.8)	(828.1)
Diluted earnings per share	**1.94**	1.25	1.25	(0.38)	(1.77)
Weighted average shares outstanding – diluted	**447.8**	449.8	449.1	441.9	467.3
Cash dividends declared per common share(4)	**0.2225**	0.15	-	-	-
LIFO expense (income)	**1.2**	(0.2)	(15.2)	(1.3)	(17.6)
Depreciation	**991.4**	932.7	894.6	863.6	888.3
Cash capital expenditure	**1,674.2**	1,383.5	1,212.5	935.8	1,467.4
Free cash flow (5)	**427.2**	567.5	1,156.1	814.6	639.0
Total assets	**16,273.8**	15,756.9	15,377.4	15,096.7	16,047.2
Total debt	**5,868.1**	6,358.6	6,763.4	7,822.3	8,435.6
Total stockholders' equity	**5,666.9**	4,919.7	4,306.9	3,644.3	3,627.5
Debt/total capital	**50.9%**	56.4%	61.1%	68.2%	69.9%

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 $51.2 million ($0.07 per diluted share) and $59.7 million ($0.08 per diluted share) for fiscal 2006 and fiscal 2005, respectively.*

(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.*

(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. Additionally, 2006 free cash flow excludes cash used for aquisitions, net of tax benefits, and interest earned on favorable income tax settlement, net of tax. A reconciliation of cash flow measure as measured under U.S. generally accepted accounting principles ("GAAP") to free cash flow is located on the Company's Web site at* www.safeway.com/investor_relations *under the caption "Presentations."*

VI. Financial and Operating Statistics - Quarterly

(Dollars in millions, except per-share amounts)	Q1	Q2	Q3	Q4
Sales and other revenue				
2006	$ 8,894.6	$ 9,367.1	$ 9,419.8	$ 12,503.5
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				
2006 (2)	4.5%	4.9%	5.3%	3.7%
2005 (1,2)	3.2%	4.5%	5.7%	5.4%
2004 (1)	0.5%	2.3%	1.0%	1.5%
Identical-store sales				
2006 (2)	4.4%	4.6%	5.0%	3.5%
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)				
2006 (2)	3.2%	3.2%	3.7%	3.5%
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				
2006	$ 6,306.4	$ 6,682.5	$ 6,753.7	$ 8,861.4
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				
2006	$ 2,588.2	$ 2,684.6	$ 2,666.1	$ 3,642.1
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				
2006	29.1%	28.7%	28.3%	29.1%
2005	29.2%	28.7%	28.6%	29.1%
2004	30.2%	29.2%	29.6%	29.5%
O&A expense				
2006	$ 2,270.5	$ 2,302.4	$ 2,312.0	$ 3,096.3
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				
2006	25.5%	24.6%	24.5%	24.8%
2005	25.8%	25.3%	25.9%	26.0%
2004	28.2%	25.4%	26.0%	25.9%
Operating profit				
2006	$ 317.7	$ 382.2	$ 354.1	$ 545.8
2005	295.4	302.4	239.7	377.2
2004	155.2	317.0	294.5	406.2

(1) Q1 2005 and quarterly 2004 identical-store sales and comparable-store sales exclude Vons.

(2) Q1 and Q2 2005 and Q1 and Q2 2006 adjusted for holiday shifts.

(Dollars in millions, except per-share amounts)	Q1	Q2	Q3	Q4
Operating profit margin				
2006	3.6%	4.1%	3.8%	4.4%
2005	3.4%	3.4%	2.7%	3.1%
2004	2.0%	3.8%	3.5%	3.6%
Interest expense				
2006	$ 93.0	$ 91.6	$ 90.0	$ 121.5
2005	90.3	94.5	93.5	124.3
2004	96.2	95.5	96.5	123.0
Other income, net				
2006	$ 7.7	$ 6.5	$ 11.2	$ 10.8
2005	7.7	8.5	5.7	15.2
2004	3.1	4.7	3.7	20.7
Income before income tax				
2006	$ 232.4	$ 297.1	$ 275.3	$ 435.1
2005	212.8	216.4	151.9	268.1
2004	62.1	226.2	201.7	303.9
Net income				
2006	$ 142.9	$ 246.2	$ 173.5	$ 307.9
2005	131.3	134.0	122.5	173.5
2004	43.1	155.2	159.2	202.7
Diluted EPS				
2006	$ 0.32	$ 0.55	$ 0.39	$ 0.69
2005	0.29	0.30	0.27	0.39
2004	0.10	0.35	0.35	0.45
Average shares outstanding - diluted				
2006	451.0	449.4	447.0	445.1
2005	449.6	450.1	451.6	450.5
2004	448.3	449.4	449.7	449.4
Cash dividends declared per common share				
2006	$ 0.05	$ 0.0575	$ 0.0575	$ 0.0575
2005	-	0.05	0.05	0.05
2004	-	-	-	-
LIFO expense (income)				
2006	$ 2.3	$ 2.3	$ 2.3	$ (5.7)
2005	2.3	2.3	2.3	(7.2)
2004	2.3	2.3	2.3	(22.1)
Depreciation				
2006	$ 218.4	$ 226.3	$ 228.9	$ 317.8
2005	210.5	210.8	215.2	296.2
2004	202.5	203.7	208.6	279.8
Cash capital expenditures				
2006	$ 413.5	$ 327.8	$ 370.3	$ 562.6
2005	216.1	299.0	340.4	528.0
2004	237.2	242.2	272.4	460.7

