

SAFEWAY

Ingredients for life...

2005 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 Safeway's 2004 Annual Report, 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 2005

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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, obligations with respect to divested operations, cash flow, financial and other effects of the Southern California labor strike and the Northern California distribution center strike, share repurchases and are indicated by words or phrases such as "continuing", "on-going", "expects", "plans" 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.

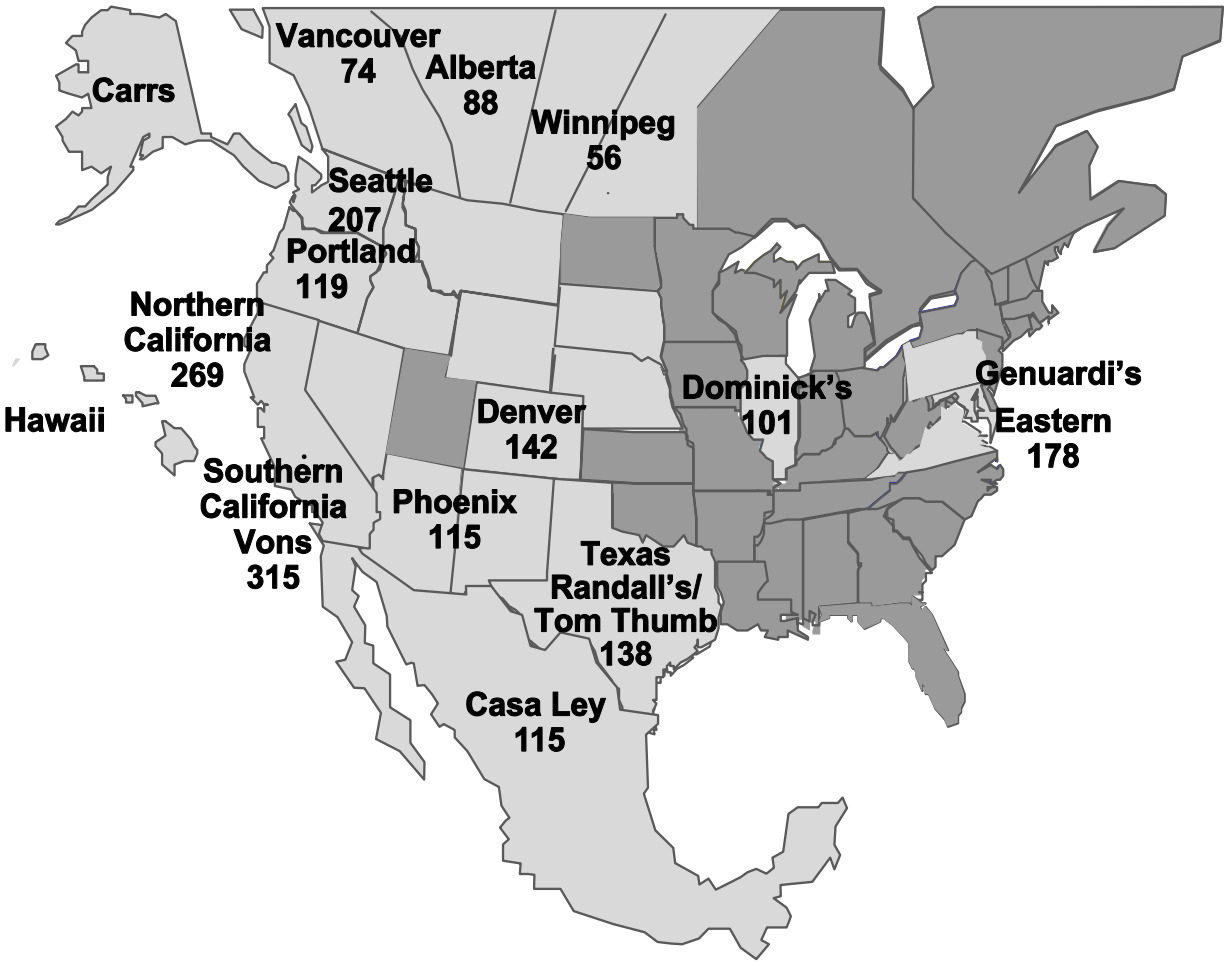
I. SAFEWAY AT A GLANCE

Safeway is one of the largest food and drug retailers in North America. At year-end 2004, the Company operated 1,802 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 2004 operated 115 food and general merchandise stores in western Mexico.

