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“We are putting yet another fantastic year behind us and looking forward to yet one more. Conditions have never been better.”

A unique retail culture

The ICA Group reported a fantastic result for 2002. This proves that we are doing the right things and meeting the expectations that customers, employees, owners and retailers have on ICA Ahold. This also makes it possible to continue to develop ICA Ahold along the route we have staked out – to be the leading retailer in northern Europe. However, the future can never be taken for granted, it is something we have to earn. We have many old and new competitors against which we can measure our performance.

Factors for success

Our success is not due to a single factor, it stems from the efforts of many people. I would like to emphasize that in recent years we have harvested the fruits of work carried out by retailers and employees throughout the organization, and that the cooperation with Royal Ahold has given us a real boost.

One of the guiding principles of this work has been to create clarity, both towards our customers and towards retailers and employees.

For customers, this means that our concept and private label products meet well-defined needs – regardless of whether we are in Sweden, Norway, Denmark or the Baltic countries. I am convinced that a large part of our result is due to the progress we have made in our profiling work, the fact that our customers know what to expect in our stores and they know what ICA Ahold's brands represent.

On another level this clarity also applies to the division of roles we have in the organization. This is about allowing every part and every employee to do what they do best. For retailers and store employees the focus is on meeting the customer. For groupwide functions this means concentrating on specialist competencies – purchasing, distribution, training, environmental issues, and so on – to better support store operations and thus meet customer demands. Once every part and every

employee have found their roles and can rely on their ability to perform, an organization has the stability and ability to rapidly respond to change. I believe that we have achieved this and that this has made a strong contribution to the fact that ICA Ahold today is well equipped to meet the challenges of tomorrow. Our core business is to make sure our customers enjoy their food, to help them in a personal and simple way to find inspiring, modern and safe meals. We will keep to these core values and with this base I see no barriers to our continued growth.

The needs and habits of our customers are changing and we must meet this by renewing our product range and marketplaces. New patterns of behavior are emerging. For example, people are eating out more, planned purchasing is decreasing and we are making our purchases at convenience stores to a rising extent. ICA Ahold is keeping pace with this development. Etos is one good example of how we have given our health and beauty products their own concept. Growth and renewal go hand in hand.

Another growth area is cities where we are less strongly placed than in Sweden and Norway as a whole. Our aim is to be stronger there. We will be taking several steps in that direction in 2003.

Social responsibility

Now, more than ever, large organizations are expected to accept a social responsibility. As a large and strong organization we must fully shoulder that responsibility. For this very reason I am pleased that ICA Ahold is making serious efforts in this field and that our success gives us scope for strong action. The prospects of our being able to continue to do this in the future are good.

Claes-Göran Sylvén
Chairman of ICA Ahold AB



It all began with an “impossible idea”

The origin of today's ICA Ahold was a cooperation between independent retailers in Aktiebolaget Hakon Swenson in Västerås, Sweden.

It all began in Västerås in 1917 when Hakon Swenson started Aktiebolaget Hakon Swenson, a wholesale company in the grocery trade. Hakon observed other retailers' tough struggle to run their companies and realized that the best recipe for survival was to cooperate. Convincing these hardened individualists of the advantages of cooperation was not easy but he succeeded and a number of retailers became partners in Aktiebolaget Hakon Swenson. The ICA idea – to gather independent retailers for profitable cooperation – was once called “the impossible idea” by the newspaper Vestmanlands Läns Tidning.

ICA AB was formed in 1938 from the purchasing centers which been built up around Hakon Swenson's idea in the 1920s and 30s.

Right up until the 1970s the ICA cooperation had to struggle to gain recognition in all distribution channels, within business and in society. It really took quite a while for the ICA idea to gain acceptance, with competitors long regarding the ICA cooperation as small-scale and insignificant. Today the situation has been reversed, as one retailer put it at a recent general meeting:

“Without the difficulties we struggled with in the beginning, the ICA movement would probably never have become as homogenous and strong as it is today.”

The core of the ICA idea is that individual retailers with their own stores join together in purchasing centers so that through joint purchasing, store startups and marketing, they can achieve the same economies of scale as the retail chains.

At the beginning of the 1990s ICA purchased a stake in the Norwegian company Hagen Gruppen. The new group was given the name Hakon Gruppen after Hakon Swenson. In 2000, Royal Ahold came into the picture as a 50% owner and ICA Ahold was formed.

The ICA idea lives on, even if it is only the Swedish stores that are operated by retailers as their own companies. Through groupwide purchasing and staffs for finance, legal affairs, business development and IT, the ICA idea of cooperation survives in a wider context.

ICA – a brief history



Market leader with customers in focus

ICA Ahold is the largest retail group in the Nordic region with food as its main business.

One of the most important explanations for our market-leading position is that we offer a wide choice of store concepts so that all customers can shop in the way that suits just them.

We also offer our customers other selected goods and services such as fuel and car accessories at the Statoil service stations, simple and secure banking services with ICA Banken, and over the past year beauty products in our Etos stores.

Another key factor for success is our careful utilization of the economies of scale that exist within the Group. For example, we have joint functions for purchasing, IT, finance, legal affairs and real estate management.

Most of the Norwegian stores are operated as branches and are thus part of the Group, while the Swedish stores are run and owned by individual retailers. In the Baltic countries and in Denmark all the stores belong to the Group. ICA Ahold's store structure provides pleasant stores and offers customers competitive prices while retailers and the Group achieve good profitability.

Vision and goal

ICA Ahold's vision is to make every day a little easier. The goal is to be the leading retailer in northern Europe.

Strategy

ICA Ahold's strategy is to operate close to the market and meet the changing needs of its customers within selected business areas. This includes being highly responsive and able to swiftly change product range, prices and services.

One central aim is to be market leader in all geographic markets where we are represented. Today ICA Ahold has this position in the Swedish market. In the Baltic countries and Norway we are well on our way, and we also see excellent opportunities to achieve our goal in the rest of the Nordic region.

ICA Ahold's marketing is based on the strong brands ICA in Sweden and RIMI mainly in Norway and the Baltic countries. These are very well-known brands that inspire confidence among customers. Customers must always be able to rely on ICA Ahold to uphold food safety, quality, environment and ethics.

ICA Handlarnas AB and Hakon Gruppen AS in Norway sign a framework agreement with Statoil for a joint company to own and operate 1,500 service stations in Sweden, Norway and Denmark.

The ICA Group undergoes its biggest ownership change so far when the agreement with Royal Ahold is concluded and ICA Ahold is created. ICA Ahold and the Danish company ISO Supermarked start a 50/50-owned company called ISO-ICA A/S.

ICA Banken is registered in July.

The first Etos stores open in Stockholm. Netto stores are established in south Sweden in cooperation with Dansk Supermarked.

1999

2000

2001

2002



Together we are strong!

A highly developed cooperation between the different companies makes us well equipped to meet the challenges that lie ahead. Furthermore, cooperation with Royal Ahold makes ICA Ahold part of an international network.

ICA Ahold is owned by the Dutch company Royal Ahold N.V. (50%), ICA Förbundet Invest AB (30%) and Canica AS of Norway (20%). Royal Ahold is a food chain with 420,000 employees and operations in the U.S., Latin America, Asia and Europe.

ICA Förbundet Invest AB is an investment company which is 75% owned by ICA Förbun-

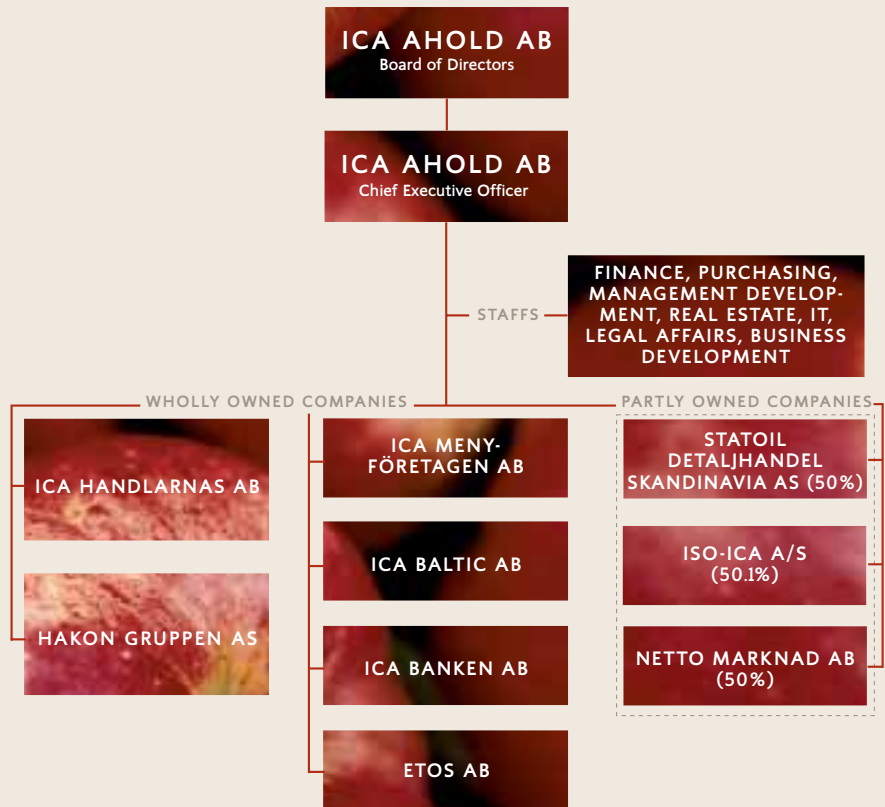
det, the member organization for all Sweden's ICA retailers. The remaining 25% is owned by 3,300 individual shareholders, most of whom are ICA retailers. Canica is a Norwegian private investment company owned by Stein Erik Hagen and family.

In Sweden, ICA Ahold comprises the subsidiaries ICA Handlarnas AB, ICA Menyföreta-

gen AB, ICA Banken AB, Etos AB and 50%-owned Netto Marknad AB. The Norwegian operations are conducted by Hakon Gruppen AS, and operations in the three Baltic countries are run by ICA Baltic AB. In Denmark there is 50%-owned ISO-ICA A/S, and 50%-owned Ståtoil Detaljhandel Skandinavia AS operates in Sweden, Norway and Denmark.



Organization



At the parent company, ICA Ahold AB, there are staffs for purchasing, IT, finance, legal affairs, business development, real estate-management and management development.

The operating subsidiaries are independent and each president reports directly to ICA Ahold's CEO Kenneth Bengtsson. The chairman of ICA Ahold's Board is Claes-Göran Sylvén.

Realization of synergies is not confined to ICA Ahold. We also cooperate with Royal Ahold, among other things via Ahold's European Competence Center, a department within Royal Ahold that works on identifying synergy effects and focuses on coordinating IT, human resource issues and purchasing within the Group's different companies.

ICA Handlarnas AB is the retail, wholesale and real estate business that supports the 1,764 ICA stores in Sweden (page 19).

Hakon Gruppen AS operates wholly owned stores and supports franchise stores, as well as providing wholesale, real estate and other store-support functions for the 1,079 Norwegian stores. Hakon Gruppen also includes Hakon Meny which supplies the Norwegian foodservice sector (page 25).

ICA Menyföretagen AB is the Swedish operation for convenience stores as well as the restaurant and catering sectors (page 31).

ICA Baltic AB conducts retail operations in the three Baltic countries (page 32).

ICA Banken AB sells and develops financial services to private individuals in Sweden (page 33).

Etos AB operates a number of stores in Sweden with a focus on health and beauty (page 37).

