



2013 LETTER TO STOCKHOLDERS

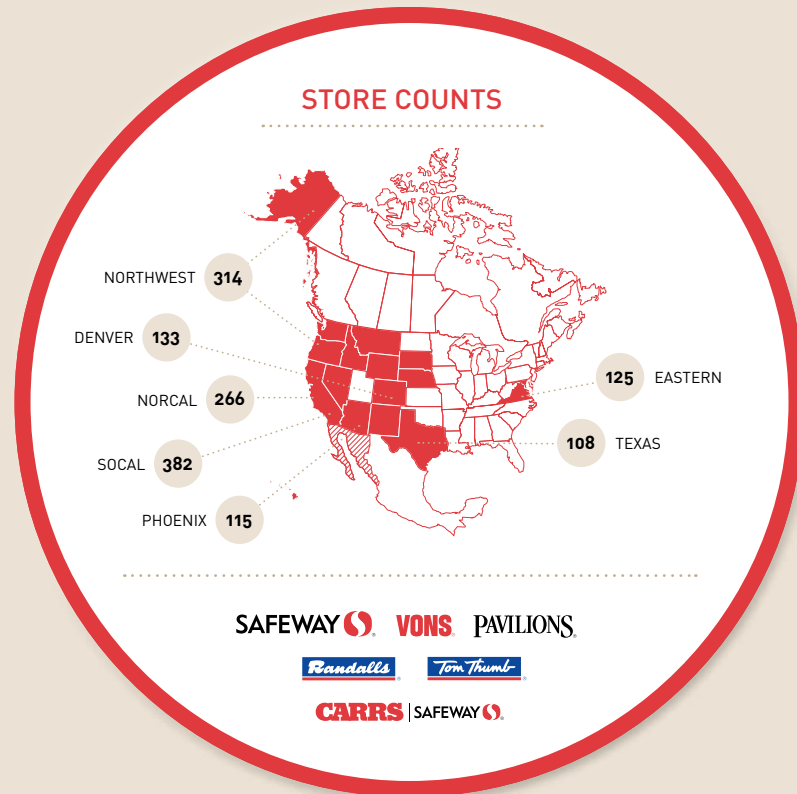
SAFeway INC. PO Box 99 Pleasanton, CA 94566-0009 www.safeway.com



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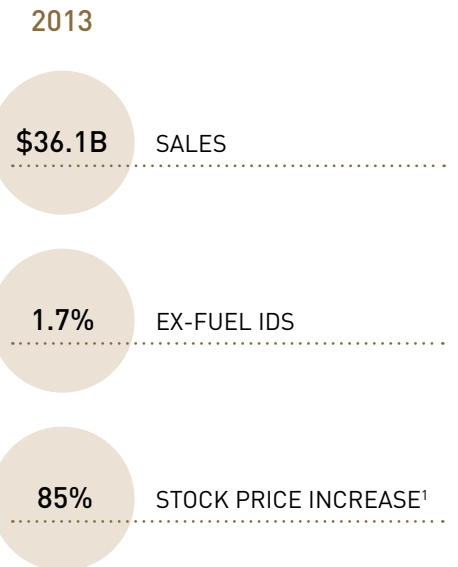


Year-End 2013 Percentage Of Stores With Specialty Departments & Fuel Stations



As of December 28, 2013, the company operated 1,335 stores in the Western, Southwestern, Rocky Mountain and Mid-Atlantic regions of the United States. In support of its stores, Safeway has an extensive network of distribution, manufacturing and food processing facilities. Safeway also has a 49% ownership interest in Casa Ley, which operates 200 food and general merchandise stores in western Mexico.

Year-End 2013 Manufacturing & Food Processing Facilities



Dear Fellow Stockholders,

In 2013, we took significant steps toward creating stockholder value:

- We completed the partial IPO of our Blackhawk gift and prepaid card subsidiary in April 2013 selling 11.5 million shares at \$23 per share.
- We sold our Canadian operations to Sobeys Inc. for C\$5.8 billion in November 2013
- We exited the Chicago market, which generated a significant tax benefit.

