



2002 Albertsons Company Profile

> > > **Winning customers for life.**

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Information in this document is as of the Company's fiscal year-end, January 30, 2003, unless noted otherwise.

> > > **Company Overview**

The Company

Albertsons is one of the world's largest food and drug retailers, with annual revenues of approximately \$36 billion. Based in Boise, Idaho, the Company employs more than 200,000 employees and operates approximately 2,300 retail stores in 31 states across the United States, under banners including Albertsons, Jewel-Osco, Acme, Albertsons-Osco, Albertsons-Sav-on, Sav-on Drugs, Osco Drug, Max Foods, Super Saver and Grocery Warehouse.

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Stockholder Information

- › Stock symbol: ABS
- › Listed on the New York and Pacific stock exchanges
- › Options traded on the American and Philadelphia stock exchanges
- › Shares of common stock outstanding on January 30, 2003: 372,115,179
- › Fiscal year-end: Thursday closest to January 31
- › Annual Meeting of Stockholders:
9:00 a.m. Mountain Time
Friday, June 6, 2003 ~ Santa Fe, NM
- › Fiscal 2003 (52-week year) quarter end dates:
May 1, 2003
July 31, 2003
October 30, 2003
January 29, 2004



> > > Company Values

Vision

Albertsons is a unified team of energized associates obsessed with creating the world’s number one food and drug retailer in the areas of market value, scale, profitability, customer service and associate satisfaction.

Mission

Guided by relentless focus on our five imperatives, we will constantly strive to implement the critical initiatives required to achieve our vision.

In doing this, we will deliver operational excellence in every corner of the Company and meet or exceed our commitments to the many constituencies we serve.

All of our long-term strategies and short-term actions will be molded by a set of core values that are shared by each and every associate.

Five Strategic Imperatives

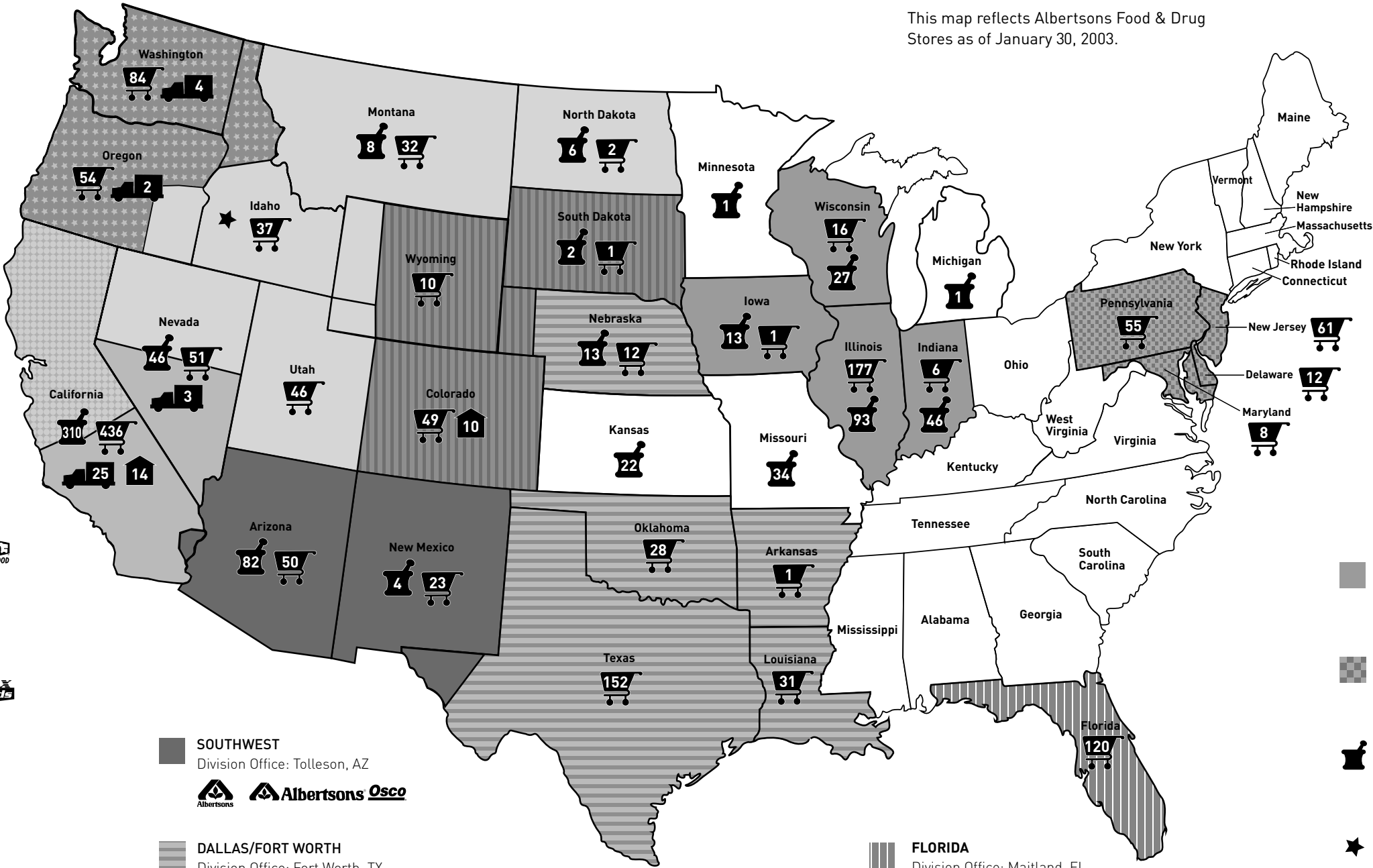
- 1 Aggressive Cost & Process Control
- 2 Maximize Return on Invested Capital
- 3 Customer-Focused Approach to Growth
- 4 Company-Wide Focus on Technology
- 5 Energized Associates

Core Values

With an unyielding commitment to integrity, quality and compliance, we will...

- 1 Drive & passionately implement the spirit of **customer first, second to none...** every day... in all we do.
- 2 Embrace a strong commitment to **community citizenship... sharing with those in need** our time & our resources.
- 3 See **change as an opportunity** for growth & renewal...not as a threat.
- 4 Demonstrate **bias for action & speed** to establish & sustain competitive advantage.
- 5 Foster a mindset of **continuous improvement** in every process, person & product...creating a culture that **values the ideas of every associate...** relentlessly searches out & transfers **best practices...** believing that there is an infinite capacity to improve everything we do.
- 6 Create an **uplifting atmosphere for associates...** by practicing **positive leadership** each day... understanding that an organization’s attitude always determines its altitude.
- 7 Build a strong **commitment to diversity...** constantly striving to build an associate population at every level that mirrors our customer base, while also developing formats & products that meet the diverse needs of our society.
- 8 Establish an uplifting environment of **recognition & reward...** both in the wallet & the heart.
- 9 Show a clear **intolerance for bureaucracy...** insisting on **excellence in execution... & accountability** for delivering results.
- 10 **Partner with & reward vendors** who assist us in creating compelling offers for customers & maximizing returns for shareowners.

This map reflects Albertsons Food & Drug Stores as of January 30, 2003.



Divisions:

- NORTHWEST**
Division Office: Portland, OR
Albertsons
Albertsons.com
You Click. We Deliver.
- NORTHERN CALIFORNIA**
Division Office: San Leandro, CA
Albertsons
Albertsons.com
You Click. We Deliver.
SUPER SAVER FOOD
- SOUTHERN CALIFORNIA**
Division Office: Fullerton, CA
Albertsons
Albertsons.com
You Click. We Deliver.
SUPER SAVER FOOD
Max Foods
- INTERMOUNTAIN**
Division Office: Salt Lake City, UT
Albertsons
Albertsons.com
You Click. We Deliver.
Savon
- ROCKY MOUNTAIN**
Division Office: Aurora, CO
Albertsons
Max Foods
Grocery Warehouse
- SOUTHWEST**
Division Office: Tolleson, AZ
Albertsons
Albertsons.com
Osco
- DALLAS/FORT WORTH**
Division Office: Fort Worth, TX
Albertsons
Albertsons.com
Osco
- FLORIDA**
Division Office: Maitland, FL
Albertsons

- MIDWEST**
Division Office: Melrose Park, IL
Jewel
Jewel-Osco
OscoDrug
- EASTERN**
Division Office: Malvern, PA
ACME
- DRUG**
Division Office: Scottsdale, AZ
OscoDrug
Savon drugs.
- HEADQUARTERS**
Boise, ID

> > > **Company Timeline**

1891 Acme founders Samuel Robinson and Robert Crawford open first Acme Market.

1899 Frank Ross and Frank Skiff begin Jewel as a company of door-to-door salesmen selling tea and coffee from the back of horse-drawn wagons.

1915 Samuel M. Skaggs opens the first Skaggs Cash Store.

1917 Acme merges with four Philadelphia grocery stores to form American Stores Company.

1931 Charles Crouch, Lucky Stores founder, and four investors purchase six stores on the San Francisco peninsula — Peninsula Stores, Ltd.

1932 Jewel purchases a chain of 77 stores, creating Jewel Food Stores.

1934 L.J. Skaggs opens the first self-service drug store in Tacoma, Washington, under the Pay Less Drug name.

1935 Peninsula Stores, Ltd., changes name to Lucky Stores.

1937 L.L. Skaggs and Harold Finch found Payless Drug—eventually Osco Drug—in Rochester, Minnesota.

1939 Joe Albertson enters into a partnership with L.S. Skaggs and Tom Cuthbert, Mr. Skaggs’ accountant, and opens his first store, in Boise, Idaho. Skaggs family purchases four drug stores in Utah, Idaho and Montana.