Statoil Detaljhandel Skandinavia AS is an independent company, owned 50/50 by ICA Ahold and Statoil. Statoil Detaljhandel operates 1,321 service stations in Scandinavia. Operations include a wholesale business, running service stations and supporting partly owned stations (page 36).

ISO-ICA A/S operates 12 food stores in the Copenhagen area (page 34).

Netto Marknad AB has been operating a number of discount stores in the Swedish market since May 2002 (page 35).



“The greatest threat will come if we stop improving in response to customer wishes.”

Kenneth Bengtsson

Age: 42

Title: CEO of ICA Ahold and President of ICA Handlarnas AB

Favorite food: Spaghetti Bolognese

Leisure interests: Family, golf and sailing

Management's view of ICA Ahold

The past year brought success in many areas for ICA Ahold. Chairman of the Board Claes-Göran Sylvén and CEO Kenneth Bengtsson view the future with optimism.

In terms of earnings the past year was the strongest ever for ICA Ahold. What lies behind the successes of 2002?

Claes-Göran: We succeeded in clarifying our goals for everyone we came in contact with – customers, employees and retailers. I believe that this is a key explanation for our good results.

Kenneth: We have clearly prioritized what is important and this had led to positive changes in all companies. We are following our adopted plan and we have experienced an unbelievable commitment from both our retailers and employees.

How has your customer approach become clearer?

Kenneth: The same customer can act in completely different ways depending on where they are and when. The clarity lies in meeting customers in different locations and at different times with concepts and solutions that meet their needs. We made great progress with our pro-

filial work in 2002. Each concept meets a customer need, whether it is convenience stores, supermarkets, hypermarkets or Etos.

There could be a shortage of qualified employees in the future. Can you cope with the competition from other companies?

Kenneth: Previously we had difficulty in getting across the message of just how exciting the food retail sector is. But we are seeing signs of change. People are starting to realize that this is about far more than selling goods in stores. It concerns everything from logistics and IT to finance and purchasing. There are many interesting processes behind every item sold.

Claes-Göran: We can also give employees experience from different companies and countries within the Group, and I believe that is an attraction. In addition to retailing operations, ICA Ahold contains everything from banking activities to health and beauty stores.

The pace of change has increased in the retail sector. What demands does this place on you and your employees?

Kenneth: It is important to offer our employees variation in their work and to give them choices and opportunities to develop. Employees in their turn must take the initiative and realize that ICA is a company that is constantly changing in order to be as competitive as possible.

What can the organization and management offer by way of stimulation and encouragement?

Kenneth: We must make sure there is a climate where people dare to take the initiative – it must not be forbidden to make mistakes. We share a joint responsibility here – the individual must be willing to accept responsibility and the organization must be able to give responsibility. Once again it is very important to be clear in our aims: We want to create conditions that are as favorable as possible for employees and retailers.

Claes-Göran: Clear goals are important for making use of the individual employee's commitment. Most important of all is motivated employees.

What do you do to put your core values into practice?

Kenneth: We can show their value by our actions. Simplicity is one of our core values. This is something we must live up to by writing shorter minutes and reports, going straight to the point and being clearer. This applies to everyone – management, group employees, the individual retailer and his or her employees. We also endeavor to be a modern, inspirational, personal and safe company. But here too, it is through action that we will get these values to permeate the entire company.

How much closer have you got to your vision to be the leading retail company in the Nordic region?

Claes-Göran: It is important to remember that we are not just talking about size when we say we want to be the leader. Leading also means customer satisfaction, ethics and innovative ability. We want our strongest attribute seen from outside to be that we are a fast and nimble player. For our employees we want to be a company people trust, a company whose values they can endorse. I believe that we have made considerable progress, but naturally we can be even better.

Are there any clouds on the horizon? What could pose a threat to continued success?

Claes-Göran: The greatest threat is probably that we lean back and become blinded by our success. We must continue to listen, try to stay one step ahead of the customers.

Kenneth: I agree with Claes-Göran, the greatest threat is if we stop improving in response to customer wishes. It is always possible to improve what we do. But given the commitment I experience within ICA Ahold today, I am sure that we will continue to try to achieve new goals.

You have now presented a wonderful result. What will you use the profits for?

Kenneth: We will build for the future by investing in new startups with a focus on hypermarkets and discount stores, IT systems and development of private labels. We will create opportunities for all ICA stores to be competitive in their respective markets.

Claes-Göran: Like I said, we must continue to improve guided by customer wishes and our good results will allow us to become even better.



“We succeeded in clarifying our goals for everyone we came in contact with – customers, employees and retailers.”

Claes-Göran Sylvén

Age: 43

Title: Chairman of ICA Ahold AB

Favorite food: Swedish home cooking

Leisure interests: Vacation home in Norrtälje, exercise



We meet customers every day

Lotta Forste and Sofia Svarfvar put questions about ethics and food safety to Lisbeth Kohls who is in charge of social responsibility at ICA Handlarnas.

Sofia: How do I as a consumer know that the products you sell are manufactured under socially acceptable conditions?

Lisbeth: We cooperate with reliable suppliers and make checks on our private labels. But we cannot achieve 100% control. We therefore try to ensure that our suppliers become certified according to SA 8000, which is the most accepted standard today and where an external verifier checks up on the suppliers.

Sofia: What does SA 8000 cover?

Lisbeth: SA 8000 (Social Accountability Certification) is based on the UN conventions on working conditions and includes issues relating to child labor, collective negotiating rights and adjustment of working hours.

Sofia: The world market price of coffee has fallen 70% in just a couple of years. I have been in Central America and seen for myself that it is very difficult for a coffee farmer to support himself on what he gets for his coffee today. How does ICA see this problem? Why do you sell Nestlé's coffee instead of more fairtrade-labeled coffee?

Lisbeth: We have several fairtrade-labeled coffee brands in our product range. Our own coffee is certified according to a similar system called Utz-Kapeh. This is a foundation that certifies coffee producers that accept a social and ecological responsibility for their coffee production. We buy our coffee together with our Dutch colleagues and Utz-Kapeh covers the same criteria as those you are seeking. (Read more about Utz-Kapeh's criteria at www.utzkapeh.org). We should also remember that major producers such as Nestlé also work with these issues on their own initiative and in response to international pressure. We take up problems with suppliers and follow them up. It is impossible to only carry fairtrade- and Krav-labeled products because these do not meet the large demand for these basic products.

Sofia: Does ICA have a responsibility not to sell coffee at prices that make it difficult for poor small farmers to support themselves? Will you continue with promotions for cheap coffee?

Lisbeth: Sweden is a coffee-drinking nation. You can expect ICA to continue to give its customers advantageous prices for coffee. When we have a promotion for coffee this does not mean that the coffee farmers receive a lower price for their coffee. We naturally want them to be able to support themselves from their work.

Lotta: How can I be certain that what my child eats does not contain hazardous substances and objects?

Lisbeth: We have very good control of our products. Items which carry the ICA label are checked extra carefully. In the case of large well-known suppliers, such as Scan and Unilever, we trust their controls.

Lotta: How often are you forced to recall products because of different alerts?

Lisbeth: We recalled 21 products, including three of our private labels, in 2002. We have a good and close contact between our functions for customer contact and quality control. Within the entire ICA Ahold Group, 59 products were recalled in 2002. Seven of these were our private labels.

Lotta: Do the less expensive items have a lower quality?

Lisbeth: If you take our private labels, such as Euroshopper, they have a lower price than similar products from market leaders. But this does not mean poorer quality in terms of food safety. As purchasers we have one criterion we never waive, and that's safety.

Lotta: What is your attitude to genetically modified food?

Lisbeth: We have a restrictive attitude. As long as there are differences of opinion about the environmental consequences, we have not wanted to take in such products. So far we have not seen GM products with a genuine consumer benefit, but this may come.

Sofia: When will ICA have 10% ecological products on its shelves?

Lisbeth: We have increased the number of ecological products. In 2002 we added more than 75 new ecological products to our range and today we have almost 450 ecological lines. Hopefully, we will reach 10% within relevant product groups within a couple of years.

Lotta: Would ICA consider boycotting countries where, for example, labor conditions are unacceptable? Or where this would be desirable for other reasons?

Lisbeth: ICA trades with suppliers, not with countries. We leave decisions about possible boycotts of countries to the Swedish government. On the other hand, we do discuss the political situation with suppliers and how they can best handle conflicts, such as those in Palestine and Israel.



Name: Lotta Forste

Age: 29

Family: Partner Kalle and daughter Lea.

Occupation: Physiotherapist on maternity leave.

Leisures interests: Lea takes up quite a lot of time right now, but I enjoy playing tennis, skiing and I love to read.



Name: Sofia Svarfvar

Age: 25

Family: Boyfriend, mother, father and older brother.

Occupation: Studying economics at the Swedish University of Agricultural Sciences in Uppsala.

Leisure interests: I am interested in development and trade issues and work voluntarily in a shop that sells fairtraded goods. I also like to dance.



ICA's good business

A leading retail company such as ICA Ahold affects the lives of many people in one way or another. Our customers come into daily contact with our products, employees and stores. ICA Ahold is also an important employer with many professions on the payroll.

ICA Ahold is a force to be reckoned with in a number of different ways. We have four different roles in society and in these separate roles we can use our strength to contribute to a better society, today and in the future.

- Customer representative
- Operator
- Employer
- Citizen

ICA Ahold as customer representative

We try to have an ongoing dialog with our customers so that we can meet their requirements.

In ICA Ahold's store network we meet more than 3.4 million people every day. This is where the most important dialog with the customer takes place. We also have contact centers that customers can turn to with any questions and complaints. All our companies follow up customers' attitudes and valuations through regular surveys.

ICA has drawn up a policy for how we handle our customers' personal data. The data is handled in a secure manner and is not transferred to anyone outside ICA, except when this is done on ICA's account and then always in accordance with a special confidentiality agreement. By using personal data in a well planned manner, we can give our customers better service and specially adapted offers.

ICA Ahold as operator

We see it as our key task to offer our customers inspiring, safe, secure and value-for-money products. These products should provide food enjoyment while customers can rely on them being manufactured under socially and ecologically acceptable conditions.

Socially sustainable development The work of renewing the product range and safeguarding the safety, quality and social dimension of the products is complicated. We always want to know where the items come from and under what conditions they are produced.

Purchasing directly from producers allows us at ICA Ahold to exert an influence. Our requirements on working hours, salaries, safety and prohibition of forced labor are based on the UN declaration on human rights and the core conventions of the International Labour Organization (ILO).

We encourage our suppliers to work for certification according to SA 8000, an international standard for working conditions. In 2001, Asian food suppliers were asked to report how they adhere to basic social requirements. In 2002 these reports were followed up with a deeper analysis conducted by an independent body. Some defects have come to light that we are now looking into.

ICA Handlarnas' suppliers handbook went into use in 2002. This contains a list of the basic requirements we place on our suppliers relating to ethics, food safety, environment and health. Hakon Gruppen makes similar demands in agreements with its suppliers.

Ecological responsibility ICA Ahold makes every effort to offer a product range that has as little negative environmental impact as possible seen over the product's entire life cycle.

ICA Handlarnas tries to offer an eco-compliant alternative within all product groups. The product range has products labeled with Krav for food and Good Environmental Choice or the Swan for other merchandise. Eco-labeled household and hygiene lines are marketed under our own Skona label. All products in the ICA Ecological series are Krav labeled. In 2002 about 60 products were launched under the ICA Ecological brand, ten of which were totally new. We also have ecological items from other brands in our product range.

Growers who supply fruit to ICA Handlarnas and ICA Menyföretagen must be certified according to EUREPGAP, which includes requirements on the growing areas' history and management, fertilization, irrigation, harvesting and other environmental issues.