In March 2014, we announced that we entered into a definitive merger agreement with AB Acquisition, a company owned by Cerberus Capital and a number of partners, which is discussed in our definitive proxy statement filed on June 19, 2014.

Our remaining 72% share of HAWK was distributed to Safeway shareholders on April 14, 2014.

Following is a brief summary of our operating results in 2013 and the initiatives we continue to pursue to serve our customers each and every day.

2013 Stock Price Summary



Results From Continuing Operations

Based on continuing operations, which exclude results from our former Canadian division and Dominick's in Chicago, sales increased 0.2% in 2013 to \$36.1 billion. We achieved ex-fuel identical store sales growth of 1.7%, our highest in several years, and the first positive volume year since 2006. The positive sales were largely offset by lower fuel sales. Adjusted EBITDA was \$1.6 billion².

Our continuing operations generated \$1.0 billion in cash from operating activities in 2013. We lowered debt by \$1.4 billion to end the year with debt of \$4.2 billion. Our cash balance at year-end of \$4.6 billion was higher versus prior years, primarily due to the proceeds from the sale of our Canadian operations. We completed \$664 million in share repurchases and announced our eighth dividend increase to shareholders—to \$0.20 per share per quarter totaling \$181 million paid for the year. We also invested \$767 million in capital expenditures. Our PDC real estate subsidiary remained active in building, leasing and selling shopping center assets.

Sales Initiatives

We are committed to continuing to drive sales and operating profit dollars in our core grocery business. To generate results, we are focused on better meeting shoppers' diverse needs by offering a local, relevant assortment and an improved price/value proposition while providing a differentiated in-store experience. We are applying localization at the individual store level, while also offering a stronger level of personalization both through store clustering

and loyalty-driving initiatives such as Just for U™ and Fuel Rewards. In addition, we are focused on Center of Store remodels, which make our stores more shoppable. We are also growing sales through a new approach to shrink, putting more products on the shelves for purchase.

Center of Store Remodels

Our customers told us how much they enjoy shopping our remodeled Lifestyle stores, which focus mainly on the perimeter of our stores, but they viewed the Center of Store as undifferentiated and difficult to shop. In fact, many shoppers navigate from the perimeter of the store and only access aisles that contain products on their list. Based on this feedback, we designed and are implementing a new Center of Store concept to better engage with our shoppers and ultimately drive sales and profits.

We organized categories into destination "zones" and strategically placed departments adjacent to each other to make shopping easier. We focused on three main areas: Meals and Ingredients, Healthy Living and Pet and Baby. We lowered shelves and added bright lighting and color-coded signs to improve shopability. We also improved accessibility by opening up space and adding cut-throughs that connect perimeter to Center of Store departments, and we minimized clutter, making the aisles more inviting and easier to walk through. In 2013, we remodeled 177 stores to incorporate this new design, and we expect to complete approximately 200 more in 2014.



MEETING CONSUMER NEEDS

We revamped our Eating Right line to include additional consumer needs such as gluten-free and low-calorie.

Localization / Store Clustering

Our localization strategy is predicated on determining the right merchandising for each store and community. We group our stores into shopper segments ("clusters") based on demographics and tailor the merchandising accordingly. We then personalize each store to meet the needs of the customers the store serves. We kicked off the "Premium" cluster early in 2013, thereby adding more items our customers wanted and providing "one-stop shopping" convenience for them. Approximately 200 stores were remerchandised in 2013, and more are planned for 2014. We also began implementing our Hispanic clustering strategy in approximately 260 stores. Asian and other clusters are planned to be rolled out in 2014. As we are still in the early stages, we continue to learn, and we expect the concepts to evolve.

