

April 18, 2003

To Our Valued Vendor Partners and Suppliers:

With centralization of procurement, category management, and promotional billing, Safeway Inc.'s vision was to move to more efficient promotions by billing only the days the product was on deal (daily scan). Prior to centralization, Division offices only had the capability to bill promotions on a weekly scan basis.

Effective with promotions beginning on or after August 31, 2003, promotions for all nonperishable categories will be negotiated and billed based on daily scan through the stores. Scan dates will be defined as the effective period of time for which the items covered by the promotion will be at a reduced retail.

Your historical allowance rate may be subject to change. We are currently researching the financial ramifications of allowance rates per event as a result of the change. Your Manager of National Categories will communicate the results over the course of the next several weeks.

If you have any questions or concerns, please contact your appropriate Manager of National Categories. Thank you very much for your continued support.

Sincerely,

David M. Lee
Senior Vice President
Non-Perishables

David F. Bond
Senior Vice President
Finance & Control

Vendor Daily Scan Letter1.doc
04/17/2003