In 2002 ICA Handlarnas intensified its purchasing requirements for cod in order to contribute to sustainable fishing. The situation related to palm oil production has been studied and we are holding discussions with our suppliers. ICA Handlarnas, together with suppliers and competitors, has written to the Indonesian embassy in order to try to prevent the rapid felling of the rain forests. The work of phasing out eggs from traditional caged hens continued in 2002 through the spread of information to retailers and consumers. Starting in 2003, ICA Handlarnas has stopped buying eggs from the old cage systems.

Food safety By making demands on our suppliers and careful handling of merchandise, we ensure that the products in our stores maintain a high quality. When for some reason this proves insufficient we have routines for recalling products from the stores. ICA Ahold recalled 59 products in 2002.

ICA Handlarnas and Hakon Gruppen conducted 1,484 and 510 product tests respectively in 2002 and conducted 84 and 30 audits respectively at their suppliers.

In 2002, ICA Handlarnas strengthened its resources with five quality managers in the stores and one additional centrally located quality coordinator. Hakon Gruppen employed an additional quality consultant in 2002. These quality managers/consultants work to safeguard the stores' own controls of hygiene, cleaning, food preparation and storage temperatures.

During the year ICA Handlarnas decided to demand salmonella tests of imported prepared meats, although there is no legal Swedish requirement for this. All crayfish shipments were carefully checked although legislation only requires inspection of every fourth shipment.

Hakon Gruppen engages an external agency to carry out regular bacteriological tests and to inspect routines in the stores.

ICA Ahold works according to the Hazard Analysis Critical Control Point (HACCP) quality assurance system to control food safety. ICA Ahold also participates in the international Global Food Safety Initiative (GFSI). GFSI has created standard routines for assessing food safety at



the suppliers and drawn up guidelines for a future joint food alarm system. In 2002 we encouraged the introduction of a GFSI-approved quality standard for suppliers of our private labels.

Stores and product range for allergy sufferers
To help our allergic customers, ICA Handlarnas has developed the Friendly Products store concept, which now covers 225 stores. These stores have a wide range of allergy adapted products, provide customers with information material and have employees who are trained in allergy matters. Hakon Gruppen has tested a similar store concept, called "Fri For", in two pilot stores. This concept has been very well received by customers and will be launched in more stores in 2003.

Environmental work Our efforts for a good environment permeate our store operations, our warehouses and our logistics. The objective is to reduce the environmental impact of the product range, waste volumes and the environmental effects of transport operations.

Warehouses and transport Transport is the part of logistics that has the greatest environmental impact. ICA Handlarnas endeavors to use vehicles and railways as effectively as possible by carrying full loads and using double-decker trucks and more eco-compliant fuel to protect the environment.

ICA Handlarnas' and Menyföretagen's transport and storage units work with environmental management systems according to ISO 14001. ICA Handlarnas' drivers have been trained since 2002 in economical driving in order to reduce fuel consumption. Menyföretagen will start training its drivers in 2003.

ICA Miljöbutiker ICA Miljöbutiker (eco stores) reduce their environmental impact by working with the product range, providing consumer information, environmentally trained employees, waste sorting and controlling energy consumption. About 20 new ICA eco stores were approved in Sweden in 2002. A total of 350 stores are now approved as eco stores.

Coolants HCFC is a coolant which is no longer used in Swedish refrigeration systems due to its impact on the ozone layer. ICA Handlarnas' stores and warehouses replaced all their ozone depleting coolants in 2001 and 2002. In ISO-ICA's stores in Denmark carbon dioxide is used as a coolant in all refrigerators and freezers.

ICA Ahold as employer

Employee health As an employer ICA Ahold wants to help its employees to achieve sound lifestyles and improve their health.

A number of health projects were launched in 2002 including interactive training in health matters. ICA Handlarnas also conducted a campaign for all employees within the Group with information about alcohol and drug-related problems. Help is available to those who wish to stop smoking and attractively priced preventive health care is also offered through agreements with Weight Watchers and the Friskis & Svettis fitness organization.

Diversity ICA Ahold wishes to encourage diversity and equal opportunities and makes active efforts to achieve a more even distribution between men and women and different ethnic groups at all levels in the Group.

ICA Handlarnas has an equal opportunities group with representatives from executive management. ICA Handlarnas is positive to both women and men taking parental leave and supports this by paying 80% of the difference between the social insurance ceiling and actual salary, for employees earning more than 7.5 base amounts.

People from 30 different countries work together at ICA Handlarnas' fresh products warehouse in Kallhäll outside Stockholm. With "Differences are our strength" as their motto, trade unions, employees and managers cooperate in a project that uses the global perspective to strengthen the local workplace.

A project was conducted in Gothenburg in 2002 where ICA retailers acted as supervisors for unemployed immigrant retailers when they were receiving further training.

ICA Ahold as citizen

ICA Ahold wishes to influence social development through active participation at both local and global levels. Through its store structure ICA Ahold has a local presence that often leads to social involvement in the store location.

Global programs In 2002, ICA Handlarnas joined the UN Global Compact, the Swedish government equivalent Global Responsibility, and Amnesty Business Group. By being a signatory to these programs, ICA Handlarnas undertakes to work for a sustainable society. This also offers opportunities to exchange knowledge and experiences relating to sustainability.

ICA Ahold and education ICA Handlarnas cooperates with the rest of the industry, Stockholm University and Norrtälje Municipality to lay the foundations for a university study program in retail trading – the Nordic retail trading study program.

Hakon Gruppen is a principal cooperation

partner for the Norwegian Rescue Services Agency's schools program for Sea and Environmental Sense.

Sponsoring and cooperation ICA sponsors both humanitarian causes and sports.

ICA Handlarnas' partners within sponsorship of humanitarian causes include the Swedish Cancer Society, WWF and the Red Cross. Before Christmas 2002 we conducted a campaign where ICA stores sold "Red Cross bread" and this, together with a promotion in the Buffé magazine, brought in almost SEK 6 million to the aid program. ICA Handlarnas is the largest single contributor to the Swedish Cancer Society and in 2002 ICA Handlarnas made a grant of SEK 750,000 to Kristian Pietras to support his cancer research. The most recent cooperation partner is BRIS, Children's Rights in Society. A large number of sports associations are sponsored throughout the country, but no individual sportsmen or women. Many retailers also sponsor local sports associations and local departments of the Red Cross and other organizations.

Hakon Gruppen increased its social involvement in 2002 through closer cooperation with several humanitarian organizations. SOS Children's Villages has been Hakon Gruppen's biggest commitment for several years. A national collection in all the RIMI stores in 2002 resulted in a contribution of just over NOK 7 million for a SOS Children's Village in Ipiales in Colombia. RIMI also participates in the Children's Cultural Festival together with SOS Children's Villages. Other key partners are the Norwegian Rescue Services Agency, which provides information about sea sense and life-saving, and the Church of Norway's City Mission, which helps vulnerable groups in society, are other key sponsorship partners.

Hakon Gruppen also supports broad efforts within children's sports but as in Sweden no individual athletes are sponsored. Statoil also sponsors humanitarian causes with partners such as the Red Cross, the Swedish Cancer Society and the Swedish Sports Association for the Disabled. ICA Baltic cooperates with the Association for Street Children, the Association for the Disabled and assists orphaned children.

What does ICA Handlarnas do to make its customers more healthy?

ICA Handlarnas wants to contribute to healthy lifestyles without taking away people's enjoyment of food. We want to be perceived as the leading company in the food retail sector as regards consideration for customers' health.

- The "Five a day – fruit & veg every time you eat" activity gives visiting schoolchildren a lesson in fruit and vegetables in their local ICA store. Almost 500 stores and 90,000 schoolchildren took part in 2002

- Buffé magazine, which is distributed to about 2.2 million households in Sweden, presents every month nutrition calculated recipes and meal suggestions to encourage variety and a healthy diet.

- At www.ica.se there is a so-called "feel good" page with advice about low-fat and high-fiber recipes and queries on how to live a healthier life can be sent to a panel of experts.

- Keyhole labeling of products helps customers to find low-fat and high-fiber food. ICA Handlarnas tries to make it easy for customers to find these products.

- Customers are invited to join Weight Watchers at special rates and were encouraged to exercise with Friskis & Sveltis in 2002.

Would you like to know more about ICA Handlarnas' work with social responsibility?

Every year ICA Handlarnas publishes a report on Quality, Health, Environment and Ethics, and Social Responsibility which is available at www.ica.se.

If you have any other questions, please contact Customer Contact at ICA Handlarnas, Tel: +46 20 83 33 33

ICA's private labels

ICA Ahold's private label products are intended to simplify customers' daily lives and provide added value. Private label products are part of our efforts to meet customers' demands for attractively priced, high-quality items.

Customer offering

Private label products, PL products, provide equally good and value-for-money alternatives to leading brands. Due to its size and expertise, ICA Ahold is able to offer its customers products of the same or higher quality but at lower prices than most suppliers of other brands.

The idea behind private labels

The first private labels appeared 80 years ago. Today ICA Ahold has a clear PL products strategy based on the following cornerstones:

- at least the same high quality as the leading brands but at a lower price
- high quality through careful tests and controls
- customer-driven development – PL products must always be based on customer needs
- few private labels
- if possible international cooperation in order to achieve maximum negotiating power
- external suppliers – no own manufacture

Today PL products account for about 10% of total store sales and the goal is that PL products should account for 15% of sales by 2004. This will be achieved by increasing both sales of existing lines and introducing new ones. This goal is not an end in itself, however. The products must add something to the stores' product range, strengthen our brands – ICA (in Sweden) and RIMI (in Norway and the Baltic countries) – and help to profile the individual store.

High quality and joint purchasing

In order to meet these requirements a private label must offer a meaningful alternative to already existing brands by offering at least the same quality at a lower price. One key aim is to coordinate purchases of PL products as much as possible between the different countries.

Few brands

ICA Ahold's streamlined strategy for PL products represents a stronger focus on a few private labels. This new strategy will make PL goods more obvious to the customer. ICA Ahold's brands are mainly the following:

ICA is the umbrella brand and should be associated with the core values: Simple, personal, safe, inspiring and modern. All ICA stores in Sweden and the Norwegian ICA Sparmat and ICA Supermarked sell ICA products. The ICA brand on fruit and vegetables was launched in the market in autumn 2002. ICA fruit & veg is a guarantee that the products are tasty and of a high quality. Only when fruit and vegetables are at their best during the season can they carry the ICA brand. ICA Ecological is ICA Ahold's own series for ecological products. Environmental and quality requirements are high and all products are Krav-labeled. ICA Ecological is available in both the Swedish and Norwegian stores.

RIMI represents an easier and more ordinary everyday life. Both the Norwegian and Baltic RIMI stores sell PL products under the RIMI brand. There are also a number of private labels in Latvia and Lithuania that are specific to those countries.

Skona is ICA Ahold's eco-label for washing and dish-washing lines, paper and cleaning agents. All products are produced to reduce environmental impact, have a high quality and meet criteria for eco-labeling (Swan or Good Environmental Choice). Skona is available in all Swedish and Norwegian stores.

Euroshopper is ICA Ahold's discount product range which today includes some 250 products. Euroshopper is the result of cooperation between eleven European companies in ten countries, including ICA Ahold. The products have a joint design and ingredients, while choice of products and quality are adapted to local demand. Each company decides which products to launch. Euroshopper is available in all Swedish stores and in the Norwegian ICA stores as well as in Latvia.