1942 Owners Service Company forms from the dissolved Payless Drug operation, and new Osco Drug stores open.

1945 C.J. Call and Ira Brown open first Sav-on Drugs store in San Bernardino, California.

1948 Pay Less Drug changes name to Skaggs Drug Stores.

1951 Albertsons opens first combination food and drug store, a 60,000-square-foot superstore.

1956 Lucky acquires 48 stores in Southern California, doubling the size of the chain.

1957 Albertsons begins incorporating drug stores in new Albertsons Food Centers with the purchase of Sugarhouse Drug in Salt Lake City. Jewel and Eisner Food of Champaign, Illinois, merge.

1961 Jewel forms a partnership with Osco Drug for combination food and drug stores.

1962 Jewel acquires Turn*Style department stores.

1965 Skaggs Drug Stores incorporates under the name Skaggs Drug Centers, Inc.

1966 Jewel acquires Buttrey Food and Drug Stores in Montana.

1968 Lucky Stores acquires Illinois-based Eagle Stores, establishing a national presence.

1969 Albertsons listed on the New York Stock Exchange as ABS. Albertsons/Skaggs partner to create Skaggs-Albertsons combination food and drug stores.

1977 Albertsons/Skaggs partnership dissolves amicably. Jointly held assets are evenly divided.

1978 Albertsons builds Boise General Office.

1979 Skaggs Drug Centers, Inc., acquires American Stores Company and adopts the American Stores Company name; company headquarters moves to Salt Lake City, Utah.

1980 Jewel Companies, Inc. acquires Sav-on Drugs.

1984 American Stores Company acquires Jewel Companies, Inc.

1988 American Stores Company acquires Lucky Stores, Inc.

1992 Albertsons purchases 74 Jewel-Osco combination food and drug stores from American Stores Company.

1998 Albertsons acquires Seessel’s, Smitty’s, Buttrey’s, and certain Bruno’s stores.

1999 Albertsons and American Stores Company merge. Lucky Stores change name to Albertsons.

2001 Larry Johnston joins Albertsons as Chairman and Chief Executive Officer. Restructuring begins.

2002 The New Albertsons continues restructuring to create a more efficient company. Company completes market exits in Houston, Nashville, Memphis and San Antonio markets; sells Houston and Tulsa distribution centers.

Albertsons, one of the world’s preeminent grocery and drug store companies, has been restructuring during the last two years to create a new class of highly efficient retailer that is well-positioned to capitalize on the opportunities that abound in a dramatically changed marketplace.

The quality products and superior customer service that are so much a part of Albertsons long and illustrious history continue to be what differentiates the Albertsons of today. However, a series of initiatives, guided by a finely tuned list of five strategic imperatives, has energized associates and focused the entire Company on maximizing shareholder value.

The restructuring marks the latest major step in the Company’s rise to prominence in the global business community, and validates the 1999 decision to merge two of the nation’s leading supermarket and drug store retailers: Albertsons and American Stores Company.

Albertsons founder, J.A. “Joe” Albertson, and American Stores Company founder, Samuel M. Skaggs, were pioneers in the industry. In 1939, Joe Albertson left his position as district manager for Safeway and opened his first food store, Albertsons Food Center, in Boise, Idaho. The store differed from others of its time in that it enclosed 10,000 square feet—eight times the competitors’ average—and had plenty of free parking, a butcher shop, a bakery and an ice cream shop. With these innovations, Joe Albertson was a key developer of the “supermarket” concept in food retailing. Albertsons refined the concept further in 1951 by opening its first combination food and drug store, a 60,000-square-foot superstore.

In 1915, Samuel M. Skaggs opened his first Skaggs Cash Store. In 1939, the Skaggs family purchased four drug stores in Utah, Idaho and Montana, and in 1965, they incorporated under the name Skaggs Drug Centers, Inc. The company grew initially through the acquisition of drug stores in the West and South.

In 1969, Albertsons and Salt Lake City-based drug store chain Skaggs formed a partnership and jointly operated large Skaggs-Albertsons food and drug combination stores in Arkansas, Louisiana, Oklahoma, Texas and Florida. Albertsons and Skaggs dissolved their partnership in 1977, each taking half of the stores. Twenty-two years later, the two companies again joined forces to become one of the largest food and drug chains in the industry.

In 1979, Skaggs Drug Centers, Inc., acquired American Stores Company and adopted the American Stores Company name. This pairing combined the grocery expertise of American Stores Company’s Alpha Beta and Acme subsidiaries with the drug, general merchandise and combination store expertise of the Skaggs entities.

American Stores acquired Jewel Companies in 1984, adding Jewel Food Stores, Jewel-Osco combination stores, Buttrey-Osco Combination Stores, and the Osco and Sav-on drug stores to the company’s family of retail operations.

In 1988, American Stores acquired Lucky Stores, Inc., California’s leading grocery retailer and the only chain with significant operations in both northern and southern California.

Over the years, Albertsons continued to grow through both internal growth and acquisitions. In 1992, the Company purchased 74 Jewel-Osco combination food and drug stores in Arkansas, Florida, Oklahoma and Texas from American Stores. In 1998, Albertsons acquired Seessel’s, Smitty’s, Buttrey’s and some Bruno’s stores. As the Company made plans to open its 1,000th store, it also announced plans to merge with American Stores Company and that merger was completed in June 1999.

Today, change is the only constant in any successful business venture. The evolution of Albertsons has been characterized by a series of strategic changes that keeps the Company in tune with the demands of consumers, the well-being of its immense family of associates, the need for responsible corporate citizenship, and the expectations of its shareholders.

> > > **Energizing our Associates**

Employing and Energizing a Diverse Work Force

Our Most Valuable Assets At Albertsons, we believe our more than 200,000 associates are our most valuable asset, and we are working to ensure that we have diverse, qualified associates at every level of the business, ready for leadership positions. This mindset is driving the transformation of our culture. In 2002, we reassessed many of our existing programs, identified best practices, asked our associates for input on all our human resources initiatives – including benefits, leadership development, succession planning, and recruiting – and then created programs that best meet the needs of our associates and our business. We are reconnecting our business needs with the needs of our associates and building a strong commitment to knowledge, communication and diversity.

Attracting Diverse Candidates

Recruiting a Talented and Diverse Workforce Albertsons regularly participates in minority job fairs and college campus recruiting events across the country to seek out the best candidates. Our Accelerated Management Development Program, which is designed to attract new or recent college graduates, seeks potential leaders with an emphasis on female and minority students. These fast-paced training programs are designed to prepare trainees for future retail management team positions.

Unicru Hiring Management System Energizing our associates and focusing on positive attitudes and customer service begins the moment they apply for a job. We are installing self-service kiosks in the front of our stores that enable potential candidates to learn about and apply for jobs right on the spot. The kiosks present and collect information in both English and Spanish. The built-in assessment technology provides managers with an objective tool to place candidates in jobs according to the candidate’s strengths. This streamlined hiring process not only helps us make better hiring decisions, but also ultimately reduces turnover.

A Culture of Diversity

Albertsons embraces and encourages the inclusion of diverse backgrounds, experiences and perspectives. In fact, our Diversity Mission Statement reflects the significant commitment and competitive advantage that diversity brings to our Company.

The Diversity Leadership Council (DLC) ensures that diversity is reflected in our daily business. Company leaders involved in the DLC represent the Food and Drug Divisions, Store Development, Marketing, Merchandising, Operations, Distribution, Community Relations, Human Resources and Education. The DLC develops diversity opportunities to achieve Company Vision and Mission, and integrates diversity concepts throughout the Company.

Albertsons promotes diversity around four key concepts—

- › **Diversity Representation:** diversity strategies focus on building a diverse workforce at every level that mirrors our customer base.
- › **Understanding Differences:** diversity activities center on our recognition and appreciation of our valuable associates and their diverse contributions. For example, Albertsons Courtesy, Dignity & Respect training program gives our managers and management trainees’ tools to encourage and promote courtesy, dignity & respect in the workplace. This interactive video-based program provides different workplace solutions to maintain a positive and harassment free environment.
- › **Managing Our Diverse Workforce:** diversity programs are embedded in our policies and practices to ensure that we maximize our talented associates.
- › **External Marketplace:** diversity plans are connected to our Core Value of “Customer First, Second to None” to increase customer satisfaction and growth.

Our strong diversity commitment leads to organizational harmony, operational excellence and improved business results. We firmly believe that a commitment to diversity is critical to our future success.

A Culture of Learning

We never stop learning at Albertsons. No matter what the job or location, it’s all about learning more, increasing skills – and finding a better idea. We want to be sure that our associates have access to information that’s important to them; understand their jobs; have a clear career path; and know that what they do adds value. In fact, we’re building a culture of learning at Albertsons. We are helping associates build growing careers by providing the tools and education to give them the opportunity to move forward. Our Education, Leadership Development and Communications departments work as a team to promote the Company’s culture of learning.

Education: Top Down, Bottom Up It starts at the top, with people who are already in leadership roles, as well as those who aspire to become leaders. Through partnerships with universities, we’re building an Albertsons curriculum that’s filled with learning opportunities:

- › Skill courses focus on critical tasks
- › Knowledge of business courses focus on finance, marketing, technology and other areas
- › Leadership courses focus on project management, strategic planning, effective communications positive leadership

Mentoring Future Leaders In 2002, Albertsons launched its first company-wide formal mentoring program designed to develop a company of high-potential associates by shaping the professional development plans of our future leaders. The program is designed to assist the Company’s strategic imperative of energizing associates at all levels.