Loyalty Programs

Our customers also benefited from our savings and loyalty programs. We completed the rollout of our fuel partnership programs with Chevron and ExxonMobil to cover approximately 94% of our stores—offering our customers the ability to conveniently redeem Fuel Rewards. Just for U continued to gain a loyal following resulting in nearly six million registered users at the end of the year. It is available to our shoppers in all divisions.

Consumer Brands

Within our private label portfolio, Health & Wellness brands continued to drive sales. O Organics™ ended the year with \$450 million in sales and 1,150 items, and Open Nature™, our line of food products using natural ingredients, achieved over \$200 million in sales and now offers over 450 items. Innovation continued as we launched 774 new items in the year. All of our efforts led to sales of our private label brands accounting for 28.1% of our total grocery sales, a record for Safeway and one of the highest in the industry.

Employees and Customers

Our employees and customers continue to be very involved in our corporate social responsibility activities and achievements. Their dedication and generosity to various causes continues every year. I have enjoyed meeting many employees in my visits to the stores and introducing them at our Town Hall meetings. Their stories are inspiring to us all.

In closing, I would like to thank all of our loyal customers, hard-working employees and valued stockholders and bondholders for your support throughout the year. We made tremendous progress in 2013, and we expect to continue to improve the business in 2014.

Robert Edwards
President and Chief Executive Officer
June 19, 2014



SOCIAL RESPONSIBILITY

Our employees and customers raised or donated over \$175 million in funds and products in 2013. Our employees also logged over one million volunteer hours in our communities.



CENTER OF STORE

We created the Healthy Living Zone to provide a better connection between the pharmacy and the adjacent health and wellness area.

ADDRESSING CHANGING DEMOGRAPHICS

In the fourth quarter, our Consumer Brands group introduced a new private label brand with Food Network chef Marcela Valladolid to better meet the needs of our Hispanic shoppers and those desiring Hispanic products.



¹Based on calendar year 2013

²A reconciliation table is found on page 35 of the 2013 Form 10-K.

Directors and Principal Officers

Safeway Inc. and Subsidiaries

DIRECTORS

T. Gary Rogers
Non-Executive Chairman
Former Chairman and CEO
Dreyer's Grand Ice Cream, Inc.
Former Chairman
Levi Strauss & Co.
Former Chairman
Federal Reserve Bank of
San Francisco

Robert L. Edwards
President and
Chief Executive Officer
Safeway Inc.

Janet E. Grove
Former Chair and
Chief Executive Officer
Macy's Merchandising Group
Former Vice Chair
Macy's, Inc.

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

Frank C. Herringer
Chairman and Former
Chief Executive Officer
Transamerica Corporation

George J. Morrow
Consultant and Former
Executive Vice President,
Global Commercial Operations
Amgen, Inc.

Kenneth W. Oder
Managing Member
Sugar Hollow LLC
Former Executive Vice President
Safeway Inc.

Arun Sarin
Former Chief Executive Officer
Vodafone Group Plc.

William Y. Tauscher
Chief Executive Officer
Blackhawk Network Holdings, Inc.
Managing Member
The Tauscher Group

EXECUTIVE OFFICERS

Robert L. Edwards
President and
Chief Executive Officer

Peter J. Bocian
Executive Vice President and
Chief Financial Officer

Diane M. Dietz
Executive Vice President and
Chief Marketing Officer

Kelly P. Griffith
Executive Vice President
Retail Operations

Larree M. Renda
Executive Vice President

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

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

Russell M. Jackson
Senior Vice President
Human Resources

Barry J. Libenson
Senior Vice President
Chief Information Officer

Melissa C. Plaisance
Senior Vice President
Finance and Investor Relations

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
Chief Executive Officer
Property Development Centers LLC