In the home and leisure segment ICA Ahold has a number of PL products. These include Novaline (light bulbs and batteries), Prima Cookery (household articles), Deco Design (candles, napkins, disposable items and home textiles), and Soaré (ladies' hosiery). These products are sold in ICA and RIMI stores in Sweden, Norway and the Baltic countries. The Danish ISO-ICA stores also sell these brands.





Tomorrow's consumer

A study shows that the most usual meal tomorrow will be fast-prepared, ready-to-eat meals at home, or some form of food on the way between work, school, home and leisure activities.



In 2002 a project group at ICA Handlarnas AB and researchers into the future at consulting firm Kairos Future, completed a study on tomorrow's eating habits. The intention was to identify future trends and try to predict how these will affect ICA. The sights were set at ten years from now, in other words on consumers in 2012.

A quick summary of current and future trends provides a picture of the most common meal consumer in 2012 as a stressed, single person, slightly overweight, living in a city or growth area and who likes to devote his or her leisure to experiences.

This picture is naturally highly generalized but it reflects the strongest trends. Key words are appetite and necessity.

On the one hand new eating habits are created from necessity. In this case it is very much perceived lack of time and stress which forces people to prepare less – or at any rate faster food – at home and food on the run is becoming increasingly common. On the other hand, people's love of discovery is encouraging food innovations.

The world is shrinking and stress is rising

Globalization is one of the most significant trends for how Swedes' meal habits will develop by 2012. This means that consumption of ethnically influenced food will rise substan-

tially, that a more continental attitude to alcohol will spread and that a new coffee culture will emerge in Sweden.

Health and well-being

It is not only appetite and necessity that affect eating habits, the trend of health awareness and fixation on appearance also play a part. At the same time growing problems with obesity and an increasing number of lifestyle diseases are influencing our food consumption.

Impulse buying increasingly common

The most usual meal tomorrow will be a fast-prepared, ready-to-eat meal at home or some form of food on the way between work, school, home and leisure activities.

Individualism and the growing number of single households is leading to an increase in the number of meals that are taken alone, particularly breakfast and dinner.

Only pensioners have time to enjoy food on an everyday basis

Trends indicate that lack of time and stress are encouraging the attitude that food is a necessity and a function, at least on weekdays. In pace with the strong desire for experiences, development is also focusing towards meals as an experience and pleasure.

But in everyday life, the experience dimen-

sion can only really be given scope among those who have time – particularly tomorrow's pensioners. For other meal consumers the dream of meals as an experience will perhaps be confined to weekends and preferably vacations.

Proximity increasingly important

Growth in the major cities is leading to continued overcrowding. This is also because a growing number of people live alone, a trend that is especially clear in the cities. People living alone in the cities do not have access to a car in the same way as families with children or people in smaller towns and this trend will have a powerful impact on purchasing behavior.

More and more people will shop more often in convenience stores, kiosks and other easily accessible stores. This probably also means that the proportion who choose to eat in restaurants on weekdays or fetch dinner from a fast food outlet will rise. If 7-Eleven is closer than ICA, or if the sushi restaurant is nearer than Vivo, the choice for the stressed city dweller is easy. How tomorrow's consumer will live and whatever their wishes, ICA Ahold's stores will also make sure that they meet customer needs. One of ICA's most important challenges for the future will therefore be to create inspiring stores that make it easy for customers to eat good, nourishing and well-prepared food.



ICA Handlarnas AB

ICA Handlarnas is Sweden's leading food chain. All ICA retailers own and run their stores as their own business. In 2002 sales in the 1,764 stores totaled over SEK 76 billion.

The Swedish retail food market developed strongly in 2002 with an increase of 4.9%. ICA Handlarnas raised its sales by 6.4%. The same positive trend has characterized the beginning of 2003 and there is reason to expect another strong sales year for both ICA Handlarnas and the food retail sector as a whole.

Continued exciting brand-building

ICA is one of Sweden's best-known brands. Its importance to the organization can hardly be overestimated. In 2001 work on brand strategy resulted in a platform that included the five core values which symbolize the ICA brand – personal, simple, inspiring, safe and modern.

A concentration to the main ICA brand and its task as a bearer of the core values has left its mark on ICA's internal and external work in 2002. Profiling of the different store concepts will continue to be coordinated with a focus on strengthening and streamlining the ICA brand.

Success for ICA Handlarnas' advertising

Customers have taken ICA Handlarnas' commercials to their hearts and the response has been highly positive, particularly out in the stores. Surveys show that the number of people with a positive attitude to the films has

doubled since Stig and the gang became the main characters in ICA's TV commercials. Brand recognition is very strong, almost 100%.

The commercials have also won a number of awards. In 2002 and 2003, ICA Handlarnas AB won the Swedish advertising industry's own competition for the best commercial of the year – Guldägget.

ICA was also rewarded for effective advertising with the 100-watt prize, which is awarded by Dagens Industri and the Association of Swedish Advertisers.

ICA Handlarnas' website has also had a very positive impact. www.ica.se has 300,000 individual hits every month. Furthermore, ica.se was ranked as Sweden's eighth best website in 2002 by the Internetworld magazine.

Old and new competitors

The Swedish food retail market mainly comprises the three nationwide chains ICA, Coop and Axfood, while the fourth player, BergendahlsGruppen, mainly operates in south Sweden.

Focus on discount sector In recent years there has been an increasing focus on pure discount stores, known as hard discount. The discount stores are naturally characterized by a focus on lower prices than those regarded as standard price levels in the food retail sector, and usually by a more limited product range.

ICA Ahold's streamlined discount concept is the Netto chain. A large number of stores will open in the next few years, including 20-25 in 2003. The aim is to have a limited product range, some 1,000 products, with no special offers and at prices that are 15-20% lower than the normal price level. The promise to customers is to offer Sweden's lowest food prices (read more about Netto on page 35).

The German food chain Lidl, which has started up in Sweden, is characterized by a narrow product range of some one thousand items.

Axfood's discount chain, Willys, currently has some 60 stores. In the discount segment, Axfood has also developed an additional concept, Willys Hemma, with 30 wholly owned stores as its base. The Willys Hemma concept is based on a product range of approximately 2,000 items.

RIMI becomes ICA in Sweden

One effect of work to strengthen and streamline ICA's brand is that all RIMI stores in Sweden have been rebranded as ICA stores. The RIMI stores' product range and prices will remain, however, through continued use of their simple and effective form of operation. Furthermore the rebranded stores can offer ICA's private labels and more fresh products. This gives customers more complete stores to shop in and strengthens the ICA brand.



Since RIMI was launched ten years ago, customers' expectations of discount stores have changed. Today customers expect to find such discount prices in all stores and the RIMI stores therefore no longer fulfill the same function as before.

Activities 2003

In 2003 efforts to put the core values – personal, simple, inspiring, safe and modern – into practice will enter a more intensive phase. The organization's overall performance at all levels determines the strength of brand impact. Here the retailers and their employees play a decisive role. The local ICA retailer is often a well-known figure in the community and has become something of a concept. For many customers it is he or she who represents the personal element of purchasing, something that is played on in ICA's TV commercials.

ICA Handlarnas will continue to focus on health in 2003 with a number of different offers for customers and employees.

A number of new lines will be launched under private labels, including food and other products.

The focus on appetizing fresh products will continue in 2003. This

naturally applies to all fresh products but the meat packaging line being built in Västerås, which will open in the summer, means there will be an extra focus on meat. The fresh products campaign is part of efforts to enhance food safety and offer customers a wider product range.

Other important activities in 2003 will include continued rebranding of the remaining RIMI stores to ICA, efforts to reduce various costs so that Swedish food prices can be reduced, and startups of a number of stores in new customer friendly locations in different parts of the country.

ICA Handlarnas' standard agreements

ICA Handlarnas provides support to and is the umbrella organization for the ICA stores. This support is based in an ICA agreement or a franchise agreement. There are also some profiling and other agreements with the stores.

ICA agreements Half of the 1,764 Swedish ICA stores have an ICA agreement, which are shareholder and financing agreements with implications including ICA Handlarnas retaining rights to the store location while the retailer owns and runs the store, usually through a company.



ICA Handlarnas offers attractive financing terms to retailers setting up their stores. Depending on the store's size and annual sales, the retailer then pays a royalty and in some cases a profit share to ICA Handlarnas. ICA Handlarnas' subsidiary ICA Fastighets AB owns most of the store properties or rental contracts are held by ICA Handlarnas.

MAXI agreements MAXI ICA Stormarknad hypermarkets have dedicated home and leisure departments. These departments are operated as branch stores by ICA Handlarnas' subsidiary ICA Special AB. ICA Special is responsible for purchases and sales to these departments in the MAXI stores. The real estate is usually owned by ICA Fastighets AB, which rents out the premises to the retailer's food retail company and ICA Special respectively.

RIMI agreements RIMI retailers have operated their stores through franchise agreements where a specific fee has been paid to RIMI Svenska AB, a subsidiary of ICA Handlarnas. Services such as marketing and administration have been carried out centrally by RIMI.



Name: Katharina Andersson
Born: 1963 in Skeppshult in west Småland
Education: 3-year senior high school, market economist and a number of ICA training programs.
Family: Daughter Ellen, aged 7

For "her successful start and development of the company" Katharina was named "Businessperson of the year" by Västervik Municipality in 2002. Her ICA Kvantum store has annual sales of about SEK 170 million and she has 60 employees.

"Those of us who work here try to put our stamp on the meeting with customers. We want to show them the people behind the business, either in our own Lucia procession or in our advertising. This creates a feeling of responsibility among employees and gives customers a face they recognize when they do their shopping," says Katharina. Customer surveys show that she is doing the right thing - the personal welcome in her stores receives higher grades than comparable stores.

What drives you?

"The driving force is my desire to make customers and employees feel at home, to create the best marketplace in town. It is out in the store that the battle for customers is won, but it requires an awful lot more than well-filled shelves," she says.

Katharina completed a three-year economics program at senior high school and maybe had languages and work abroad in mind after her studies. But instead she was accepted for training and worked as a temporary at an ICA store. One day something happened which she jokingly describes as "almost a vision." She realized how attractive the profession of an ICA retailer was at all levels. What attracts her is the combination of consumer goods, having her own business and being able to work with both her brain and her hands.

What characterizes a good retailer?

"You must have a genuine interest in people and like being at the center all the time."

Have you had your own formula for success?

"All retailers are individualists, there is no single recipe. Things can be done in so many different ways. As a retailer you must have your own strong perceptions but work through your employees. If you are not interested in them, they will see right through you."



Name: Ola Johansson

Born: 1953 in Örarna outside Luleå

Education: 3-year senior high school, economics program

Family: Wife, one daughter (28) and three sons (17, 21 and 25)

Ola is an ICA retailer and chairman of the Profiling Council that represents 800 ICA Nära stores across Sweden. In 2003 the ICA Bas stores (the very smallest stores) will be rebranded as ICA Nära stores. The Profiling Council has a decisive influence on everything from the overall strategy for the Nära concept to the color and design of store furnishings.

Ola owns two ICA stores in Luleå and the surrounding area. He has been operating the smallest one, which is in Örarna outside Luleå, since 1971. It is a village store that was started by Ola's grandfather 75 years ago. Ola's wife manages this store. In the early 1990s, Ola took over a store in Kalkällan in Luleå.

Ola has both a worm's eye and a bird's eye view of operations or "the business" as he calls it. Almost every week he is at ICA's head office in Solna to discuss matters that concern all ICA Nära retailers. "You do your daily, extra shopping in your Nära store. It must be simple, fast and personal and you should be able to get help with ideas for meals," says Ola.

And prices?

"Our prices will be competitive, but not the cheapest."

How do you get 800 retailers with their own ideas and ambitions to agree on how the stores should be run?