Communications Albertsons believes in the power of communication. Communication isn’t just a one-way street...it moves in all directions and is the “glue” that holds our organization together. The Communications department partners with our business leaders to help move information quickly across the Company. Simply, we believe that well-informed associates make better decisions for our business and our customers.

New Associate Orientation Albertsons new orientation program for associates replaces 25 different programs across the Company, and is the first of our core curriculum programs. We’ve re-designed it to energize our new associates, introduce them to the Company’s vision, mission and core values, and let them know how excited we are to have them join our team. This program standardizes the new associate orientation and is an excellent example of how we implemented feedback from associates in all divisions to develop a highly effective product.

Succession Planning During 2002, Albertsons developed a new company-wide Succession Planning process that will ensure our leadership plans meet the current and future demands of the Company. This process identifies top talent, ensures we’ll always have the right people ready for key job openings when they occur.

Managing for Inspired Performance (MIP) The “Managing for Inspired Performance” three-day workshop develops important leadership skills for manager levels in the Company. The workshop focuses on the Albertsons Vision/Mission Statement and Core Values through 360 degree feedback, experiential and team learning, and self evaluation.

Leadership Fundamentals Designed for newly promoted managers and supervisors of others, the Leadership Fundamentals workshop helps associates understand how to manage others by living our Core Values. A personality and skills assessment profiler helps participants assess and improve their personal leadership styles.

Computer Guided Training The Company’s Computer Guided Training (CGT) programs enable new associates to learn skills to increase sales and improve customer service, while gaining confidence in their new position. CGT programs will be implemented Company-wide by the end of 2003.

Providing Competitive Compensation and Benefits
In an effort to ensure we are providing competitive compensation and benefits, Albertsons, through collective bargaining and marketplace evaluations, routinely reviews wages for each position within the Company and offers competitive compensation packages to all associates.

Employee Assistance Program The Company also standardized and enhanced its Employee Assistance Program (EAP) in 2002. EAP helps our associates solve the challenges of balancing their work and personal lives. Whether they are in need of a childcare or elder care reference, counseling, or financial planning assistance, EAP is there to help. Associates can access helpful information via the internet or by calling a toll-free number.

ASRE Albertsons Savings and Retirement Estates (ASRE) has been recognized as one of the premier retirement benefit packages in the country. 2003 marked the 65th anniversary of ASRE, and Albertsons made a substantial commitment to associates by contributing over \$150 million. The Company made a profit sharing contribution of 4.8% of pay, and for participants who elected to contribute a portion of their salary to their ASRE account, the Company contributed a matching 35% (up to 6% of participants’ pay).

> > > **Community Involvement**

Albertsons and its family of stores believe in being good neighbors by contributing to the quality of life in the diverse communities we serve. In 2002, Albertsons provided more than \$65 million in cash and in-kind donations with support focused on hunger relief, education and the development of our youth, and health and nutrition.

Hunger Relief

Food Donations In 2002, Albertsons worked to raise public awareness of hunger relief programs and donated more than 19 million pounds of food and household goods to America’s Second Harvest food banks and other local hunger-relief programs nationwide. In addition, the Company continued its day-old bakery product donations program, supported local food drives, and partnered with vendors to distribute food to families in need.

Food For All Albertsons continued its support of hunger relief through the FOOD FOR ALL program. Customers and associates across the country pitched in and raised nearly \$830,000 helping to feed the less fortunate throughout the year.

National Hunger Awareness Day Hundreds of food banks across the country faced increasingly difficult conditions in 2002 as demand for assistance increased. Albertsons challenged consumers to help meet the need when it delivered 240 tons of food to local food banks on National Hunger Awareness Day on June 5th. The Company later held “virtual food drives” at stores nationwide to raise additional money and food donations for local food banks.

Health & Nutrition

Dedicated to help ensure the availability of quality health care and human service support in our communities, Albertsons provides extensive health care services to our customers. From in-store pharmacy flu immunizations to health screening for diabetes, cholesterol and osteoporosis and risk assessments for heart disease and stroke, Albertsons pharmacy associates provide valuable health and nutrition information and health screenings at little or no cost.

Susan G. Komen Breast Cancer Foundation Albertsons underscored its commitment to breast cancer awareness in 2002 with participation and support of Race for the Cure events in 10 cities, and more than \$500,000 in cash and in-kind donations to local Susan G. Komen Breast Cancer Foundation affiliates around the country.

Muscular Dystrophy Association For more than two decades, Albertsons has supported MDA through a myriad of special events and programs that are meaningful to our customers and associates. The Company continued its support of the Muscular Dystrophy Association in 2002 through in-store Muscle Team events, Shamrock sales, Aisles of Smiles and golf tournament fund-raisers. Albertsons presented a \$3.1 million check to Jerry Lewis during the 2002 MDA telethon.

Albertsons Corporate Dietitian Program Albertsons Corporate Dietitian Program educates thousands of people through our Healthy Eating program. In 2002, the program expanded to our Northwest and Southwest Divisions, bringing the total number of Albertsons dietitians to seven.

Education & The Development of Our Youth

Albertsons remains deeply committed to valuable programs promoting educational excellence and nurturing opportunities.

Half-Million Books Through a partnership with the Coca-Cola Company, Albertsons distributed a half-million books to hundreds of schools across the country.

Community Partners Card A simple and innovative fund-raising program for community organizations, Albertsons’ Community Partners Card program is growing fast! The program welcomed its 25,000th member organization during 2002 and gave more than \$14 million back to our communities across America.

The Community Partners Card program is a partnership between Albertsons and schools (pre-12), churches and non-profit organizations directly benefiting youth. Albertsons donates a percentage of purchases made by the supporters of participating organizations. At the end of each fiscal quarter, we total their supporters’ purchases and donate a percentage of the dollar amount of their purchases to the participating organization.

College Scholarships Albertsons helps young people across the country achieve their dream of a college degree through a number of scholarship programs. For example, Albertsons program at the University of Colorado School of Pharmacy has helped nearly 150 students graduate with degrees in pharmacy since 1992. The Summer Enrichment and Scholarship Program, which assists students who are economically or educationally disadvantaged, has a 95% graduation rate.

CORUS Volunteer Program

In 2002, Albertsons launched the pilot for its volunteer community service program – “CORUS” – in its Midwest and Intermountain divisions. The program name “CORUS” acknowledges Albertsons core company values and the Company’s most valuable asset – our associates.

The Intermountain and Midwest Division associates took the challenge to heart and volunteered nearly 2,000 hours of their personal time to help others during the Fall and Winter. These dedicated associates made an incredible impact on their communities through projects such as the Toys for Tots campaign, sorting and delivering food for families in need, making gift baskets for women’s shelters, and collecting and distributing winter clothing. The program will launch Company-wide during first quarter of 2003.

Other Charitable Contributions

United Way Albertsons, in conjunction with our associates, donated nearly \$2.7 million to United Way and the social service programs they support.

Best Management Practices

In 2002, Albertsons enhanced its Best Management Practices policy and remains firm in its commitment to operate its business in full compliance with all applicable environmental regulations. With a dedicated Environmental Affairs Department, including a full-time manager of Resource Conservation, the Company endeavors to incorporate pollution prevention initiatives into its daily operations. Annual diversion and recycling of more than 300,000 tons of resources and a team dedicated to identifying new waste reduction strategies are examples of how Albertsons strives to minimize negative environmental impacts on communities we serve.

Awards

Albertsons continues to receive accolades for its resource conservation and sustainability efforts. A few of the awards bestowed upon the Company during 2002 include:

- › Seattle Business and Industry Resource Venture Innovation in Conservation Award, 2002 for outstanding efforts in implementing innovative packaging industry-wide.
- › EPA, Region 7 2002 Pollution Prevention Award for Environmental Excellence
- › EPA, Region 10 2002 Evergreen Award for Pollution Prevention
- › California Integrated Waste Management Board WRAP recognition for all stores, 2002 for reducing waste generation and increasing resource recycling (five years running)
- › San Diego, California Waste Reduction & Recycling Award, 2002 for implementation of successful waste reduction and recycling programs

Properties and Operating Compliance

Each year, Albertsons purchases or leases hundreds of properties for new stores and fuel centers. Prior to acquisition, the Company’s environmental team completes thorough property reviews to determine if adverse soil or groundwater issues exist. These due diligence efforts result in the avoidance of unnecessary liability. In some cases, the Company purchases and redevelops idle industrial or “brownfield” properties following extensive environmental remediation, which puts these impacted properties back into productive use.

Albertsons is committed to maintaining compliance with all applicable federal, state and local environmental regulations for all of our retail and business facilities. Many regulations – ranging from water resource management, air quality emissions and hazardous materials management – apply to our facilities and the Company’s environmental team offers an important resource to store development and operations divisions to help ensure that the Company achieves its compliance objectives.

Energy Management

In 2002, the Company reduced its electricity consumption by more than 10% through operational efforts to control energy use in existing facilities and the identification and application of energy conserving technologies in both new and existing facilities.

The Company also rolled out a new technology that helps benchmark and monitor energy consumption. These operational efforts and new technologies, coupled with improved building and equipment designs, result in decreased consumption of one of our world’s most precious resources and fewer pollutant emissions.

Waste Reduction

Our distribution centers use returnable plastic totes to deliver both pharmaceuticals and health and beauty care items to our stand-alone drug stores. To facilitate best use of shelf space and product rotation, smaller quantities are sent in the returnable plastic totes. The totes can be used repeatedly, need washing infrequently and never travel farther than 500 miles from the distribution center. The drug stores return the nested totes to the distribution centers on the next delivery truck making this closed-loop system very efficient.

