

Safeway profits falter in advance of merger

By Heather Somerville, San Jose Mercury News

PLEASANTON – Safeway profits slid in the first quarter this year as the supermarket chain began to fully see the financial loss of selling hundreds of stores in Chicago and Canada.

Safeway's lackluster earnings for the first three months of the year show how dramatically the grocer has scaled back its operations in an effort to compete with regional grocery companies that are eating away at the market share.

The consolidation has also primed Safeway for its merger with Albertsons, which is expected to be complete by the end of the year. The merger is part of an estimated \$9.4 billion deal orchestrated by New York private equity firm Cerberus, which owns Albertsons and bought Safeway last month, and plans to combine the two to create the nation's second-largest supermarket conglomerate.

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