"It is not easy. We take it step by step. Not all retailers are up to changing their stores overnight. Successful examples are important – it's not enough just to give orders. We exchange ideas and experiences in our local networks." Ola has been repeatedly elected as representative since 1974. It has taken time, perhaps too much time from his own business, he wonders. "But that's how it is with the ICA concept. It requires involved retailers."

ICA Handlarnas' approach to managers and employees

ICA Handlarnas wants managers that create conditions for their employees to take initiatives and do their best in every situation. For managers it is therefore very important to be able to communicate and create a dialog and to encourage employees' wish to perform and develop as much as possible.

Equally important as an approach to managers is an approach to employees. All ICA Handlarnas' employees must feel that they receive the support they need to do their work well. This requires employees to feel involved, well-informed and competent in their role. It is also important that authority and responsibility for working duties coincide.

ICA Handlarnas' HR department works within four strategic areas:

- To develop and recruit people with the ability to create and carry out strategies that lead to the fulfillment of ICA Handlarnas' goals and vision.
- To create a common future scenario and relationships based on trust between ICA Handlarnas and the stores.
- By concrete actions to create harmony between the core values of the brand and the corporate culture.
- To manage and support processes of change effectively.

These tasks are carried out with the aid, among other things, of education and training in the ICA School and with the support of systems and methods such as job descriptions and different evaluation processes.

Education Both employees within the Group and store employees receive training at the ICA School. There were 2,000 training days with a total of more than 10,000 participants

in 2002. Employees in the stores receive training within a number of benchmarking programs, network training, management training and customized store assignments. In the permanent store program some 30 different training courses on subjects such as fresh products, sales and service, as well as finance were carried out.

Training for employees in the Group focused on management, team and organizational development.

The ICA School also offers external programs. The Step and Reflect programs were carried out in 2002. Step is a development program where among others ICA Handlarnas' operations managers and consultants, who assist the stores with specialist knowledge, receive training in how to work as a consultant. The Reflect program is attended by retailers and salaried employees from ICA Handlarnas together in order to develop coaching leadership.

New tools and methods In 2002 ICA Handlarnas conducted an extensive survey of the organization in order to define each position's overall goals, areas of responsibility, factors for success and requirements profile. The intention is to promote fairness and objectivity, to be a tool in career planning and contribute to clarity. One central task is to establish which areas and employees respectively should succeed so that the goals of the position can be met.

Evaluations In 2003 ICA Handlarnas will start applying an evaluation system for some managers which has been introduced at international level in Royal Ahold. This evaluation process, known as Management Development, started at the beginning of 2003 for



some 60 senior executives. The evaluation can provide a better picture of competence in the organization, increase accuracy in appointments and manning, and provide the basis for a fair and clear reward system.

Trainee program ICA Handlarnas' trainee program is both an instrument for management supply and a marketing tool. Since 1996 university graduates aged between 25 and 30 have been accepted for a two-year trainee program. Starting in 2003, six people will be accepted to the program annually. ICA Handlarnas welcomes applicants from all over Sweden and with all types of degree. 800 people applied for the most recent admission.

Seminar weeks with other trainees are interspersed with work at the head office in Solna and out in the stores, distribution centers, warehouses and so on. Great emphasis is placed on personal development. Most companies within the Ahold Group have their own trainee programs but there is a joint course called the Business Learning Program. This allows participants to exchange experiences and gain understanding of how a multinational group functions.

Approximately 85% of those who take part in the trainee program stay in the Group and often receive positions where high demands are placed on their ability to lead and encourage employees. The program also creates

career paths for experts where personnel management skills may be less important.

Employment Branding On its own or in cooperation with other retail companies, ICA Handlarnas conducts activities to strengthen its own and the retail sector's attractiveness in the labor market. These include participation at labor market days at universities. The aim is that ICA Handlarnas should be regarded by students and other potential employees as a modern and forward-looking retail company.

ICA Handlarnas in brief

Mission: To be the leading retail company with a focus on food.

Sales 2002: SEK 42.5 billion (sales to stores)

Number of employees: 4,189 excl. store employees

Number of stores: 1,764

ICA Handlarnas' store concepts

ICA Handlarnas offers four different store concepts in order to meet the different demands and needs of its customers.



Number of stores: 1,033
Sales: SEK 12.4 billion
Number of products: 4,000-6,000



Number of stores: 439
Sales: SEK 24.8 billion
Number of products: 6,000-10,000



Number of stores: 123
Sales: SEK 20.8 billion
Number of products: 12,000



Number of stores: 33
Sales: SEK 11.2 billion
Number of products: 35,000



Number of stores: 136
Sales: SEK 6.9 billion
Number of products: 3,000-4,000
In spring 2003 all RIMI stores in Sweden will be rebranded as ICA.



Hakon Gruppen AS

Hakon Gruppen AS is one of Norway's leading food retail companies with 1,079 stores. In 2002, Hakon Gruppen's sales totaled approximately NOK 21.7 billion.

At the beginning of the 1990s Hagen Gruppen, as the group was then called, was one of Norway's largest food retailers with more than 1,000 stores and 14,000 employees. The challenge was to find a strategic partner which could help to ensure further growth and success. Eyes turned towards Sweden and tradition-steeped ICA. After a brief period of negotiation, ICA bought a stake in Hagen Gruppen and received a holding of 45%. The new group was given the name Hakon Gruppen after ICA's founder, the Swedish merchant Hakon Swenson.

The cooperation between ICA Handlarnas and Hakon Gruppen has developed very well. When ICA Handlarnas and Hakon Gruppen were preparing an IPO, the Dutch food retail group Royal Ahold came into the picture. May 2000 marked the birth of ICA Ahold AB, the largest food retail group in the Nordic region. This partnership means that the Group is well equipped to meet future challenges regarding negotiating strength, food safety, diversity and quality.

Weak downturn in 2002

The Norwegian food market (excluding convenience stores and gas stations) grew 6.1% in 2002 and sales totaled approximately NOK 92.9 billion during the year (excluding VAT). Hakon Gruppen's market share decreased from 24.5% to 23.9% during the year. The main reason for this decline is that several of Hakon Gruppen's associated stores have transferred to NorgesGruppen. Other explanations are that 2002 was a year of consolidation for

Hakon Gruppen and the fact that only a few new stores were opened. The focus on new stores will be considerably greater in 2003.

Market trends As in Sweden, the Norwegian food retail market is characterized by a few players. Hakon Gruppen and its biggest competitors, Coop Norge, NorgesGruppen and Rema, together account for almost all food retail sales, of which approximately half via discount chains.

In 2002 work continued to adapt Hakon Gruppen's concept to customer wishes, in other words stores with a wider range and not such a one-sided focus on low price.

Repositioning RIMI

The RIMI stores have been part of the Norwegian food retail sector since 1977 and comprised some 590 stores at the end of 2002. RIMI's philosophy is to make both daily shopping and everyday life easier for Norwegian consumers. RIMI wants its customers to have a nice day, even when they are shopping in the store. This is why RIMI is developing stores which will always meet customer wishes, both today and in the future.

The positive trend for RIMI ceased in 2001 and for this reason a repositioning of the stores was started in 2002 in order to regain the leading market position. Four core values were developed for RIMI. The chain must:

- be the customer's friend
- be reliable
- be accommodating and friendly
- be represented by modern merchants

RIMI's market promise is "have a nice day" and the focus is on four areas: low price, best at fresh products, promotions and impulse, and private labels. Today customers are increasingly demanding a product range where the focus is on enjoyment of food and inspiration. Price remains significant but is now complemented by other factors.

A new training program – RIMI Trening – has been a key prerequisite for repositioning RIMI (read more about RIMI Trening on page 27).

Successful focus on logistics

Hakon Gruppen's logistics operations, which comprise Hakon Distribusjon AS and Norgesfrukt AS, developed very favorably in 2002. The logistics operations have completed a restructuring program and this now functions well. The logistics model supports Hakon Gruppen's aim to establish full control of the flow of goods to the stores and raise the proportion of own distribution.

A number of product groups will be transferred to own distribution in 2003. This development is positive for Hakon Gruppen and for the environment.

Online shopping

ICA Rett hjem is Hakon Gruppen's concept for home deliveries and orders via the telephone, fax, e-mail and Internet. ICA Rett hjem is so far confined to Oslo, Bærum and Bergen and has been very well received by both private individuals and companies.



Name: Lars Boye Halvorsen

Born: 1965

Family: Three children, aged ten, four and five months

Leisure interests: Outdoor pursuits, mountain activities, etc.

Lars Boye Halvorsen has been district manager for RIMI in Oslo since the beginning of 2002 and is among the participants in the six-month pilot project that started in January 2002 and preceded the launch of RIMI Trening.

He has worked at RIMI since 1996. First he worked with safety issues, then started in store operation and has been district manager since the beginning of 2002. As safety manager Lars Boye had reason to think about the correlation between good safety and good stores. And that had him wondering what makes a good store.

What does being good at management mean and how is this insight used in RIMI Trening?

"RIMI Trening helps you to understand how people think, what drives them. Finding out what people want, making them aware of their goals and then helping them achieve them."

What has the training given you personally?

"It helped me to identify a side of myself that I can now handle in a systematic way and which is about sharing, being able to delegate."

For Lars Boye, RIMI Trening means that he is responsible for teaching what he has learnt to his employees three times a year. Lars Boye welcomes being assessed by customers and employees.

"You can't be best at everything and it is not prohibited to get a low grade. But not trying to improve is not allowed," he says.

Hakon Gruppen's standard agreements

Ownership and operation of Hakon Gruppen's stores is divided into two main models: wholly owned branch stores and retailer-owned franchise stores. All stores are supported by an integrated system for purchasing, product range, supply of goods, administration and marketing.

Branch stores The branch stores are those owned by Hakon Gruppen. They comprise about half the RIMI stores as well as ICA Supermarked and MAXI stores.

Franchise agreements Retailers operate their stores under franchise agreements where a specific fee is paid to the Group. Hakon Gruppen provides a number of central services including marketing and administration. The retailer operates the store as his own business and pays a franchise fee, which is a percentage of sales, to Hakon Gruppen. Hakon Gruppen owns, or has a rental contract, for most of the franchise store premises.

Associated stores There are also associated store chains which Hakon Gruppen assists with administration, purchasing organization and distribution, and operating and support systems. Examples of associated store chains are Livi, Servicemat and Fokus Vest.

Hakon Gruppen's approach to managers and employees

In order to succeed in the battle for customer favor, Hakon Gruppen is entirely dependent on the competence, motivation and commitment of its employees. A key aim for Hakon Gruppen is that all employees should enjoy their work and be provided with good opportunities to develop in an environment where the focus is on the customer. Hakon Gruppen's aim is to provide the best workplace in the market and to be the most sought after employer in the business.

The fast development of the food retail sector is placing ever greater demands on employees in both the stores and further upstream. This is why Hakon Gruppen is making a substantial investment in internal training.



There is really only one boss at Hakon Gruppen and that is the customer. All employees must always try to meet customer expectations. Stores concepts such as RIMI, MAXI, ICA SparMat and ICA Supermarked mean that Hakon Gruppen is well equipped to meet customers' needs – regardless of whether they are looking for value-for-money and good basic products or gourmet food for a party. Thanks to skilled employees who always put the customer in focus, all employees are working towards the same goal – to make Hakon Gruppen's stores the customers' first choice.

Training – part of everyday life RIMI has an internal training program called RIMI Trening (training). This started in autumn 2002. The aim is to make this training part of everyday life in every RIMI store. RIMI Trening is divided into three levels: basic, candidate and management training.