Packaging Update

Albertsons continues to support innovations that reduce costs, improve recycling and increase efficiencies. The Common Footprint produce container, developed with Albertsons assistance, now carries 50% of the produce shipped to Albertsons stores. This container enhances produce protection and shipping efficiencies while reducing waste generation because it’s recyclable. Current efforts are focused on improving poultry and seafood packaging, including the use of recyclable coatings replacing traditional paraffin wax, enhancing product protection while facilitating recycling of packaging and containers shipped to our stores.

Climate Change and Emission Reductions

Albertsons perceives climate change, as it relates to global warming, to be a very real potential risk to the environment, which ultimately could affect our Company, our customers and our store neighborhoods. We see a great opportunity in targeting and achieving emission reductions that are practically attainable and fully compliant with all applicable environmental regulations. Examples of emission reductions include energy conserving technologies (previously described), alternative fuels testing on tractor and trailer refrigeration engines, and various solid waste reduction programs targeting both store operations and distribution centers.

Recycling

Our stores continue to recycle corrugated cardboard, plastics, wooden pallets, cooking oil, meat and bone scraps, single-use cameras and printer cartridges. Our distribution centers continue to recycle corrugated cardboard, plastic pallet wrap, metal, wooden pallets, used equipment, used oil, antifreeze and tires.



> > > **Retail Operations**

Albertsons food and drug retail operations are located in major metropolitan markets, as well as in secondary markets with substantial growth opportunity. Our customer-focused approach is fundamental to our future and we stand by our brand promise of “working hard to make life easier for our customers.” We are working on many fronts to uphold this promise. Albertsons “Service First, Second to None” initiative underscores our absolute commitment to providing excellent service and provides a means for us to improve the customers’ shopping experience. The expansion of our neighborhood marketing focus by launching Kosher, Organic, Asian and Hispanic platforms allows us to tailor each store to meet the specific needs of our diverse customer base. Our heritage and expertise in the drugstore industry differentiates us by appealing to our customers’ needs to manage their health and well-being. We strive each and every day to offer the freshest products and best promotional offering.

Brand Promise

Making Life Easier Albertsons operates some of the most trusted brands in America. We believe that our customer-focused approach to growth backed by the promise of “working hard to make life easier for our customers” is positioning our brands to win customers for life!

Dual-Branded Combos

Albertsons two stores under one roof dual branding concept differentiates the Company from all its competitors. At the end of 2002, the Company operated 250 dual branded combination stores.

In August 2002, Albertsons completed the expansion of its enhanced combination Albertsons-Osco store format in Phoenix, Arizona. This major strategic project converted 36 traditional Albertsons food stores to 36 Albertsons-Osco combination Food and Drug stores.

The Company also expanded this format to Omaha, Nebraska, in December 2002 with the dual branding conversion of eight existing Albertsons food stores and addition of one new combination Omaha store locations. Plans to continue expanding this format to other markets such as Southern California and Nevada are ongoing.

The dual-branded combo format combines the Company’s expertise as an operator of both stand-alone drug stores and traditional food stores and focuses on customer shopping convenience, and demonstrates Albertsons commitment to gaining market share across the country. Unlike any other industry operator, Albertsons has solid, well-established reputations for both food stores and drug stores. This combination enhances the shopping experience by effectively combining two stores under one roof. In addition, the format doubles the general merchandise product selection while maintaining the store’s food product variety. Dual-branded combos feature 30 minute photo finishing, a greater variety of seasonal products, and an expanded cosmetics and beauty care department featuring cosmeticians.

Neighborhood Marketing

By tailoring each store to specifically meet the unique customer needs in each neighborhood, we are truly delivering on our promise to make life easier! We carefully study each population base to determine a multitude of product decisions - from how large the Baby Care Center should be, to which product mix best fits the customer base. With approximately 38% of customers in our trade areas falling into African American, Asian, Hispanic and Jewish populations, Albertsons emphasis on ethnic and neighborhood marketing programs is critical to our success.

African American African American communities nationwide continue to benefit from expanded African American product selections. For example, in Dallas, our Oak Cliff store boasts one of the largest selections of African-American hair care products in the supermarket industry.

Asian Our Asian product marketing program is an excellent example of how we are tailoring our product offerings to meet the needs of specific populations. Albertsons is providing products based on specific Asian demographics - Filipino, Vietnamese, Chinese, Korean, Thai and Japanese - and the Company continues to identify emerging populations across the country.

Hispanic In 2002, Albertsons continued to expand Latino products in all of our stores as the Hispanic population grows and the interest in Latino cuisine grows with non-Hispanics as well. In addition, during 2002, Albertsons launched a new format geared to meeting the needs of Hispanic customers. This new format, called Super Saver, features an expanded line of Latino products and services including an expanded Produce Department, expanded full service Meat counter with Latino cuts and store staff nearly all bi-lingual. This format is currently available in select Southern California markets.

Kosher Albertsons continues to operate one of the most successful Kosher programs in our industry. In 2002, the Company appointed industry veteran Yakov Yarmov to lead Albertsons’ Kosher marketing effort. We now operate 14 Kosher bakeries, 10 Kosher delis and Kosher Meat Departments; and provide a selection of Kosher foods in every store and an expanded selection in our most appropriate stores.

Natural•Organic and Specialty Foods Albertsons was one of the first mainstream supermarkets to begin offering Natural•Organic products in our stores and the Company continues to expand product selection in this growing category. Today, our shoppers will find an expanded Natural•Organic product offering in more than 400 stores and organic produce in all stores. The Company is also adding more specialty gourmet foods into categories throughout our stores.

Loyalty Marketing

Preferred Savings Card In 2002, Albertsons announced the expansion of its loyalty-marketing program—the Preferred Savings Card—to the Intermountain, Northern California, Northwest and Florida division operating areas. Developed as a proprietary marketing tool for these markets, the card also incorporates the best practices

Loyalty Marketing Continued...

of successful loyalty card programs from the Company’s Jewel, Acme and Dallas/Fort-Worth divisions. The program allows us to:

- › Better understand the unique needs of our customers and deliver the best combination of products, services and value to meet those needs;
- › Make better overall business decisions and support our category management initiatives;
- › Grow identical store sales;
- › Improve our price image with consumers;
- › Prevent market share erosion;
- › Protect primary shopper loyalty and grow our share of secondary shopper spending.

Catalina Marketing Network In 2002, the Company expanded its Catalina Marketing Network to include all food and drug stores creating a nationwide system and another loyalty marketing tool. This tool allows the Company to offer our customers:

- › Coupons delivered at the check stands based on the customers’ actual purchase behavior;
- › Incentives for products purchased, such as a competitive brand;
- › Unique household marketing where participating brands can identify loyal, occasional, never-buy, new or competitive users and influence buying behavior;
- › Proprietary marketing themes, corporate brand initiatives and specific department promotions.

Service First, Second to None

Albertsons continues to focus on setting high industry customer service standards. The “Service First, Second to None” comprehensive audit program which measures execution of customer service behaviors in stores across the Company, as well as those of our competitors, is highly successful. Our Service First data initiative shows that our customer service execution levels rose in drug stores from 89.6% at the end of 2001, to 93.1 % at the end of 2002 and in food stores, from 82.6% to 89.4%. This was a major accomplishment and was achieved through programs that have energized our associates and sensitized them to the importance of customer service

Albertsons continues to seek new avenues to energize and reward its associates. In 2002, Albertsons held our first company-wide Checker / Courtesy Clerk Service Challenge Competition. Ten grocery teams and six drug store associates (one team from each division) competed for the customer service title in Las Vegas. In 2003, the Company plans to implement a new “Store of the Year President’s Award” program along with our continuing Service Challenge Competition.

Private Label

Albertsons is leading one of the most powerful private label programs in the supermarket industry. The Company offers 5,000 products across more than 200 categories, including everything from peanut butter to diabetic monitors. We recognize there is an incredible opportunity to increase our private label penetration through more aggressive market support and the development of a premium private label.

essensia™ In 2002, Albertsons developed plans to introduce **essensia**, a new line of premium products developed exclusively for Albertsons. The **essensia** product line creates a new level of excellence in Corporate Brands, offering shoppers a uniquely superior alternative to national brands and competitive premium private label brands. Launched during first quarter, 2003, the initial **essensia** product offering includes frozen entrees, meats, fish, side dishes, cookies, crackers and desserts.

Focus on Fresh

Albertsons is solidifying its position as the shopping destination of choice in every category through key initiatives such as “Focus On Fresh” – a significant point of differentiation between our stores and supercenter or club competitors. In step with this initiative, the Company continues to upgrade the whole supply chain to guarantee the availability of the freshest vegetables and produce, the best floral offering, the best bakery and the best meat and seafood in the industry.

> > > Retail Locations By Division

DIVISION	TOTAL STORES 1/30/03*	COMBINATION FOOD & DRUG STORES	CONVENTIONAL SUPERMARKETS	STAND-ALONE DRUG STORES	WAREHOUSE STORES	FUEL CENTERS
DRUG STORE	534			534		
SOUTHERN CALIFORNIA	306	235	58		13	16
MIDWEST	283	186	14	83		18
NORTHERN CALIFORNIA	183	111	71		1	
EASTERN	136	84	52			1
NORTHWEST	140	120	20			30
DALLAS/FORT WORTH	218	218				65
INTERMOUNTAIN	134	104	25	5		24
FLORIDA	120	120				15
SOUTHWEST	163	76	1	86		19
ROCKY MOUNTAIN	70	59	1		10	11
TOTAL—ALL DIVISIONS	2,287	1,313	242	708	24	199

*Does not include Fuel Centers

Combination Food & Drug Stores

Combination stores enhance the one-stop-shopping experience for our customers – part of our promise to make life easier. Most combination food and drug store formats offer prescription drugs, an expanded section of cosmetics and other non-food items, and specialty departments such as service seafood and meat, bakery, lobby/video, service delicatessen, liquor and floral. Many also offer meal centers, party supply centers, coffee bars, in-store banks, photo processing and destination categories for beverages, snacks, pet care products, paper products and baby care merchandise. Albertsons two stores under one roof dual branding concept takes combination stores to a new level and differentiates the Company from all its competitors. The dual branded combo format doubles the general merchandise product selection while maintaining the store’s food product variety. They also feature photo finishing, a greater variety of seasonal products and an expanded cosmetics and beauty care department featuring cosmeticians. Of our 1,313-combination food and drug stores, 250 feature our dual branded expanded store format.