MARKETING PRESIDENTS

David M. Lee
Non-Perishables

Michael R. Minasi
Marketing

Thomas L. Schwilke
Perishables

DIVISION PRESIDENTS

Brian S. Baer
Eastern Division

Al G. Duran
Denver Division

Steven R. Frisby
Northwest Division

Paul McTavish
Texas Division

Lori J. Raya
Vons Division

Karl Schroeder
Northern California Division

Daniel J. Valenzuela
Phoenix Division

EQUITY AFFILIATE

Juan Manuel Ley Lopez
Chairman of the Board
Casa Ley, S.A. de C.V.
(Mexico)

Investor Information

Safeway Inc. and Subsidiaries

EXECUTIVE OFFICES

Mailing address:

Safeway Inc.
5918 Stoneridge Mall Rd.
Pleasanton, CA 94588

Internet address:

Safeway's website can be accessed at www.safeway.com. We do not incorporate the information on our website into this Letter to Stockholders, and you should not consider it a part of this Letter to Stockholders.

STOCK TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.

P.O. Box 30170
College Station, TX 77842-3170
877-498-8861
Hearing Impaired: 800-952-9245
www.computershare.com

EEO-1 REPORT

As an equal opportunity employer, Safeway values and actively supports diversity in the workplace. A copy of the company's 2013 summary EEO-1 report, filed with the federal Equal Employment Opportunity Commission, is available upon request at our executive offices.

Additional Information About the Acquisition and Where to Find it

This letter does not constitute a solicitation of any vote or approval in respect of the proposed merger transaction involving Safeway or otherwise. In connection with the merger, we have filed with the Securities and Exchange Commission (the "SEC") and furnished to our stockholders a proxy statement and other relevant documents. Stockholders are urged to read the proxy statement and other relevant materials because they will contain important information about the company, Albertsons and the proposed transaction. The proxy statement and other relevant materials, and any other documents we file with the SEC, may be obtained free of charge at the SEC's website at www.sec.gov, at the company's website at www.Safeway.com or by sending a written request to Safeway at 5918 Stoneridge Mall Road, Pleasanton, California 94588, Attention: Investor Relations.

Participants in the Solicitation

Safeway and its directors, executive officers and certain other members of management and employees may be deemed to be participants in soliciting proxies from the stockholders of the company in favor of the merger. Information regarding the persons who may, under the rules of the SEC, be considered to be participants in the solicitation of the company's stockholders in connection with the proposed transaction are set forth in the proxy statement. You can find more information about Safeway's executive officers and directors in our Annual Report on Form 10-K for the fiscal year ended December 28, 2013, as amended, and in our definitive proxy statement filed with the SEC on Schedule 14A on June 19, 2014.

ANNUAL MEETING

The 2014 Annual Meeting of Stockholders will be held on July 25, 2014. A notice of the meeting, together with a proxy statement and a form of proxy, were made available to stockholders on or around June 19, 2014.

STOCK EXCHANGE LISTING

The company's common stock, which trades under the symbol SWY, and certain debentures are listed on the New York Stock Exchange.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP
San Francisco, CA

INVESTOR INQUIRIES

Communications regarding investor records, including changes of address or ownership, should be directed to the company's transfer agent, Computershare Trust Company, N.A., as listed to the left.

To access or obtain financial reports, please visit our website at www.safeway.com/investor_relations, write to our Investor Relations Department at our executive offices or call 925-467-3717.

TRUSTEES AND PAYING AGENTS

5.625% Senior Notes due 2014
3.40% Senior Notes due 2016
6.35% Senior Notes due 2017
5.00% Senior Notes due 2019
3.95% Senior Notes due 2020
4.75% Senior Notes due 2021
7.45% Senior Debentures due 2027
7.25% Senior Debentures due 2031

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

FORWARD-LOOKING STATEMENTS

This Letter to Stockholders contains forward-looking statements. For a description of the risks and uncertainties that could cause actual results to differ from anticipated results, please see the "Forward-Looking Statements" and "Risk Factors" sections of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as amended.