The basic training has the highest number of participants. Here they are provided with the basic competence they need to do a good job. Apart from training in different store issues, the welcome package for new employees in a store is important in this context. This welcome package contains all the information a new employee might need, including RIMI's personnel handbook. All new employees in the stores attend an introduction training program of at least three days. The store manager or the person in charge of training guides the new employee through a large number of points which are then crossed off.

Candidate training has been developed for people who want new duties in whom RIMI wants to invest. For store employees this training

is both theoretical and practical. Candidates attend six meetings in six months where they are provided with the knowledge they require for their future duties. Between the meetings, the candidates train on their own with different projects and tasks.

RIMI's management training is designed to give participants the competence they need to cope in principle with all the challenges that may arise in a store, particularly how to get the best out of employees. Everyone with managerial responsibility in the stores or the Group attends a management training program. This training takes just over two years with a total of eight meetings of one to two days. In spring 2003, 900 managers will have started this training. Identifying good examples, i.e. store managers and other leaders who have succeeded particularly well within a particular area, is an important part of management training. Based on this there is a discussion about which goals are suitable to set up and how to work to achieve them. Between each meeting the idea is that everyone works on their own with specific tasks, such as conducting a certain number of performance reviews. Each individual manager is assessed by his or her subordinates three times a year within a number of competence areas.

In RIMI Trening people are always assessed by their immediate subordinates. Another important evaluation is customer assessments of the stores. Customers are regularly asked what they think about the RIMI store they shop in and its staff.

In 2002 work also started on developing training programs suitable for the MAXI, ICA Supermarked and ICA SparMat chains.



Name: Kjell Sindre Myhr

Born: 1970

Store: RIMI Stormarked in Oslo

Leisure interests: Family, cycling, running and skiing.

Kjell is store manager of a RIMI Stormarked store in Mortensrud in Oslo. He has been with RIMI for ten years and was happy from day one.

"There are more development opportunities at RIMI than in other chains. RIMI is an innovative thinker. Above all, RIMI Trening gets us all thinking, becoming aware," says Kjell.

One key to greater awareness among employees about what makes a good store and good customer relations is the regular customer and employee surveys. These surveys provide the basis for the evaluations of stores and managers that are one of the cornerstones of RIMI's development.

Customer surveys showed, among other things, that customers in Kjell's store felt that the time spent standing in the checkout line was too long. The problem was quickly solved with a new staffing plan. The employee survey showed considerable agreement over how employees and Kjell perceive his role as store manager.

"I am a team player who tries to get people with me," he says.

After the surveys it is time to prepare for the performance reviews and to draw up individual development plans. Kjell endeavors to give his employees more responsibility and help them to achieve their goals.

"Giving employees more responsibility, helps them to grow," says Kjell.



Reading and writing project Surveys conducted by the Center for Reading Research have shown that there is a need to complement reading and writing abilities among sections of the population. In the past year Hakon Gruppen started the Read And Write project, a course for Hakon Gruppen's employees where participants are offered basic education in reading and writing skills. This course was first offered mainly to employees at the distribution terminals.

Trainee program Major resources are invested in a trainee program which is intended to some extent to meet Hakon Gruppen's future need of skilled managers and other key people. Trainees with Hakon Gruppen are given ample opportunities to design the program according to their wishes.

Hakon Gruppen's trainee program lasts for 24 months and is intended for people who are at least 24 with a minimum of four years undergraduate education and a genuine interest in retailing.

Another criteria is that participants are really interested in work and a career. The idea of

the trainee program is that after completion all participants should be able to take up key positions within the Group. At recruitment participants can choose which department they wish to work at after completing their traineeship and they are also allocated a mentor from that department. The mentor helps to adapt and design the program according to the wishes and competence of the trainee.

Hakon Gruppen's trainee program is divided into two phases. The first phase is called retailing orientation. This is an introduction to Hakon Gruppen's various departments, stores and distribution units, lasting three months. The second part of the trainee program is about personal development and contains two periods of ten to eleven months or three periods of seven months when participants work at different departments.

Hakon Meny

Hakon Meny offers fresh products, wines and spirits and restaurant equipment to customers in the foodservice and restaurant sectors and to hotel chains. Hakon Meny has annual sales of approximately NOK 600 mil-



lion in a market which totals about NOK 4 billion (excluding the convenience stores segment). NorgesGruppen is the market leader with annual sales of approximately NOK 1.2 billion.

In 2002 Hakon Meny laid the foundations for continued growth. A simplified and rational warehouse structure combined with more focused sales efforts improved earnings.

Customer offering In 2002 Hakon Meny intensified its efforts to offer customers the Meny Partner concept. In principle this service means that Meny Partner takes over negotiations with suppliers on the customer's behalf. Due to its size and affiliation with Hakon Gruppen, Hakon Meny can obtain good prices and simplify purchases for its customers. In principle, Hakon Meny takes over purchasing responsibility from its customers.

Warehouse structure Hakon Meny's operations are nationwide. The new and concentrated warehouse structure with five units, including three regional warehouses, has

enabled Hakon Meny to be a good logistics partner, particularly for large customers.

Customers Hakon Meny has made active efforts to increase the large customer proportion of the customer base, which led to an increase of average order size and more rational operation. Major customers include Burger King, Pepes Pizza, Hurtigrutene, Egon restaurantene, Grødegård and others. New customers in 2002 included 14 hotels in the Choice chain.

Hakon Gruppen in brief

Mission: Hakon Gruppen will be the leading food retail chain in Norway by being the customers' first choice and a preferred employer, and by creating lasting values for our owners.

Sales 2002: NOK 17.1 billion

Number of employees: 5,545 (excl. franchise employees)

Number of stores: 1,079

Hakon Gruppen's store concepts

Hakon Gruppen offers four different store concepts in order to meet the different wishes and needs of its customers.



Number of stores: 587

Sales: NOK 16 billion

RIMI number of products: 3,000

RIMI Stormarked number of products: 6,000



Number of stores: 13

Sales: NOK 1 billion

Number of products: 10,000



Number of stores: 178

Sales: NOK 1.9 billion

Number of products: 3,500



Number of stores: 10

Sales: NOK 1.5 billion

Number of products: 20,000-24,000

Number of Associated stores: 291
(Livi, Servicemat, Fokus Vest)



ICA Menyföretagen AB

Positive turning point in 2002. ICA Meny is one of Sweden's leading food suppliers to restaurants, the catering sector and convenience stores.

Restaurant visits are accounting for a growing share of the total food market. Through ICA Meny, ICA Ahold is taking a share of the growing Swedish market for eating out and takeaway.

Aims to be leading supplier

ICA Meny is part of ICA Ahold and therefore also part of Royal Ahold's operations within the foodservice sector. Cooperation has started with other companies within the Group in such areas as purchasing, price fighters, IT solutions and customer agreements.

ICA Meny's aim is to be the Nordic region's leading wholesaler to the restaurant and catering industry. Today, ICA Meny is second largest in Sweden after the Johnson Group's company Servera, and market leader for supply of wines and spirits to restaurants. ICA Meny is also one of the leading suppliers to convenience stores, i.e. Statoil Detaljhandel, 7-Eleven and so on.

Its local presence makes ICA Meny a leading player in the important submarkets of Stockholm, Gothenburg and Malmö. One aim

is that ICA Meny should be a leading supplier to nationwide and chain customers. Operations established in Karlstad and Sundsvall allow deliveries throughout northern Sweden. Low operating costs together with utilization of the ICA Group's purchasing power are strategic cornerstones.

ICA Meny seeks to be a knowledge bank for customers regarding food, wines and spirits. Delivery precision and the level of service are high and ICA Meny carries a broad product range. The focus on fresh products, fruit and vegetables sets ICA Meny apart from other players. ICA Meny aims to be perceived as a market oriented, efficient and innovative supplier.

Positive turnaround in 2002

In the second half of 2002, ICA Meny reversed its loss trend and reported a profit. The extensive process of change over the last 13 months made a strong contribution to this positive result. Activities included splitting ICA Meny into four independent business areas: Restaurants & Catering, Restaurant Equipment,

Wines & Spirits, and Convenience Stores. A totally new management is also in place. Other measures included staff changes, a new distribution organization, renegotiation of supplier contracts, reduced purchasing costs, centralization of key functions to the head office, new systems for result follow-up and reporting, and a graphic reprofiling.

One important marketing investment in 2002 was the acquisition of Restaurangpartner, with annual sales of approximately SEK 200 million and 45 employees. It was this acquisition that made ICA Meny the market-leading wines and spirits supplier within the restaurant segment.

ICA Menyföretagen in brief

Mission: ICA Meny will give its customers improved profitability and growth through a broad product range and a portfolio of added values.

Sales 2002: SEK 4.0 billion

Number of employees: 903



ICA Baltic AB

ICA Baltic's positive development continued in 2002. Twelve new stores were opened and sales rose by more than 75% to SEK 2.0 billion.

The Baltic region is ICA Ahold's fastest growing geographic market. ICA Baltic plans to open a further 70 stores over the next three years which is expected to give the company a total market share of approximately 17% compared with today's 8-9%.

The Baltic markets

A total of just over 8 million people live in the Baltic countries – Estonia, Latvia and Lithuania. Lithuania, with almost 3.5 million inhabitants, is the largest geographic market. ICA Baltic, however, sees the entire region as one market and aims to conduct its operations in the same manner throughout the area, under the RIMI and MAXI RIMI names.

The Baltic countries, which are NATO members and candidates for EU membership, are characterized by a strong desire to catch up with the rest of Europe in terms of material standard of living. Despite being relatively small, these markets are attractive since they offer high growth rates. Competition in food retailing mainly comes from local chains. International chains have not yet made any major breakthroughs. The German discount chain Lidl, however, is expected to launch its first stores in Latvia in 2003.

ICA in Latvia, Estonia and Lithuania

ICA Ahold has had operations in the Baltic countries for almost six years. The first stores were established in Latvia in 1997. Today, ICA Baltic operates 76 stores in the region –

35 in Latvia, 36 in Lithuania and 5 in Estonia.

Baltic households spend about 40% of their disposable income on food. As incomes grow, however, ICA Baltic sees potential for complementing its range with general merchandise.

Modern retail pioneer

ICA Baltic attracts consumers in essentially the same way in all three countries. RIMI was a pioneer for a modern approach to retail trading in the Baltic region. Its fast-growing and widespread store network, attractive display of merchandise, good hygiene, high service level and a range adapted for the local markets have made RIMI a household name in large areas of the Baltic.

ICA Baltic is responsible for store operation, i.e. the stores are owned by ICA Ahold and not by the retailers themselves. Today there are no plans to introduce the model which is used in Sweden. ICA Baltic gets IT systems, joint purchasing support, best practice relating to store operation and so on from ICA Ahold. Support for training and other human resource related issues comes from Ahold's entire network.

Latvia With 35 stores, including 32 RIMI Supermarkets and three hypermarkets, Latvia is ICA Baltic's largest market. RIMI is the market leader with sales corresponding to about 18% of the total market. The largest competitors are the Lithuanian company Vilnius Prekyba and Kesko of Finland. ICA Baltic will set up its own distribution center in Riga in 2003.

Estonia Estonia is the smallest of ICA Baltic's markets with five RIMI stores. There is intense competition in Estonia, mainly from Kesko.

Lithuania ICA Baltic has had operations in Lithuania since 1999. The stores were run as a joint venture with another operator until 2002. They have now been entirely taken over by ICA Baltic and are under conversion to RIMI stores, a process which is expected to be fully completed by the end of the first half of 2003. 34 of the Lithuanian stores are supermarkets and two are hypermarkets.

ICA Baltic is the third largest player in Lithuania with a market share of about 6%. Vilnius Prekyba is the market leader with a share of 26% followed by the domestic chain IKI with 9%.