Size 54,286 average square feet
1,313 stores in 27 states

Conventional Supermarkets

Conventional supermarkets offer a full selection in the basic departments of grocery, meat, produce and dairy as well as limited non-food lines. Many conventional stores have an in-store bakery and a service delicatessen.

Size 27,000 average square feet
242 stores in 14 states

Warehouse Stores

Warehouse stores are no-frills stores offering significant savings with special emphasis on discounted meat and produce. Warehouse stores offer shoppers the opportunity to save by purchasing in quantity.

Size 46,000 average square feet
24 stores in 2 states

Stand-Alone Drug Stores

Stand-alone drug stores are freestanding or in-line drug stores that offer convenient shopping and prescription pickup as well as a wide assortment of general merchandise, health and beauty care products, over-the-counter medications, greeting cards and photo processing services.

Size 18,600 average square feet
708 stores in 16 states

On-Line Shopping

Albertsons.com, a Web-based grocery shopping service, now serves more than 1,190 zip codes in California, Oregon, Washington and Nevada. The service offers shoppers a secure site where they can order from a full on-line selection of food and drugstore items, including our fresh departments, 24-hours-a-day, seven days a week; and provides additional benefits such as a weekly meal planner, online recipes, special promotions and an accessibility site for the visually impaired. Albertsons now operates on-line shopping in the following markets:

- > Seattle, Washington
- > Los Angeles/Orange County, California
- > Portland, Oregon
- > San Diego/Riverside, California
- > San Francisco/Bay Area, California
- > Las Vegas, Nevada

savon.com Savon.com, Albertsons on-line drug store, serves the Company’s customers nationwide. The site offers a full range of sundry items, new and refill prescription services and consumer health information. The web site allows customers across the country the freedom to have new or refilled prescriptions ready for pick-up at any local Albertsons food or drug store, or have their prescriptions mailed to their doorstep.

savonhealth.com SavonHealth.com offers complete, reliable health information services. Created by health care professionals, customers will find tools and resources related to a wealth of specialized health topics.

Fuel Centers

Fuel Centers, conveniently located near existing stores, feature three to six fuel pumps and a small building, ranging in size from a pay-only kiosk to a convenience store featuring such items as candy, soft drinks and snack foods. Additionally, 19 fuel centers feature car washes.

Size 148 – 1,200 to 3,000 square feet
199 centers in 20 states

Specialty Services & Departments

General Merchandise	2,286	Lobby/Video	915
Pharmacy	1,854	Banking	802
Service Delicatessen	1,547	Coffee Bar	296
Bakery	1,524	Drive-Thru Pharmacy	272
Butcher Block	1,515	Fuel Center	199
Liquor	1,576	24-Hour Pharmacy	110
30 Minute Photo	1,447	Car Wash	19
Floral	1,551		

> > > **Store Development**

Store sites are selected and developed using a neighborhood marketing approach to maximize sales and profits and are designed specifically to meet the shopping needs of a particular neighborhood. This process utilizes cross-functional development teams consisting of a real estate specialist, an attorney, an architect, a construction manager, store planners, engineers and purchasing agents. The teams are structured to align with the Division Operations that they support.

In our neighborhood marketing focus, community input is fundamental to the design of new buildings and remodeling of existing buildings. Every store’s exterior elevation is designed for its neighborhood.

Market Leadership

Analytical Tools Albertsons has implemented new analytical tools and market leadership strategies to build successful stores in the right markets. These tools allow Albertsons senior executives to focus on return on invested capital and to thoroughly evaluate our capital investments so that the Company only invests in value-enhancing markets.

Information System Albertsons has a Store Development Information System that tracks all new store, remodel and fuel center projects. All prospective store sites are visited and approved by a minimum of three members of our senior management team.

In 2002, Albertsons accomplished the following:

- › Opened 61 combination food & drug stores and 31 drug stores.
- › Opened 46 fuel centers under the names Albertsons Express, Jewel Express and Acme Express.
- › Added 41 in-store banks.
- › Completed 207 store remodels, including 15 expansions.
- › Added destination categories and departments in many new stores and remodels including: natural foods, beverages, snacks, video, party supplies, floral, pet care, paper products, baby care, beauty care, reading, coffee/ice cream, university booster supplies, home care (maintenance and cleaning supplies), photo and wine.
- › Closed 141 combination stores, 27 conventional supermarkets, 5 warehouse stores and 54 drug stores as part of Albertsons effort to continually review all stores and eliminate marginal performers.
- › Owned 51% of the retail stores we operate, including owned stores on leased land, and owned all Distribution Centers and most administrative offices.
- › Ended the year with 148 fuel centers with convenience stores ranging in size from 1,200 to 3,000 square feet and 51 fuel centers with kiosks averaging approximately 100 square feet.

In 2003, Albertsons plans to open approximately 43 combination food and drug stores, 22 drug stores and complete 191 remodels.

> > > **Distribution Operations**

	GROCERY	FROZEN FOOD	LIQUOR	PRODUCE	MEAT & DELI	ICE CREAM PLANT	HEALTH & BEAUTY CARE	HIGH VOLUME HEALTH & BEAUTY CARE	GENERAL MERCHANDISE	PHARMACEUTICALS	
MELROSE PARK, ILLINOIS	•	•		•	•						1,467,000
LANCASTER, PENNSYLVANIA	•			•	•		•		•		1,412,700
BREA, CALIFORNIA	•	•			•						1,295,000
LA HABRA, CALIFORNIA	•		•				•		•	•	1,203,100
FORT WORTH, TEXAS	•	•		•	•						1,130,500
PLANT CITY, FLORIDA	•	•	•	•	•			•			1,010,900
IRVINE, CALIFORNIA	•			•							996,900
ELK GROVE, ILLINOIS	•						•		•	•	933,000
VACAVILLE, CALIFORNIA	•										854,000
PORTLAND, OREGON	•	•		•	•						834,300
PHOENIX, ARIZONA	•	•	•	•	•						734,300
SALT LAKE CITY, UTAH	•	•		•	•						659,600
SAN LEANDRO, CALIFORNIA		•		•	•						475,200
SACRAMENTO, CALIFORNIA	•	•	•	•	•						441,600
PONCA CITY, OKLAHOMA							•		•	•	420,000
DENVER, COLORADO	•	•		•	•						388,400
BOISE, IDAHO							•		•		302,300

Other Distribution Facilities

LAS VEGAS, NEVADA		•									30,000
INDIANAPOLIS, INDIANA			•								22,000
BOISE, IDAHO						•					11,000

TOTAL SQUARE FOOTAGE – ALL DISTRIBUTION FACILITIES											14,621,800
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> > > **Information Technology**

A "Focus on Technology" is one of Albertsons' five strategic imperatives and an enabler of the other four imperatives. Technology business solutions are helping us rapidly achieve our goals to maximize growth and profitability company-wide. For example, Human Resources is using technology to implement new interactive multimedia kiosks (Unicru) in stores that are helping to recruit and train associates in our workforce of more than 200,000 associates. Our loyalty marketing programs would be nearly impossible without technology. New technology in our front-ends allows our associates to spend more one-on-one time with our customers to make their life easier.

Information technology continues to be an investment priority. The Information Technology team strives to rapidly deliver high-value, quality, leading-edge business solutions by leveraging people, processes, and technology. These solutions provide competitive advantage and new opportunities to maximize growth and profitability. The business drives the technology solutions by partnering with Information Technology to create a comprehensive strategic plan that is continuously evaluated and prioritized through a technology governance process.

Technology initiatives are delivered to all corners of Albertsons' business as follows:

- › **Retail Operations & Customer Interaction** – initiatives are focused on driving cost out and efficiency into the stores' processes, enabling excellence in execution of marketing programs, and providing unique customer experiences through interaction with appropriate technology.
- › **Merchandising & Supply Chain Operations** – initiatives are focused on decision-making tools to ensure each store has the right assortment of products at the right price, and on improving efficiency, accuracy, and speed of procuring product and delivering it from our vendor partners to the store shelves.
- › **Back Office Operations** – initiatives are focused on enabling best-in-class financial, human resource, and store development processes that form the backbone of every world-class retail company.

Making a Difference at Retail

Front-End Systems Fast, friendly customer service is critical in our business. Albertsons uses technology in our front-end systems to give our customers the most positive experience possible, with the proper balance of efficiency and customer service. Our front ends are equipped with PC-based registers, computerized intuitive keyboards for our checkers and color display screens for our customers. Handheld scanners at check stands and selected departments, such as liquor, lobby and pharmacy, make our associates' jobs more efficient. By using systems that allow customers to pay with debit cards, credit cards or electronic benefit payments and our customer-friendly national check authorization system, we have increased customer convenience and checkout speed. Additionally, our customers benefit from detailed receipts showing overall promotional savings and continuity points for loyalty card customers.