In addition, the Company has a 54% equity interest in and a strategic alliance with GroceryWorks Holdings, Inc., an Internet grocer which operates under the names "safeway.com" and "vons.com".

The majority of the information in this Fact Book is based on fiscal year 2004 numbers.



Corporate Office

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

Investor Contacts

Julie Hong
Director, Investor Relations
Phone: (925) 467-3832
Fax: (925) 467-3270

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
- Transfer Agent: EquiServe Trust Company, N.A.
  P.O. Box 43069
  Providence, RI 02940-3069
  Phone: (877) 498-8861
  Hearing Impaired: (800) 952-9245
  www.equiserve.com
- 447.7 million common shares issued and outstanding as of January 1, 2005
- 449.1 million weighted average shares outstanding during 2004 (diluted)
- 2004 range of trading prices, NYSE: $17.26 to $25.64
- Two-for-one stock split effected February 25, 1998
- Two-for-one stock split effected January 30, 1996

Bond Information

- *2.50% Senior Notes due 2005*
  3.80% Senior Notes due 2005
  4.125% Senior Notes due 2008
  4.80% Senior Notes due 2007
  4.95% Senior Notes due 2010
  5.625% Senior Notes due 2014
  5.80% Senior Notes due 2012
  6.15% Senior Notes due 2006
  6.50% Senior Notes due 2008
  6.50% Senior Notes due 2011
  7.00% Senior Notes due 2007
  7.25% Senior Debentures due 2031
  7.45% Senior Debentures due 2027
  7.50% Senior Notes due 2009
  9.875% Senior Subordinated Debentures due 2007
  Floating Rate Senior Notes due 2005

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

II. 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, excellent in-store bakeries, deli and food service areas and outstanding floral and pharmacy departments. The Company's store-level employees also deliver superior service to customers to make the shopping experience more enjoyable.

Stores By Operating Area as of January 1, 2005

	Less Than 35,000 Sq. Ft.	Greater Than 35,000 Sq. Ft.	Total Stores
U.S. Operating Areas:			
Denver	20	122	142
Dominick's	5	96	101
Eastern (MD, VA, D.C., Genuardi's)	32	146	178
N. California (includes Hawaii)	81	188	269
Phoenix	7	108	115
Portland	22	97	119
Texas (Randalls/Tom Thumb)	14	124	138
Seattle (includes Alaska)	48	159	207
S. California (Vons)	99	216	315
Total U.S.	328	1,256	1,584
Canadian Operating Areas:			
Alberta	21	67	88
Vancouver	32	42	74
Winnipeg	19	37	56
Total Canada:	72	146	218
Total U.S. & Canada	**400**	**1,402**	**1,802**

As of January 1, 2005, approximately 78% of our stores were 35,000 square feet or larger.

Store Count by State as of January 1, 2005

United States	
Alaska	35
Arizona	114
California	534
Colorado	120
District of Columbia	16
Delaware	4
Hawaii	18
Idaho	6
Illinois	101
Maryland	76
Montana	12
Nebraska	5
Nevada	32
New Jersey	5
New Mexico	4
Oregon	103
Pennsylvania	32
South Dakota	3
Texas	138
Virginia	45
Washington	170
Wyoming	11
TOTAL U.S.	1,584

Canada - Provinces	
Alberta	85
British Columbia	77
Manitoba	35
Ontario	6
Saskatchewan	15
TOTAL - CANADA	218
TOTAL U.S. & CANADA	**1,802**