ICA Baltic in brief

Mission: Under the RIMI brand ICA Ahold's stores will be the customers' first choice in the fast-growing markets in Estonia, Latvia and Lithuania. ICA Ahold aims to be the leading food retail chain in the Baltic countries.

Sales 2002: SEK 2.0 billion

Number of employees: 3,899

Number of stores: 76



ICA Banken AB

A simple and secure bank for all ICA customers. ICA Banken's aim is to offer ICA Handlarnas' customers the possibility of better personal finances and thus strengthen their positive perception of ICA.

ICA Banken's services and products are marked by the simplicity and security that characterizes the rest of ICA's operations. ICA Banken is a bank for people who wish to simplify everyday life and keep control over their finances. Holders of any ICA debit card can:

- use the card for payments throughout the world
- obtain high interest on their current account from the first krona
- gain access to Internet banking services including paying bills as well as access to telephone banking
- withdraw cash and make deposits in the Swedish ICA stores and from ATMs

ICA Bankkort Plus is a combined debit and credit card and is the most versatile card. Payments with all card types give the holder a bonus -1% on all purchases at ICA stores and 0.5% in stores outside ICA.

Customer friendly products

ICA Banken has 3.7 million customers, of whom 1.4 million save in accounts linked to the card.

Since ICA Banken started in February 2002,

more than 60,000 of the bank's customers have chosen ICA Banken's new debit card. The Plus card provides banking services in addition to the card's payment function, such as being able to use the card as a credit card in non-ICA stores and to pay an invoice in the month after the purchase. ICA Banken's share of new sales of debit and credit cards was 17% in Sweden in 2002.

The other two cards are ICA Bankkort, a debit card which offers an overdraft and ICA Bankkort On-line, a debit card with no credit facilities. From the outset, ICA Banken has allowed its customers to pay their bills by letter giro.

ICA Banken started Internet banking during the summer and in September the bank could offer its customers mortgages through a cooperation with SBAB. This marks another step towards ICA Banken becoming a bank that can assist its customers in all transactions relating to everyday finances.

In autumn 2002 discussions were initiated between ICA Ahold and Aegon about a possible cooperation in ICA Banken. These negotiations were broken off by ICA in January 2003 since the parties could not agree on the strate-

gic direction for the bank and the purchase price.

Easily accessible services

Customers can make deposits and withdrawals in 1,650 ICA stores which are under the supervision of the Swedish Financial Supervisory Authority, in 7,500 ATMs and 25 million cash dispensers for MasterCard. The bank's services are also available via the telephone and the Internet.

In the first quarter of 2003 ICA Banken restructured its operations in order to reduce costs. This including changing telephone hours to 8 a.m-6 p.m. on weekdays.

ICA Banken in brief

Mission: To sell, provide and develop banking services to private individuals in ICA's market to make everyday life easier for customers and give them good control over their household finances.

Deposits 2002: SEK 3,789 million

Number of employees: 142



ISO-ICA A/S

ISO-ICA - a partnership that owns and operates twelve popular food retail stores in the Copenhagen area. ISO-ICA is jointly owned by ICA Ahold and the Danish company ISO Supermarked.

The cooperation between ICA Ahold and ISO Supermarked started in 2000. These operations are placed in a joint limited company, where ICA Ahold is part owner with 50.1%.

ICA Ahold and ISO see good opportunities for cooperation in various areas. One example is the departments for sales of kitchen utensils, known as cookshops, which ISO-ICA is now setting up along the same lines as in the Swedish MAXI and Kvantum stores.

Strong price pressure in the Danish market

The cooperation with ISO gives ICA Ahold good opportunities to penetrate the Danish

food retail market, which is highly exposed to competition. This intense competition is mainly due to the large proportion of discount stores. The market is dominated by two main players, FDB (The Co-operative Retail and Wholesale Society of Denmark) and Dansk Supermarked. There are also a number of smaller chains, partly coordinated into purchasing groups. Pricing is strongly affected by the growing discount sector which currently had a market share of 25%. The Netto chain is a leading player in the Danish discount sector.

In Denmark, as in Sweden, there is great interest in soft values such as ecology, animal welfare, social responsibility and health.

ISO-ICA in brief

Mission: To be the most inspiring local food store for modern customers through interested and involved employees, the best fresh products and a broad product range.

Sales 2002: SEK 1.6 billion

Number of employees: 733

Number of stores: 12



Netto Marknad AB

The Netto discount concept has been very well received by Swedish customers and the chain expanded strongly in 2002.

The first Swedish Netto store opened in Trelleborg in May 2002. The discount chain Netto AB is jointly owned, 50/50, by ICA Ahold and Dansk Supermarked. Netto has a hard discount profile and offers the lowest food prices in the market. The mission is first and foremost that the stores should be located where customers live and offer good products at low prices.

Netto is 100% self-service and the actual store design invites fast and smooth daily shopping. This is why the stores carry the products most in demand and have a simple and rational design. Consumers only pay for the products and not for unnecessary over-heads or exclusive fittings.

Every week 50–100 new products are purchased in small lots which are sold under the “Bargain of the week” banner.

Same low prices for all

Netto has a mix of private labels and other brands. The strategy is to constantly offer the same low prices to everyone and so there are no discounts.

Netto’s marketing comprises weekly fliers showing the current store range.

Rapid expansion in 2002

Eighteen new stores were opened in 2002, all south of a line between Gothenburg and Västervik. Netto’s central warehouse, which serves all the stores, is in Halmstad where the head office is also located.

Price pressure effect

The Swedish Competition Authority’s report “Major regional differences in food, building materials and gasoline” shows that discount stores have a price pressure effect on local

markets. The greatest effect occurs when new and clearly discount profiled companies set up business.

The response from customers has been highly positive in every location where Netto stores have opened.

Netto plans to start 20–25 new stores in south Sweden in 2003.

Netto in brief

Mission: Netto offers customers high-quality products at a low price. The stores are simple and rationally designed for fast and smooth daily shopping.

Sales 2002: SEK 197 million

Number of employees: 230

Number of stores: 18



Statoil Detaljhandel Skandinavia AS

Statoil Detaljhandel is owned 50/50 by Statoil and ICA Ahold. The company is the market leader in Scandinavia in both fuel and service station stores.

Making everyday life easier is Statoil Detaljhandel's mission. The promise to the market "What you need - when you need it" is in line with the mission. By making these promises, Statoil Detaljhandel wants to achieve its vision of a million satisfied customers every day.

Positive earnings 2002

Earnings after tax for 2002 were very strong, with an increase to NOK 302 million compared with NOK 276 million in 2001. Development was favorable during the year in all three countries, with improved results in terms of both revenues and costs. In the past year substantial investments were made in concept extension, safety, human resources development and IT.

One important event during the year was

the successful launch of the New Premium Club loyalty concept.

Store concept rolls on

The launch of the so-called concept service stations continued in 2002. 62 new ICA Express and 101 new Statoil Butik were opened during the year. The concept service stations are central to Statoil Detaljhandel's strategy and account for a growing share of the company's revenues.

At the same time the company is continuing to establish automated stations under the 1-2-3 name, as a key strategic move to strengthen the company's market shares in fuel.

Continued eco-focus

Implementation of a new environmental pol-

icy started in 2001 and this work continued in 2002. The policy is based on the attitude that Statoil must be involved and accept responsibility for a sustainable society. Environmental work is based on a holistic approach where the company takes responsibility for its total environmental impact, from suppliers via service stations and stores to the customers. Training and information for employees are a central feature of environmental work.

Statoil Detaljhandel in brief

Mission: To make everyday life easier.

Sales 2002: NOK 23.1 billion

Number of employees: 2,757

Number of stations: 1,321



Etos AB

By setting up Etos stores, ICA Ahold is taking a broad grip on the health and beauty market. Etos is an international drugstore characterized by ICA Handlarnas core values: Personal, simple, inspiring, safe and modern.

Interest in health and beauty is growing. Through its combination of health and beauty products Etos offers a unique product range under one roof. The concept comes from the Netherlands where it was established 80 years ago. Etos is a pioneer in Sweden – no other company has so clearly combined health and beauty products in the same concept.

Etos is very much a specialty retail store and this places other requirements on the ability to communicate with customers than the food retail sector. Most people visit a food store regularly while a chain like Etos must make more effort to attract customers.

Etos is a chain and its stores are operated by employed store managers.

Exciting product range

The Etos product range is divided into four segments: beauty, body, gifts and health. In the stores each segment has its own color:

Beauty The crimson department contains the store's beauty lines such as perfumes, cos-

metics, face and skin care, and shaving products.

Body The pale blue department is the largest and offers hygiene products such as soap, bath and shower products, shampoo and baby care.

Gifts The dark blue department has gifts – for customers to buy for themselves or others – such as jewelry, hair accessories, soft toys, and bath and shower accessories.

Health The store's orange department contains health foods, vitamins, minerals and diet products.

The stores and product range are built up around these four colors which are not only intended to guide customers but also to give them an inspiring overall impression.

Etos offers products under its own labels as well as brands from the market's leading suppliers. Furthermore, Etos has exclusive rights in Sweden to market products from the popular British drugstore chain Boots.

Store openings

The first two stores that opened at the beginning of 2002 in Nacka and Bålsta were very well received by customers and a further four stores were opened in the Stockholm area between October and December. The largest store is on Kungsgatan in Stockholm. Etos's goal is to open 35 new stores in the Mälardalen region before the end of 2005. These new stores, like the ones already opened, will only be located in attractive sites in city centers or popular shopping malls.

Etos in brief

Mission: To offer a world of luxury but with beneficial and healthy products.

Sales: SEK 11.3 million

Number of employees: 45

Number of stores: 6

Financial overview

SALES IN ICA AHOLD'S STORES

ICA Ahold operates stores through individual retailers, as branches and under franchise agreements. In Norway and Sweden there is also a wholesale business that sells food, beverages and equipment to restaurants, the catering segment and the convenience store segment. Total sales to customers in 2002, including sales taxes, amounted to SEK 153 billion.

	Number of stores	Store sales incl. taxes, SEK billion
ICA Handlarnas AB, Sweden	1,764	76.1
Hakon Gruppen AS, Norway	1,079	30.6
ICA Baltic AB, Estonia	5	0.1
ICA Baltic AB, Latvia	35	1.5
ICA Baltic AB, Lithuania	36	1.4
ISO-ICA A/S, Denmark	12	1.9
Statoil Detaljhandel Skandinavia AS	1,321	35.3
Netto Marknad AB, Sweden	18	0.2
Etos AB, Sweden	6	0.0
ICA Menyföretagen AB, Sweden	-	4.7
Hakon Meny, Norway	-	0.9
Total	4,276	152.7

SALES IN THE ICA AHOLD GROUP

The sales trend during the year was highly positive with a total increase of 9.1%. During the year all outstanding shares were acquired in the Lithuanian company Ekovalda, and online shopping business in Denmark was discontinued. ICA Baltic accounts for the largest percentage sales increase, but the major markets in Sweden and Norway also had a very strong sales performance.



SALES PERFORMANCE BY BUSINESS AREA

SEK million	2001	2002
ICA Handlarnas AB	39,220	42,505
Hakon Gruppen AS	19,465	20,930
ICA Baltic AB	1,161	2,035
ISO-ICA A/S	1,585	1,558
ICA Menyföretagen AB	4,172	4,041
ICA Banken AB	-	48
ICA Ahold AB	164	135
Eliminations	- 756	- 344
Total	65,011	70,908

OPERATING MARGIN

The operating margin has developed very favorably in recent years. The long-term target is an operating margin before goodwill amortization of 3.5 - 4.0%.