Self-Checkout In our quest to make life easier for our customers, Albertsons continues to expand our self-checkout program. Self-checkout systems offer customers a convenient choice. Albertsons and its family of stores installed the world's first unit in Olympia, Washington in May 2000. As of April 2003, self-checkout service is currently available in 13 states operating under the banners of Albertsons, Acme and Jewel-Osco.

Personal Shopper Albertsons is piloting "personal shopper" technology in select stores utilizing handheld units that allow customers to scan their products as they shop. This coupled with self-checkout creates an extremely efficient and unique shopping experience for our customers.

Front-End Sales Forecasting Today's busy lifestyles leave less time for shopping than in the past. To ensure our customers' visits to our stores flow as smoothly as possible, Albertsons front-end managers focus on checkout effectiveness. Forecasting systems based on store activity help our store managers to customize staffing schedules to fit customer flow and sales patterns in each store. The end result? We can ensure excellent service for our customers at all times.

Pharmacy Computer Systems

Albertsons is making life easier for our pharmacy customers through technological business solutions. A state-of-the-art computer system helps our pharmacists better serve our customers by providing enhanced drug-interaction and allergy screening, insurance billing, patient counseling information and drug information to increase accuracy of all prescriptions. Customers can also have prescriptions refilled over the Internet at [savon.com](#) or over the phone. Technology is also giving both our customers and pharmacists more access to on-line health-related information to help them manage disease and promote good health.

Albertsons pharmacy systems incorporate strict controls to protect the privacy of our customers' personal health information by only allowing access to this information by the trusted health professionals in the pharmacy. Some of the technologies employed in our pharmacy systems include biometric devices for user identification and sign on, flat panel color touch screens, imaging, paperless workflow, and electronic prescription capture.

Pharmacy Robotics Albertsons utilizes robotics technology in our pharmacies to automatically fill prescriptions, allowing our pharmacies to focus more time on customer service and health education. This technology helps us process prescriptions more efficiently, without compromising sales and service levels. This is particularly important due to the shortage of pharmacists, aging of the population using more prescriptions and the high level of quality assurance associated with imaging and barcode scanning controls.

Real-Time Information Delivery

Implementation of real-time information delivery systems allow Albertsons to capture, track and integrate transactions at every level of the business. The Company is leveraging real-time transaction data gathered from our stores by combining it with forecasts, inventory levels and velocity tracking algorithms to alert various constituents throughout the supply chain. This creates an adaptive supply chain that can react in real-time. By informing the right associates at the right time with actionable information to react to the constantly changing conditions, our stores can improve product availability and avoid lost sales opportunities. We continually explore new opportunities to leverage the data warehouse through new decision-support and analytical tools as well as through expanding the scope of the data collected.

Business-to-Business (B2B)

Data Synchronization Albertsons is implementing item registration and data synchronization services by partnering with UCCnet and our suppliers to streamline the collection of accurate product data, creating a single source to provide this information to all departments within the Company. These services will enable Albertsons and its vendor partners to take significant costs out of the supply chain by reducing costly administrative errors in invoice pricing, purchase orders, and product delivery. In addition, the Company will be able to increase the speed of getting new products to market and facilitate changes to existing item information. Synchronized data in a standard format also provides a solid foundation for realizing the true cost savings of more advanced e-commerce tools such as scan-based trading and CPFR.

Trading Exchanges Trading exchanges unite the buy and sell sides of a business process, adding efficiencies and substantial cost reductions. Albertsons is a founding member, along with 16 other retailers, of the World Wide Retail Exchange (WWRE) established in March 2000 for the retail community. Through e-procurement and supply-side Web initiatives, the supply chain costs — for both the retailers and the suppliers— will continue to decrease considerably for products we buy both to resell to our customers and for internal usage. E-procurement and, more specifically, on-line auctions are already creating tremendous savings for Albertsons.

Advanced Technology R&D

Albertsons’ Advanced Technology Group provides technical leadership identifying, evaluating and recommending technologies, solutions and products to anticipate technology needs and trends. Participation in industry leading standards groups, such as GCI, UCCNet and WWRE, ensures technology solutions that extend the enterprise to include our partners. Through vendor round tables, technology and retail experts define future direction and create industry-leading solutions for Albertsons. Industry changing technology trends, such as RFID, customer kiosks, personalized web sites and customer enabled in-store wireless networks, are examples of Albertsons’ focus on new technology.

Networking

Utilizing broadband IP based telephone and satellite networks, Albertsons is converging its ever-growing data, voice and video needs. This unifying communication infrastructure creates a seamless collaboration framework, enabling such critical applications as real-time data collection from point-of-sale and distribution systems, broadcast and interactive video & Web conferencing, and interconnecting the thousands of internal computers to our suppliers and business partners.

Mobile Computing

Albertsons has connected wireless, radio-frequency handheld units to each store’s local-area network. These units help increase store associates’ productivity and accuracy in ordering and receiving products, auditing shelf prices and managing inventory. The Company also uses wireless platforms to reduce wiring costs for cash registers and scales, as well as several new customer and associate interactive applications such as personal shopper and store hiring kiosks.

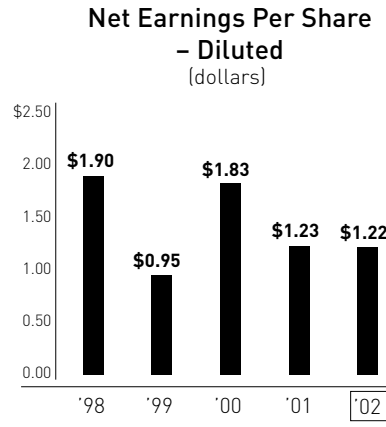
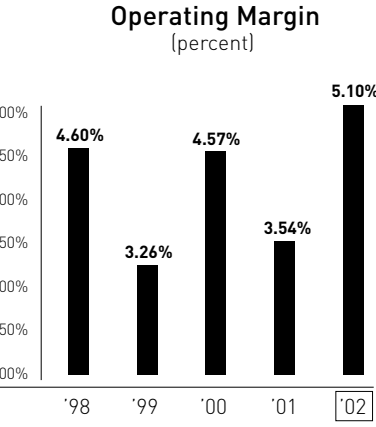
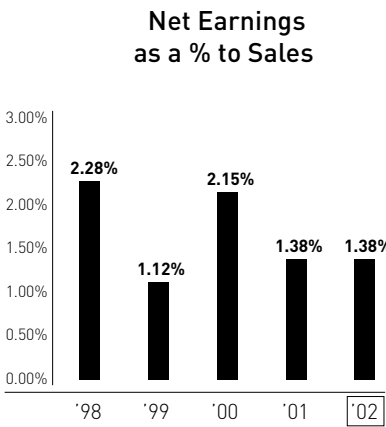
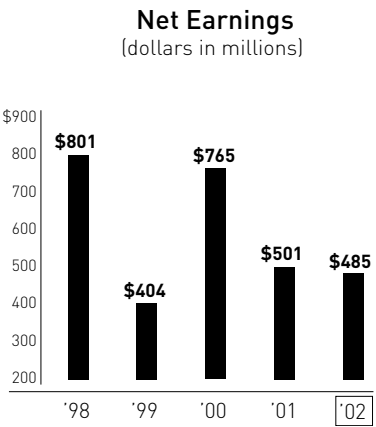
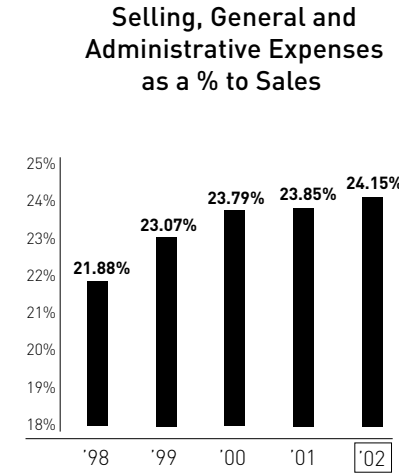
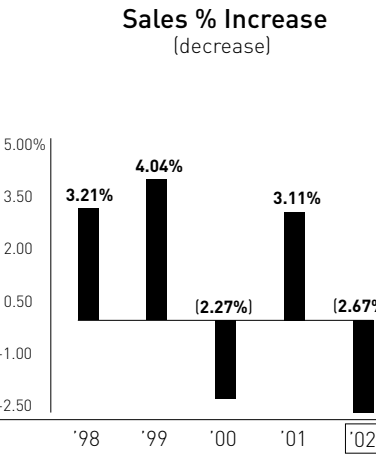
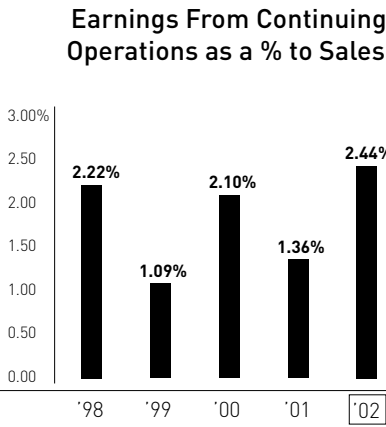
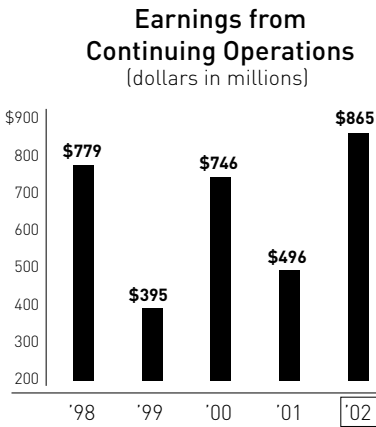
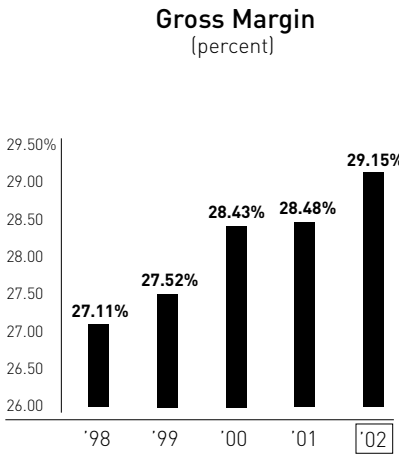
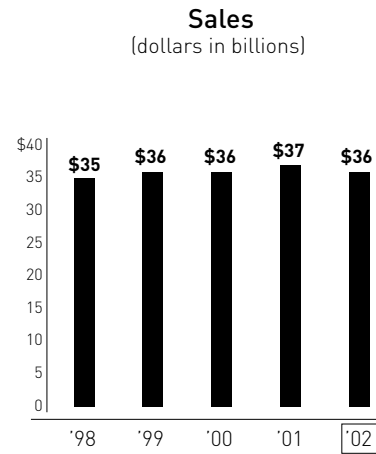
State-of-the-Art Technology Center