Percentage of Stores with Specialty Departments

	2004
Deli	96%
Bakery	94%
Floral	93%
Pharmacy	74%

Primary Competitors

Safeway U.S. Operating Areas:	***Primary Conventional *:***	***Other:***
Chicago	Jewel (Albertsons)	Aldi, Meijer, Cub Food (Supervalu), Costco
Denver	King Soopers (Kroger), Albertsons	Wal-Mart Supercenter, Sam's Club, Costco
Eastern (MD, VA, D.C.)	Giant (Ahold), Food Lion (Delhaize), Shoppers Food Warehouse (Supervalu)	Costco, Sam's Club, BJ's Wholesale Club, Whole Foods Market
Philadelphia (Genuardi's)	Acme (Albertsons), ShopRite, Pathmark, Giant (Ahold), Super Fresh (Great Atlantic & Pacific)	Sam's Club, Costco, BJ's Wholesale Club, 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, Costco, Wal-Mart Supercenter
Texas (Randalls/Tom Thumb)	Kroger, Albertsons, H.E. Butt	Wal-Mart Supercenter, Sam's Club, Costco, SuperTarget Center, Fiesta Mart
Seattle (includes Alaska)	Albertsons, Fred Meyer (Kroger), Quality Food Centers (Kroger)	Costco, Wal-Mart Supercenter
S. California	Albertsons, Ralphs (Kroger), Food 4 Less (Kroger), Stater Bros.	Costco
Canada Operating Areas:	**Conventional:**	**Other Competitors:**
Alberta	IGA (Sobeys), Co-op, Extra Foods (Loblaw), Save-on-Foods (Overwaitea)	Real Canadian Superstore (Loblaw), Costco, Real Canadian Wholesale Club (Loblaw), Wal-Mart
Vancouver	Save-on-Foods (Overwaitea), Extra Foods (Loblaw), Thriftys	Real Canadian Superstore (Loblaw), Costco, Real Canadian Wholesale Club (Loblaw), Wal-Mart
Winnipeg	IGA (Sobeys), Co-op, Extra Foods (Loblaw)	Real Canadian Superstore (Loblaw), Costco, Real Canadian Wholesale Club (Loblaw), Wal-Mart

**Banners with grocery market share of 5% or greater.*

III. 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 four in Canada), which collectively provide the majority of all 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.,DC)	Collington, MD	915,000
Northern California (includes Hawaii)	Tracy, CA	2,008,000
Phoenix	Tempe, AZ	788,000
Portland	Clackamas, OR	798,000
Seattle (includes Alaska)	Auburn, WA *	1,251,000
	Bellevue, WA	136,700
	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.	**12,440,000**
Canada Operating Areas:		
Alberta	Calgary, Alberta	352,000
	Edmonton, Alberta	419,000
Winnipeg	Winnipeg, Manitoba	427,000
	Total Canada	**1,198,000**
Total U.S. & Canada		**13,638,000**

* Auburn facility opened April 20, 2005.
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 24% 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 2004 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

Safeway stores offer a variety of corporate brand products across many categories. Safeway SELECT, the Company's premium corporate brand label, is offered in Safeway, Vons, Carrs, Dominick's, Randall's, Tom Thumb and Genuardi's stores. The Safeway SELECT line of products includes carbonated soft drinks; 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; Milena's take & bake pizzas, the Primo Taglio line of meats, cheeses and sandwiches; Signature Soups and sandwiches; Artisan fresh-baked breads; NutraBalance pet food; and Ultra laundry detergents and dish soaps. The Safeway SELECT line also includes an extensive array of ice creams, frozen yogurts and sorbets as well as Healthy Advantage items such as low-fat ice creams, cereals and low-fat cereal bars; and Gourmet Club frozen entrees and hors d' oeuvres.

Safeway's retail divisions also offer private brands under the following labels: Safeway, Vons, Remarkable (Randall's/Tom Thumb) and Genuardi's. Additional corporate brand labels available in our stores include Lucerne (Safeway) and Jerseymaid (Vons) dairy products and Mrs. Wright's (Safeway) and Nancy Martin's (Dominick's) bakery products.