RETURNS

Returns are calculated excluding goodwill and ICA Banken. Returns on both capital employed (ROCE) and equity (ROE) have improved. The target is a minimum ROE of 14 - 16% over a business cycle.

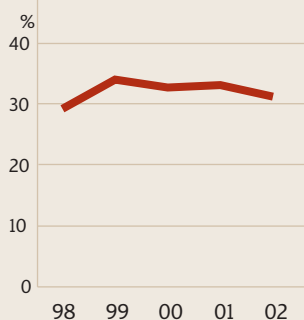
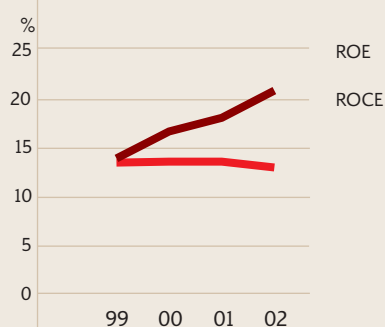
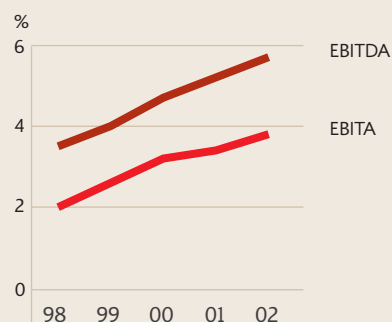
EQUITY RATIO

The equity ratio is calculated excluding goodwill. ICA Banken's operations have led to a substantial increase in total assets and for this reason the equity ratio has fallen slightly, but it is still within the long-term target of 30 - 35%.

INVESTMENTS

The ICA Ahold Group's net investments have been extensive in recent years. The majority of investments were made in stores and store premises.

SEK million	2001	2002
ICA Handlarnas AB	617	957
Hakon Gruppen AS	1,200	810
ICA Baltic AB	643	653
ISO-ICA A/S	408	231
ICA Menyföretagen AB	7	20
ICA Banken AB	-	86
ICA Ahold AB	116	81
Total	2,991	2,838



Social Overview

WORKING ENVIRONMENT

We seek to achieve a good physical and psychological working environment which promotes good health over the short and long term while contributing to the development of our employees and operations.

	Number of employees	Absence due to illness (short- and long-term)
ICA Ahold AB	316	4.3 %
ICA Handlarnas AB	4,189	7.5 %
Hakon Gruppen AS	5,545	6.8 %
ICA Menyföretagen AB	903	7.8 %
ICA Baltic AB	3,899	4.6 %
ICA Banken AB	142	5.7 %
ISO-ICA A/S	733	3.7 %
Netto Marknad AB	230	4.3 %
Statoil Detaljhandel Skandinavia AS	2,757	5.2 %
Etos AB	45	4 %

RELATIONS WITH EMPLOYEES

	Union agreement	Employee representation on company board	Equal opportunities policy and program
ICA Ahold AB	Yes	Yes	Yes
ICA Handlarnas AB	Yes	Yes	Yes
Hakon Gruppen AS*	Partly	Yes/No	As required by law
ICA Menyföretagen AB	Yes	Yes	Yes
ICA Baltic AB	As required by law complemented with individual agreements	No	Yes
ICA Banken AB	Yes	Yes	Yes
ISO-ICA A/S	Yes	No	As required by law
Netto Marknad AB	Yes	No	Yes
Statoil Detaljhandel Skandinavia AS	Yes	Yes	Yes
Etos AB	Yes	No	Yes

* All employees within distribution are covered by a union agreement. Other employees in some workplaces are covered by a union agreement, otherwise legal requirements are applied. There is employee representation on some company boards within Hakon Gruppen.

PERSONAL INTEGRITY

Companies in ICA Ahold are affected by legislation concerning the protection of the personal integrity of employees and customers.

Company has a policy and routines for protection of personal integrity

	Employees	Customers
ICA Handlarnas AB and ICA Banken AB	Yes	Yes
Hakon Gruppen AS	Yes	Yes
ICA Menyföretagen AB	Yes	Yes
ICA Baltic AB	Yes	Yes
ISO-ICA A/S	As required by law	As required by law
Netto Marknad AB	Yes	Not applicable*
Statoil Detaljhandel Skandinavia AS	Yes	Yes

* Does not register personal customer data

SOCIAL COMMITMENT AND SPONSORING

ICA Handlarnas AB

Member of Amnesty Business Group | Member of the partnership for Global Responsibility | Member of the UN Global Compact | Cooperates with the Red Cross | Principal sponsor of the Swedish Cancer Society | Sponsor of WWF | Sponsor of BRIS – Children's Rights in Society | Sponsor of many Swedish sports clubs

Hakon Gruppen AS

Principal sponsor of SOS Children's Villages | Principal sponsor of the Norwegian Rescue Services Agency | Member of Initiative for Ethical Trade | Cooperates with Ullevaal University Hospital – DOIT | Sponsor of the Church of Norway's City Mission | Sponsor of Inky Arms (Blekkulf's Eco-Detectives) – an environmental organization for children

ICA Menyföretagen AB

Sponsor of the Swedish Chefs' Team | Sponsor of Matkristallen | Principal sponsor of Bocuse d'Or

ICA Baltic AB

Cooperates with the Association for Street Children to provide homes for children | Sponsor of the Riga 2000 hockey club | Sponsor of the Association for the Disabled | Sponsors assistance to orphaned children | Sponsor of Music Awards Ceremony in Latvia

Statoil Detaljhandel Skandinavia AS

Denmark: Four football clubs | Norway: Sponsors the Red Cross and PLAN | Sweden: Sponsors Swedish sports associations, the Swedish handball team, the Swedish Sports Association for the Disabled and Elitloppet | Sponsors the Swedish Cancer Society

SOCIAL RESPONSIBILITY IN PURCHASING

At ICA Ahold purchasing of food is carried out jointly for the companies within the Group. Our requirements on working conditions and human rights are based on UN and ILO conventions. This work is conducted by ICA's purchasers and controls are carried out by an external third party that audits according to SA 8000, an international standard for these issues. The results among the food suppliers (groceries and frozen food) included in this work are presented in the table below.

	China	Thailand	Philippines	Indonesia	Mauritius	Madagascar	Seychelles
Number of suppliers	4	13	7	1	1	1	1
Number of suppliers responding to ICA's questionnaire	3	8	7	0	1	1	1
Number that conducted external control	1 ^A	8 ^B	3 ^B	1	0	0	0
Number SA 8000 approved	0	0	0	1	0	0	0
ICA's share of sales (approx)	< 3 %	< 1 %	< 1 %	< 2 %	< 1 %	< 1 %	< 1 %
Number of employees (approx)	4,000	13,000	9,000	12,000	1,500	3,000	2,500

^A Result difficult to interpret and will be followed up at next meeting with suppliers.

^B Results of external review were favorable for most items checked and suppliers. Deviations or uncertainties have been pointed out relating to the following standards:

- Criteria for working hours. ICA has chosen to accept this deviation following guarantees that sufficient basic salary and overtime compensation are paid.
- Criteria for young workforce. Further discussions held with supplier.
- Criteria for remuneration. This matter will be followed up at next visit to the supplier.
- Criteria for health and safety. Improvement measures will be followed up at next visit to the supplier.
- Criteria for discrimination. The matter has been raised and will be followed up at the next visit to the supplier.

Environmental overview

ECOLOGICAL PRODUCTS

Number of ecological products	2001	2002
ICA Handlarnas AB	370	450
Hakon Gruppen AS	75	100
ICA Menyföretagen AB	200	200
ICA Baltic AB	Statistics n/a	Statistics n/a
ISO-ICA A/S	278	278
Netto Marknad AB	Statistics n/a	12
Statoil Detaljhandel Skandinavia AS	DK: 10-15, NO: 0, SV: 12	DK:10-15 NO:0 SV: 14

TRANSPORTATION

The table shows a selection of activities within ICA Ahold designed to reduce the environmental impact of its transport operations.

	"Economical" driving	Load factor in trucks	Return transports	Use of alternative fuel
ICA Handlarnas AB	Yes	80%	Yes, 42 suppliers	Yes
Hakon Gruppen AS	No	70-90%	Yes, 180 suppliers	No
ICA Menyföretagen AB	Yes	N/A	Starts 2003	No
ICA Baltic AB [^]	-	-	-	-
ISO-ICA A/S	No	N/A	No	No
Netto Marknad AB	No	N/A	No	No
Statoil Detaljhandel Skandinavia AS [^]	As ICA	As ICA	As ICA	As ICA

[^] No central transport operations so far.

[^] In Sweden ICA Handlarnas AB and ICA Menyföretagen AB are suppliers of goods to Statoil Detaljhandel Skandinavia AS.

RECYCLING

All companies recycle corrugated board and thermoplastics. The number of sorted fractions depends on local conditions and current legislation.

Tonnes of corrugated boards and thermoplastics sorted from stores and warehouses, 2002	Corrugated board	Thermoplastics
ICA Handlarnas AB	1,233*	1,351
Hakon Gruppen AS	7,000	450
ICA Menyföretagen AB	220*	70*
ICA Baltic AB	1,070	45
ISO-ICA A/S	Statistics n/a	Statistics n/a
Netto Marknad AB	246	12
Statoil Detaljhandel Skandinavia AS	Statistics n/a	Statistics n/a

* From warehouse operations only.

ENVIRONMENTAL MANAGEMENT SYSTEMS

Environmental work according to certified environmental management systems

ICA Handlarnas AB	ISO 14001, logistics
Hakon Gruppen AS*	No
ICA Menyföretagen AB	ISO 14001, entire operations
ICA Baltic AB	No
ISO-ICA A/S	No
Netto Marknad AB	No
Statoil Detaljhandel Skandinavia AS	ISO 14001 for one Swedish service station

* Discussions about environmental management system under way.

Quality

QUALITY ASSURANCE SYSTEMS

Work according to quality assurance systems

ICA Handlarnas AB	HACCP*
Hakon Gruppen AS	HACCP
ICA Menyföretagen AB	HACCP
ICA Baltic AB	HACCP
ISO-ICA A/S	Internal system
Netto Marknad AB	Internal system
Statoil Detaljhandel Skandinavia AS	HACCP

* HACCP = Hazard Analysis Critical Control Point.

PRODUCT RECALLS

A total of 59 products were recalled within ICA Ahold in 2002, of which 7 were private label products.



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CEO



Claes-Göran Sylvén
Chairman



Jan Andreae
Vice Chairman



Stein Erik Hagen
Vice Chairman



Dirk Anbeek
CFO
(Until 030601)



Michael Koridon
CFO
(From 030601)

Management ICA Handlarnas AB



Kenneth Bengtsson
President



Erland Björn
Vice President



Sven-Göte Gustavsson
Logistics



Ingrid Jonasson-Blank
Marketing



Terje Björnstadjordet
IT



Edgar Sesemann
Purchasing



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Finance



Magdalena Mars
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Store Operation



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President RIMI Lithuania



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Chain Director MAXI
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Chain Director RIMI



Pål Wibe
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Peter Lindahl
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Logistics



Erik Möller
IT

ICA Ahold AB is the leading retail group in the Nordic region with over 40,000 employees and 3,000 stores in Scandinavia and the Baltic countries. In addition, ICA Ahold and Statoil jointly own and operate 1,300 Statoil service stations across Scandinavia. ICA Ahold is owned by ICA Förbundet Invest AB (30%), Canica AS of Norway (20%) and the Dutch company Royal Ahold N.V. (50%). Through Royal Ahold, the ICA Group is part of a worldwide retail network.



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