In 2002, Albertsons IT department moved into a new, state-of-the-art facility in Boise that consolidates technical operations from other Company data centers. This 33,000 square foot facility is the nerve center for the applications that enable our customer’s 1.4 billion shopping experiences at Albertsons each year. As Albertsons planned and built this facility, our focus on capacity expansion, redundancy, high availability, and security was key in its design.

More than 50 terabytes of information is stored and processed supporting all of our retail, distribution, and office locations. Our 24 hours / seven days a week business requirements drive our service levels that are monitored and maintained by the operations control center. This world-class technology center favorably positions Albertsons to provide information technology services that will provide Albertsons with a competitive advantage maximizing growth, profitability, and new opportunities.

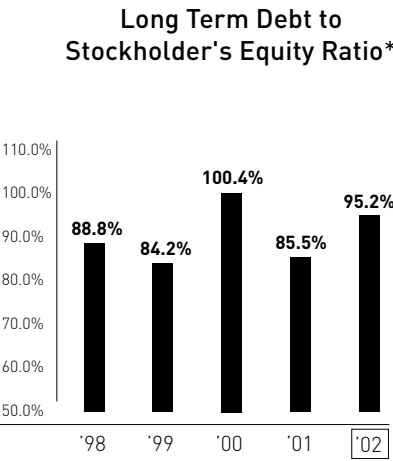
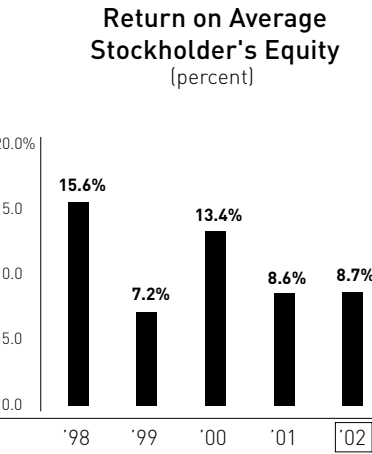
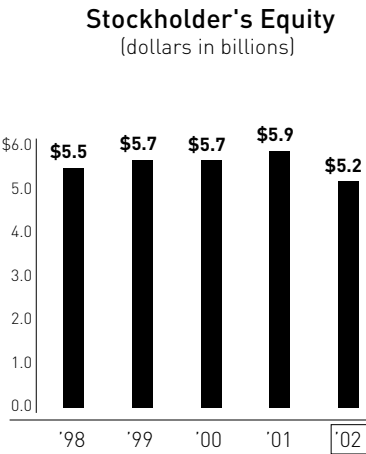
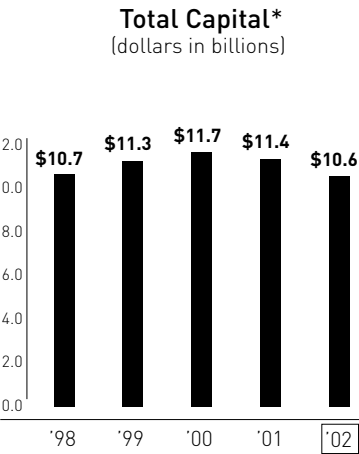
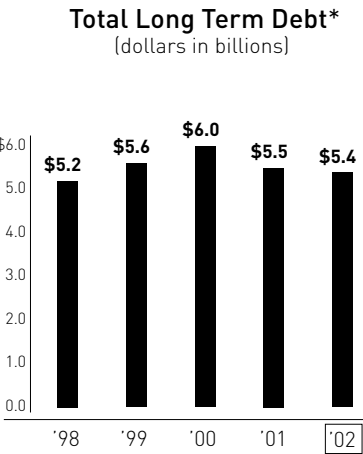
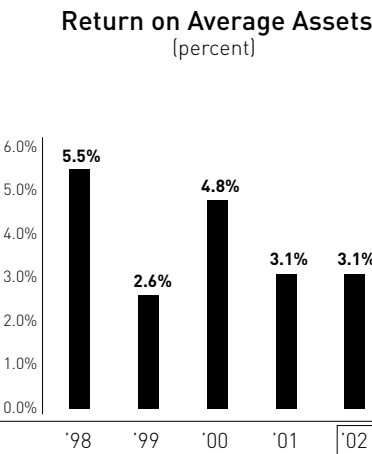
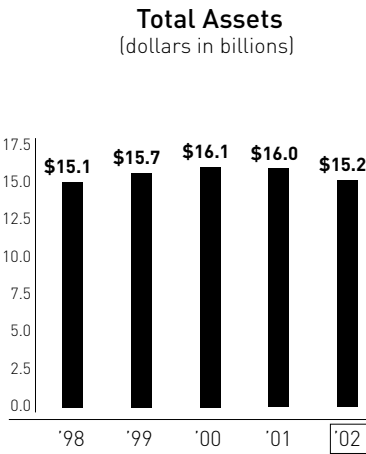
> > > **Five-Year Trends**

Income Statement



> Certain reclassifications have been made in prior years to conform to classifications used in the current year.

Balance Sheet

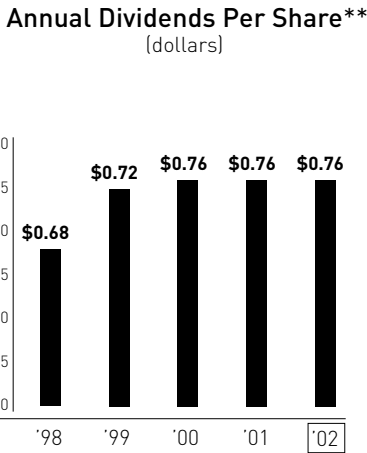
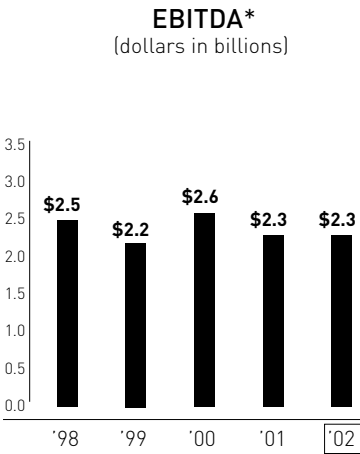


› Certain reclassifications have been made in prior years to conform to classifications used in the current year.

› Balance sheet amounts are as of the fiscal year end.

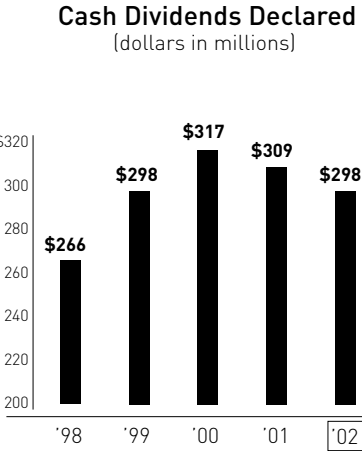
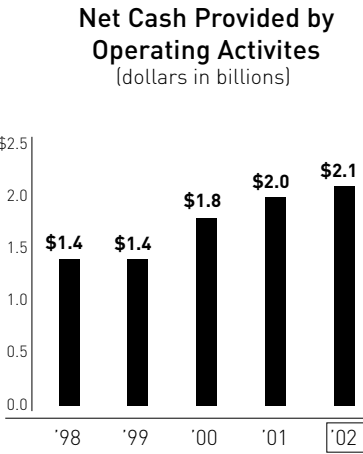
* See reconciliations in footnotes on page 38.

Cash Flow and Dividends



* See reconciliation of EBITDA in footnotes on page 38.