IV. FINANCE AND ADMINISTRATION

Financial Transaction History

- 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 were 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 (split adjusted), 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 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 a 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 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 due 2005
    - $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.

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

- 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.

Real Estate

Safeway's new store prototype is called 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.

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 2005, Safeway plans to spend approximately $1.4 billion in cash capital expenditures and plans to open approximately 30 new Lifestyle Stores and complete approximately 280 to 290 Lifestyle remodels.

FIVE-YEAR HISTORY OF CAPITAL EXPENDITURE PROGRAM

	2000	2001	2002	2003	2004
Beginning store count	1,659	1,688	1,773	1,808	1,817
Stores opened:					
New	31	57	51	22	22
Replacement	44	38	24	18	11
Total	75	95	75	40	33
Stores closed/sold	(46)	(49)	(40)	(31)	(48)[(b)]
Net new stores	29	46	35	9	(15)
Acquired stores:					
Genuardi's	-	-	39[(a)]	-	-
Ending store count	1,688	1,773	1,808	1,817	1,802
Stores remodeled					
Expansions	29	33	34	7	2
"Four-wall" remodels	246	222	169	68	113
Total	275	255	203	75	115
Fuel stations at year end	61	152	214	270	311
Retail square footage (MM)	73.6	78.8	81.5	82.6	82.1
Square footage growth %	4.0%	7.1%	3.4%	1.4%	(0.6%)
Average store size	44,000	44,500	45,000	45,000	45,000
Sales per square foot	$431.0	$433.2	$428.9	$419.5	$425.9
Cash capital expenditures (BN)	$1.6	$1.8	$1.5	$0.9	$1.2

(a) The acquisition of Genuardi's in February 2001 added 39 stores with approximately 1.9 million square feet.
(b) Closed underperforming stores at Domincks (12) and Vons (18).

Technology

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

The Company has many common systems to support its operations. These primarily reside within the Marketing and Merchandising, Supply Chain, Retail Operations and Manufacturing and Backstage businesses. State-of-the-art, enterprise-wide solutions ensure that the right information is available to decision makers on a timely basis.

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 2000	192,000
Year-end 2001	193,000
Year-end 2002	184,000
Year-end 2003*	208,000
Year-end 2004	191,000

* 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 we serve, regardless of gender, age, race, sexual orientation, ethnicity or cultural background. Valuing and managing diversity is a vital part of every supervisor's job and helps the Company maximize individual employee productivity and achieve its business priorities. Safeway is committed to ensuring that its managers are trained and well-equipped to manage a diverse workforce over the long term. In addition to training and education initiatives, Safeway has multi-level Diversity Advisory Boards that are charged with identifying opportunities and strategies to maximize the benefits of our diverse workforce.

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 we serve. We plan to continue to level the playing field by creating more opportunities for growth and expansion for minority suppliers in the Safeway system.

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

Retail Management Training: Store managers are key to the daily operations of the Company. Potential managers are selected from high-performing store employees and outside candidates. Future store managers are given in-depth training on leadership, store operations, report analyzation, technical issues and management skills. Our retail management training program prepares individuals for everyday operating challenges. The training provides 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 our website at www.safeway.com.

Incentive Programs/ Stock Plans

Incentive Program: The Company's bonus programs extend to over 16,300 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 their self-directed retirement funds in Safeway stock.

Corporate Responsibility

Charities: Safeway and its employees donate money and 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. The Safeway Foundation was funded by an initial start-up grant from the Company. Other fundraising events include a yearly Foundation employee giving campaign.

In a unique effort in early 2005, Safeway employees raised over $3.5 million to aid tsunami victims and support relief efforts in South Asia and Eastern Africa.

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 our supply plants. Facilities are periodically assessed for opportunities to implement or improve waste and source reduction.