(Dollars in millions, except per-share amounts)	Q1	Q2	Q3	Q4
Adjusted EBITDA (rolling 52 weeks) (3)				
2006	$ 2,344.9	$ 2,436.1	$ 2,504.7	$ 2,698.0
2005	2,268.6	2,282.8	2,295.8	2,306.9
2004	2,292.8	2,191.0	2,075.8	2,111.3
Interest coverage (rolling 52 weeks) (3)				
2006	5.8x	6.1x	6.3x	6.8x
2005	5.6x	5.6x	5.7x	5.7x
2004	5.3x	5.1x	4.9x	5.1x
Free cash flow (3, 4)				
2006	$ (286.1)	$ 302.8	$ 339.3	$ 71.2
2005	33.5	153.6	264.6	115.8
2004	182.2	433.4	263.8	276.7
Total debt				
2006	$ 6,391.0	$ 6,272.7	$ 5,947.0	$ 5,868.1
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				
2006	$ 5,051.8	$ 5,448.0	$ 5,567.9	$ 5,666.9
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				
2006	55.9%	53.5%	51.6%	50.9%
2005	60.5%	59.2%	57.4%	56.4%
2004	67.4%	65.5%	64.3%	61.1%
Stock price range				
2006	$22.23 - $25.70	$22.85 - $25.72	$24.00 - $31.42	$27.41 - $35.61
2005	$17.85 - $20.09	$18.15 - $24.95	$22.44 - $25.40	$21.67 - $26.46
2004	$19.72 - $23.80	$19.92 - $24.67	$19.52 - $25.64	$17.26 - $21.17

(3) Reconciliations of (i) net income and net cash flow from operating activities to Adjusted EBITDA and (ii) GAAP cash flow measure to free cash flow are located on the Company's Web site at www.safeway.com/investor_relations *under the caption "Presentations."*

(4) Defined as cash flow from operating activities less cash flow used by investing activities. Additionally, 2006 free cash flow excludes cash used for acquisitions, net of tax benefits, and interest earned on favorable income tax settlement, net of tax.

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.

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

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

Robert I. MacDonnell
Retired Partner
KKR & Co.

Douglas J. Mackenzie
Managing Member
Radar Management, LLC
Partner
Kleiner Perkins Caufield & Byers

Rebecca A. Stirn
President and Chief Financial
Officer
Aesthetic Sciences Corporation

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

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

Russell M. Jackson
Senior Vice President
Human Resources

Melissa C. Plaisance
Senior Vice President
Finance and Investor Relations

Kenneth M. Shachmut
Senior Vice President
Strategic Initiatives, Health
Initiatives and Reengineering

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 a 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 is 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 of Safeway and spearheads the Company's move into one-stop shopping superstores that feature a variety of specialty departments.
- Safeway consolidates its manufacturing divisions in a modern Walnut Creek, California, 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, 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 Jr. and Michael Tokarz, General Partners of KKR, 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 January 30, 1996.

- In September and December, Safeway acquires 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. 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.com 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 five stores in Houston from Albertsons and three 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

- Seven locals of the United Food and Commercial Workers International Union strike 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. Safeway 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 strike 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 Southern California/Vons 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 the *Ingredients for life* branding campaign at the NYSE 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 results in the development and advancement of women and women of color.
- On October 3, 2006, Safeway announces the purchase of the remaining 43.8% of the equity interests in the parent company of GroceryWorks.com that it did not already own, making GroceryWorks.com an indirect, wholly-owned subsidiary.
- On October 5, 2006, Blackhawk announces its acquisition of EWI Holdings, a provider of prepaid payment processing technology.
- Safeway establishes guidelines for stock ownership by executive officers to further link the interests of executives and stockholders.

- Safeway adopts policy on severance agreements that specifies that the Company will not enter into any severance agreement with an executive officer that provides severance benefits in excess of 2.99 times that executive's most recent salary plus bonus, without stockholder approval.

- Safeway joins the Chicago Climate Exchange, making a voluntary but legally binding commitment to reduce greenhouse gas emissions by 6% over four years. Safeway also becomes a voluntary member of the California Climate Action Registry, the state's official registry for Greenhouse Gas emissions reduction projects and takes action to reduce the Company's carbon footprint and reduce air pollution.

- Safeway increases its quarterly dividend 15% from $0.05 per share to $0.0575 per share.

- Blackhawk establishes a United Kingdom office and enters the market with its gift card business.

2007

- Safeway announces a plan to revitalize the Dominick's Division, including remodeling 20 stores, opening one store and closing 14 underperforming stores in 2007.

Notes

Notes

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