** Prior to the merger with Albertsons on June 23,1999, American Stores Company did not pay a dividend.



> > > **Three-Year Quarterly Statistics** (dollars in millions except per share amounts)

	First	Second	Third	Fourth
SALES				
2002	\$ 8,921	\$ 8,941	\$ 8,657	\$ 9,107
2001	8,994	9,235	9,036	9,340
2000	8,703	8,902	8,680	9,216
SALES INCREASE (DECREASE) OVER PRIOR YEAR				
2002	(0.81)%	(3.18)%	(4.19)%	(2.49)%
2001	3.34	3.74	4.10	1.35
2000	(2.78)	(2.25)	(0.18)	(3.70)
OPERATING MARGIN				
2002	5.45%	5.81%	4.44%	4.67%
2001	4.79	(1.56)	4.62	6.33
2000	4.21	4.62	4.32	5.11
EARNINGS FROM CONTINUING OPERATIONS				
2002	\$ 232	\$ 244	\$ 190	\$ 199
2001	184	(154)	177	289
2000	174	190	167	215
EARNINGS FROM CONTINUING OPERATIONS AS % TO SALES				
2002	2.59	2.72	2.19	2.20
2001	2.05	(1.68)	1.96	3.11
2000	2.00	2.12	1.92	5.11
NET EARNINGS				
2002	(\$165)	\$ 257	\$ 188	\$ 205
2001	186	(151)	176	290
2000	179	194	172	220
NET EARNINGS PERCENT TO SALES				
2002	(0.81)%	2.87%	2.17%	2.26%
2001	2.04	(1.64)	1.95	3.12
2000	2.00	2.12	1.98	2.39
EARNINGS PER SHARE - DILUTED				
2002	(0.40)	0.63	0.47	0.54
2001	0.46	(0.37)	0.43	0.71
2000	0.42	0.46	0.41	0.54
LIFO CHARGES (CREDITS) BEFORE INCOME TAXES				
2002	5	5	0	(9)
2001	7	7	8	(17)
2000	6	6	8	(43)

- > Due to rounding and different periods used to compute weighted average outstanding shares, the sum of the quarterly Earning Per Share – Diluted may not equal the annual Earnings Per Share – Diluted.
- > Year refers to the calendar year in which fiscal year commences.
- > Certain reclassifications have been made in prior years to conform to classifications used in the current year.

> > > **Five-Year Annual Statistics** (dollars in millions except per share amounts)

YEAR	SALES	% INCREASE (DECREASE)	COMPARABLE 52/53 WEEK % INCREASE	GROSS PROFIT	GROSS MARGIN	S, G & A EXPENSES	S, G & A EXPENSES % TO SALES
2002	\$ 35,626	(2.67)%		\$ 10,384	29.15	\$ 8,604	24.15
2001	36,605	3.11		10,426	28.48	8,731	23.85
2000	35,501	(2.27)	3.80%	10,092	28.43	8,444	23.79
1999	36,326	4.04	5.40	9,996	27.52	8,382	23.07
1998	34,915	3.21		9,467	27.11	7,638	21.88

YEAR	OPERATING PROFIT	OPERATING MARGIN	EARNINGS BEFORE INCOME TAXES	INCOME TAX EXPENSE	EFFECTIVE TAX RATE	NET EARNINGS	NET EARNINGS % TO SALES
2002	\$ 1,817	5.10	\$ 1,405	\$ 540	38.43%	\$485	1.38%
2001	1,296	3.54	863	367	42.53	501	1.38
2000	1,624	4.57	1,243	497	39.98	765	2.15
1999	1,181	3.26	846	451	53.31	404	1.12
1998	1,610	4.60	1,301	522	40.12	801	2.28

YEAR	NET EARNINGS % INCREASE (DECREASE)	DEPRECIATION & AMORTIZATION	GOODWILL AMORTIZATION	RENT EXPENSE	INTEREST EXPENSE DEBT	INTEREST EXPENSE CAPITALIZED LEASES	LIFO CHARGE (CREDIT) BEFORE INCOME TAXES
2002	(3.2)%	\$ 966	\$ 0	\$ 323	\$ 361	\$ 35	(\$2)
2001	(34.5)	970	56	309	395	30	5
2000	89.4	944	57	302	351	27	(23)
1999	(49.6)	853	58	301	320	27	30
1998	0.5	803	58	274	308	25	16

- › Fiscal 1999 was a 53-week year.
- › Year refers to the calendar year in which fiscal year commences.
- › Certain reclassifications have been made in prior years to conform to classifications used in the current year.

YEAR	EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (FIFO BASIS)	EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION % TO SALES (FIFO BASIS)	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL*	LAND, BUILDINGS & EQUIPMENT, NET	TOTAL ASSETS
2002	\$ 2,302	6.46%	\$ 4,268	\$ 3,448	820	\$ 9,029	\$ 15,211
2001	2,329	6.36	4,623	3,596	1,027	9,282	15,981
2000	2,630	7.41	4,358	3,411	947	9,558	16,094
1999	2,164	5.96	4,591	4,069	522	8,911	15,719
1998	2,548	7.30	4,208	3,351	857	8,545	15,131

YEAR	INVENTORIES (LIFO)	CAPITAL EXPENDITURES (INCLUDING OPERATING LEASES)	CURRENT & LONG-TERM DEBT	CURRENT & LONG-TERM CAPITALIZED LEASE OBLIGATIONS	STOCKHOLDERS' EQUITY	SHARES OUTSTANDING (NET OF TREASURY) (IN MILLIONS)	EARNINGS PER SHARE - BASIC
2002	2,973	\$ 1,584	5,055	321	5,197	372	\$ 1.22
2001	3,196	\$ 1,686	5,183	290	5,915	407	\$ 1.23
2000	3,364	\$ 1,932	5,777	247	5,694	405	\$ 1.83
1999	3,481	2,098	5,423	206	5,702	424	0.96
1998	3,249	2,097	4,955	220	5,522	420	1.91

YEAR	EARNINGS PER SHARE - DILUTED	CASH DIVIDENDS PER SHARE**	CASH DIVIDENDS DECLARED**	PRICE RANGE OF STOCK (NYSE)	FISCAL YEAR END STOCK PRICE	FISCAL YEAR END P/E RATIO	NUMBER OF STORES
2002	\$ 1.22	\$ 0.76	\$ 298	35.49 - 18.85	20.92	17.2	2,287
2001	1.23	0.76	309	36.99 - 27.00	28.75	23.4	2,421
2000	1.83	0.76	317	39.25 - 20.06	28.63	15.6	2,512
1999	0.95	0.72	298	61.94 - 29.00	30.00	31.7	2,492
1998	1.90	0.68	266	67.13 - 44.00	61.69	32.5	2,564

- * Working Capital equals Current Assets minus Current Liabilities.
- ** Prior to the merger with Albertsons on June 23,1999, American Stores Company did not pay a dividend.

Total Long Term Debt Reconciliation	1998	1999	2000	2001	2002
Current Capital Lease Obligations	18	19	20	14	14
Long Term Capital Lease Obligations	202	187	227	276	307
Current & Long Term Capital Lease Obligations	220	206	247	290	321
Current Debt	50	620	62	123	105
Long Term Debt	4,905	4,803	5,715	5,060	4,950
Current & Long Term Debt	4,955	5,423	5,777	5,183	5,055
Current & Long Term Capital Lease Obligations	220	206	247	290	321
Current & Long Term Debt	4,955	5,423	5,777	5,183	5,055
Total Long Term Debt	5,175	5,629	6,024	5,473	5,376

Total Capital Reconciliation	1998	1999	2000	2001	2002
Total Long Term Debt	5,175	5,629	6,024	5,473	5,376
Total Stockholders' Equity	5,522	5,702	5,694	5,915	5,197
Total Capital	10,697	11,331	11,718	11,388	10,573

EBITDA Reconciliation	1998	1999	2000	2001	2002
Sales	\$34,915	\$36,326	\$35,501	\$36,605	\$35,626
Net Earnings	801	404	765	501	485
Income Taxes	537	472	509	372	457
Interest Expense, Net	333	347	378	425	396
Depreciation & Amortization	861	911	1,001	1,026	966
EBITDA without adjustments for LIFO	2,532	2,134	2,653	2,324	2,304
% to Sales	7.25%	5.87%	7.47%	6.35%	6.47%
LIFO	16	30	[23]	5	[2]
EBITDA adjusted for FIFO	2,548	2,164	2,630	2,329	2,302
% to Sales	7.30%	5.96%	7.41%	6.36%	6.46%

Cautionary Statement for Purposes of "Safe Harbor Provisions" of the Private Securities Litigation Reform Act of 1995

All statements other than statements of historical fact contained in this and other documents disseminated by the Company, including statements regarding the Company's expected financial performance, are forward-looking information as defined in the Private Securities Litigation Reform Act of 1995. In reviewing such information about the future performance of the Company, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information since predictions regarding future results of operations and other future events are subject to inherent uncertainties.

These statements may relate to, among other things: investing to increase sales; changes in cash flow; increases in insurance and employee benefit costs; attainment of cost reduction goals; achieving sales increases and increases in identical sales; opening and remodeling stores; and the Company's five strategic imperatives; and are indicated by words or phrases such as "expects," "plans," "believes," "estimate," and "goal." In reviewing such information about the future performance of the Company, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information.

Important assumptions and other important factors that could cause actual results to differ materially from those set forth in the forward-looking information include changes in the general economy; changes in interest rates; changes in consumer spending; actions taken by new or existing competitors (including nontraditional competitors), particularly those intended to improve their market share (such as pricing and promotional activities); and other factors affecting the Company's business in or beyond the Company's control. These factors include changes in the rate of inflation; changes in state or federal legislation or regulation; adverse determinations with respect to litigation or other claims (including environmental matters); labor negotiations; the cost and stability of energy sources; the Company's ability to recruit, retain and develop employees; the Company's ability to develop new stores or complete remodels as rapidly as planned; the Company's ability to implement new technology successfully; stability of product costs; the Company's ability to integrate the operations of acquired or merged companies; the Company's ability to execute its restructuring plans; and the Company's ability to achieve its five strategic imperatives.

Other factors and assumptions not identified above could also cause the actual results to differ materially from those projected or suggested in the forward-looking information. The Company does not undertake to update forward-looking information contained herein or elsewhere to reflect actual results, changes in predictions, assumptions, estimates or changes in other factors affecting such forward-looking information.



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