Safeway typically recycles over 400,000 tons of material from our stores 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 our 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.

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 our website at www.safeway.com.

V. FINANCIAL AND OPERATING STATISTICS

(Dollars in millions, except per-share amounts)

Five-Year Summary[a]

Year	Sales[a]	%Change	Comparable Store Sales [a, b]	Identical Store Sales [a, b]
2004	$35,822.9	0.3%	0.9%	0.3%
2003	$35,727.2	2.3%	(2.4%)	(2.8%)
2002	$34,917.2	1.4%	(0.7%)	(1.7%)
2001	$34,434.5	7.3%	2.3%	1.6%
2000	$32,103.3	na	2.8%	2.2%

Year	Operating & Expense [a, d]	O & A Margin [a, d]	Operating Profit [c, d]	Operating Margin [c, d]
2004	$9,422.5	26.3%	$1,172.8	3.3%
2003	$9,421.2	26.4%	$573.9	1.6%
2002	$8,760.8	25.1%	$947.6	2.7%
2001	$8,047.4	23.4%	$2,588.8	7.5%
2000	$7,258.2	22.6%	$2,281.7	7.1%

Year	Net Income (Loss) [e]	Net Income as a % Sales	Diluted Earnings (Loss) Per Share [e]	Weighted Average Shares Outstanding (diluted)
2004	$560.2	1.6%	$1.25	449.1
2003	($169.8)	NM	($0.38)	441.9
2002	($828.1)	NM	($1.77)	467.3
2001	$1,253.9	3.6%	$2.44	513.2
2000	$1,091.9	3.4%	$2.13	511.6

Year	Stock Price Range	Stock Price @ Year End
2004	$17.26 to 25.64	$19.74
2003	$16.45 to 25.80	$21.91
2002	$19.08 to 46.09	$23.26
2001	$37.44 to 61.38	$41.75
2000	$30.75 to 62.67	$62.50

Note: These financial and operating statistics should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report to Stockholders on Form 10-K.

(a) The Company has classified certain minor revenue items such as partner gift card and vending machine income as other revenues in 2004. These items had historically been classified as a reduction of costs and expenses. These items for 2000-2003 have been reclassified to conform to the 2004 presentation.

(b) Defined as stores operating during the same periods in both the current year and the previous year. Comparable stores include replacement stores while identical stores do not. 2004 sales increase includes the estimated 60-basis-point impact of the Southern California strike. 2003 sales decrease includes the estimated 240-basis-point impact of the Southern California strike. 2001 and 2000 sales increases include the estimated 50-basis-point impact of the 2000 Northern California distribution center strike.

(c) 2003 cost of goods sold includes $71 million pre-tax charge for a change in accounting for inventory.

(d) The Company has provided information regarding the financial impact of certain strike-related costs that are explained in Form 10K for 2003 and 2004.

(e) 2002 net income includes $700 million after-tax charge ($1.50 per diluted share) for a cumulative effect of accounting change.

(f) Total debt includes capital lease obligations.

Year	LIFO	Cost of Goods Sold [a, c, d]	Gross Profit [a, c, d]	Gross Profit Margin [a, c, d]
2004	($15.2)	$25,227.6	$10,595.3	29.6%
2003	($1.3)	$25,003.0	$10,724.2	30.0%
2002	($17.6)	$23,920.8	$10,996.4	31.5%
2001	$2.2	$23,657.9	$10,776.6	31.3%
2000	($1.1)	$22,437.2	$9,666.1	30.1%

Year	Depreciation and Amortization	Interest Expense	Income Before Income Taxes and Cumulative Effect of Accounting Change	Pretax Margin
2004	$894.6	$411.2	$793.9	2.2%
2003	$863.6	$442.4	$141.1	0.4%
2002	$888.3	$430.8	$532.3	1.5%
2001	$797.3	$446.9	$2,095.0	6.1%
2000	$704.5	$457.2	$1,866.5	5.8%

Year	Cash Capital Expenditure	Total Debt [f]	Stockholders' Equity	Total Debt. To Capital (%)
2004	$1,212.5	$6,763.4	$4,306.9	61.1%
2003	$935.8	$7,822.3	$3,644.3	68.2%
2002	$1,467.4	$8,435.6	$3,627.5	69.9%
2001	$1,793.0	$7,399.8	$5,889.6	55.7%
2000	$1,572.5	$6,495.9	$5,389.8	54.7%

Year	Adjusted EBITDA	Interest Coverage Ratio [1]	Free Cash Flow [2]
2004	$2,071.9	5.0x	$1,156.1
2003	$2,575.0	5.8x	$814.6
2002	$3,309.0	7.7x	$639.0

Reconciliations:

(1) Interest Coverage Ratio:

Adjusted EBITDA

$ Millions	52 weeks 2004	53 weeks 2003	52 weeks 2002
Net income (loss)	$ 560.2	$ (169.8)	$ (128.1)
Add (subtract):			
Income taxes	233.7	310.9	660.4
LIFO income	(15.2)	(1.3)	(17.6)
Interest expense	411.2	442.4	430.8
Depreciation and amortization	894.6	863.6	888.3
Goodwill impairment charges	-	729.1	1,288.0
SFAS No. 144 impairment charges	-	322.0	201.3
Inventory loss accrual	-	71.0	-
Lease liability credits related to Furr's and Homeland Bankruptcies	-	-	(14.3)
Equity in (earnings) losses of unconsolidated affiliates	(12.6)	7.1	0.2
Total Adjusted EBITDA*	$ 2,071.9	$ 2,575.0	$ 3,309.0
Interest Expense	$ 411.2	$ 442.4	$ 430.8
	5.04 x	5.82 x	7.68 x

* Total adjusted EBITDA was impacted by the Southern California strike from 10/11/03 to 2/28/04

(2) Free Cash Flow

$ Millions	2004	2003	2002
Net cash flow from operating activities	$2,226.4	$1,609.6	$2,034.7
Net cash flow used by investing activities	(1,070.3)	(795.0)	(1,395.7)
Free cash flow	$1,156.1	$814.6	$639.0

Free cash flow is calculated as net cash flow from operating activities less net cash flow used by investing activities, excluding cash paid in acquisitions. Free cash flow should not be considered as an alternative to net cash from operating activities or other increases and decreases in cash as shown on Safeway's consolidated statement of cash flows for the periods indicated. Other companies may calculate free cash flow differently than Safeway.

VI. 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

Larree M. Renda
Executive Vice President
Retail Operations, Human Resources,
Public Affairs, Labor and Gov't Relations,
Reengineering and Communications

David F. Bond
Senior Vice President
Finance and Control

David T. Ching
Senior Vice President and
Chief Information Officer

Dick W. Gonzales
Senior Vice President
Human Resources

Robert A. Gordon
Senior Vice President
General Counsel and
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

VII. 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 1995, 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 1995, 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 1996, 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, 1997, 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, 1998.

- 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, 1998.

- 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 repurchased 17.9 million shares of its common stock during the fourth quarter of 1999 for $651 million.

2000

- Safeway announces it had 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 mobilized 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 was 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 repurchased 18.9 million shares of its common stock during 2001 for $781 million. 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.

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 Albertson's 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 repurchased 50.1 million shares of its common stock during 2002 for $1.5 billion. 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.

2003

- Safeway resumes day-to-day operation of Tracy, California distribution center in August 2003.

- The UFCW struck 289 Vons stores in Southern California on October 11, 2003.

- Safeway takes Dominick's off the market because the union and the winning bidder could not reach agreement on an acceptable labor contract.

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, 2004.

- 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 closed 18 underperforming stores in the Von's 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 replaced retiring board members George Roberts and James Greene Jr.

- Safeway raised more than $3.5 million to support relief efforts on behalf of tsunami victims in South Asia and East Africa.

- 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 commences a $100 million marketing campaign to reposition the Safeway Brand.